



# **Galveston Community College District**

## **REQUIRED COMMUNICATIONS**

**August 31, 2025**



CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.  
Two Riverway  
15th Floor  
Houston, TX 77056

713.621.8090  
713.621.6907 (fax)  
CRIadv.com

December 19, 2025

The Board of Regents and Management of  
Galveston Community College District

We are pleased to present the results of our audit of the 2025 financial statements of Galveston Community College District (the College).

This report to the Board of Regents and management summarizes our audit, the reports issued and various analyses and observations related to the College's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the College's 2025 financial statements. We considered the College's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the College's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board of Regents and management of the College and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 832-333-7408 or [agallardo@CRIadv.com](mailto:agallardo@CRIadv.com).

Very truly yours,

Ana Gallardo

Partner

As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the College. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Regents and management, 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, in order to express an opinion on the College's financial statements for the year ending August 31, 2025.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*; Uniform Guidance 2 CFR Part 200; and Texas Grant Management Standards in order to express an opinion on compliance with requirements applicable to each major federal and state of Texas program.
- Report on internal control over compliance with the types of compliance requirements described in Uniform Guidance 2 CFR Part 200, Texas Grant Management Standards and the OMB Compliance Supplement.
- Communicate directly with the Board of Regents and management regarding the results of our procedures.
- Address with the Board of Regents and management any accounting and financial reporting issues.
- Anticipate and respond to concerns of the Board of Regents and management; and
- Address other audit-related projects as they arise and upon request.

We identified the following significant risks of material misstatement as part of our audit planning:

- Management override of internal controls.
- Inherent risk of improper revenue recognition.
- Valuation of pension and other postemployment benefits (OPEB) liability.

For areas that are determined to have a higher assessed risk of material misstatement, we generally reduce our testing scopes, and consider additional tests, in order to increase the extent of the audit procedures we perform.

We have audited the financial statements of Galveston Community College District (the College) for the year ended August 31, 2025, and have issued our report thereon dated December 19, 2025. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<b>Auditor's responsibility under Generally Accepted Auditing Standards and <i>Government Auditing Standards</i></b>	<p>As stated in our engagement letter dated March 31, 2025, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<b>Client's responsibility</b>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p> <p>Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<b>Planned scope and timing of the audit</b>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<b>Management judgments and accounting estimates</b> <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<b>Potential effect on the financial statements of any significant risks and exposures</b> <i>Major risks and exposures facing the College and how they are disclosed.</i>	<p>No such risks or exposures were noted.</p>

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li><i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li><i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the College's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.</i></li> <li><i>Critical accounting policies and practices applied by the College in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.</i></li> </ul>	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 2 to the financial statements.</p> <p>Effective September 1, 2024, the College adopted GASB Statement No. 101, <i>Compensated Absences</i>. The implementation of GASB 101 represents a change in accounting principle which needs to be applied retroactively. Accordingly, a restatement to the unrestricted net position as of September 1, 2023 was required for the recording of the beginning compensated absences liability to include sick leave accruals of \$180,958 in addition to the vacation leave already accrued by the College. Additionally, institutional support expense for 2024 increased and change in net position for 2024 reduced by \$13,051 to record sick leave expense for fiscal year 2024.</p> <p>No other changes in accounting policies or their application occurred during the current fiscal year.</p> <p>We noted no transactions entered into by the College during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of revenue bonds, employee retirement plans and other post employment benefits in Notes 9, 10 and 13, respectively, to the financial statements.</p> <p>Further, the disclosures in the College's financial statements are neutral, consistent, and clear.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<ul style="list-style-type: none"> <li>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</li> </ul>	
<p><b>Significant difficulties encountered in the audit</b></p> <p>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</p>	We encountered no significant difficulties in dealing with management in performing and completing our audit.
<p><b>Disagreements with management</b></p> <p>Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</p>	We are pleased to report that no such disagreements arose during the course of our audit.
<p><b>Other findings or issues</b></p> <p>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</p>	None noted.



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b></p> <p><i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None noted.
<p><b>Corrected and uncorrected misstatements</b></p> <p><i>All significant audit adjustments arising from the audit, whether or not recorded by the College, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	See "Summary of Audit Adjustments" section.
<p><b>Major issues discussed with management prior to retention</b></p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<p><b>Consultations with other accountants</b></p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	To our knowledge, there were no such consultations with other accountants.
<p><b>Written representations</b></p> <p><i>A description of the written representations the auditor requested.</i></p>	See "Management Representation Letter" section.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<b>Internal control deficiencies</b> <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i>	See "Internal Control Findings" section.
<b>Fraud and illegal acts</b> <i>Fraud involving the College's personnel or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i>	We are unaware of any fraud or illegal acts involving personnel or causing material misstatement of the financial statements.
<b>Other information in documents containing audited financial statements</b> <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such other items to date and are unaware of any other documents that contain the audited financial statements.</p>
<b>Significant unusual accounting transactions</b> <i>Auditor communication with governance to include auditor's views on policies and practices management used, as well as the auditor's understanding of the business purpose.</i>	No significant unusual accounting transactions were noted during the year.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<b>Required Supplementary Information</b> <i>The auditor's responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i>	<p>We applied certain limited procedures to the required supplementary information (RSI) consisting of management's discussion and analysis, schedule of College's proportionate share of net pension and OPEB liability and the schedule of College's contributions for pension and OPEB that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>
<b>Supplementary Information in relation to the financial statements as a whole</b> <i>The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i>	<p>We made certain inquiries of management and evaluated the form, content, and methods of preparing the supplementary schedules (Schedules A through D) and the schedules of expenditures of federal and state of Texas awards accompanying the basic financial statements to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p> <p>We were not engaged to report on the statistical section required by the Texas Higher Education Coordinating Board. We did not audit or perform other procedures on this information and we do not express any opinion or provide any assurance on it.</p>

## Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the College's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Regents may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Collectability of tuition, property tax and grant receivables	All receivables are booked at net realizable value. Receivables not expected to be collected within 12 months are discounted, if material.	Yes	<p>Management calculates allowance for tuition receivables using semester wise student balances. Allowance is calculated using lower % for latest semester and higher % is used for prior year semester balances.</p> <p>Management's estimate of the allowance for property tax receivables is based on year wise balances. Old year balances allowance is calculated using higher % and recent year balances allowance is calculated using lower %.</p> <p>Grant receivables are assessed based on history with the grantor agency. Generally no collection issues have been noted in prior years.</p>	<p>The methods used by management in the application of these accounting policies and the related financial statement disclosures are consistent with government accounting standards, as well as the College's specific circumstances.</p>

## Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of capital assets	Assets are depreciated over the expected remaining useful life of the individual asset.	Yes	Judgments in this area relate to the estimate of the remaining useful life of the asset.	The College's policies are in accordance with all applicable accounting guidelines.
Defined benefit pension plan	The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS utilizes an independent actuary to provide an actuarial valuation report specific to each participating employer. This report provides each participating employer with estimates of the total pension liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68.	Yes	Key assumptions utilized by the actuary in making the estimates in accordance with GASB 68. The total pension liability was determined by an actuarial valuation as of August 31, 2023 rolled forward to August 31, 2024.	We evaluated the assumptions used by the actuary in estimating the College's total pension liability, the fiduciary net position, and the related deferred outflows / inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

## Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Other post-employment benefit obligation	The College records a liability for its post-employment benefits obligation other than pensions.	Yes	The OPEB liability is projected using methods and assumptions as provided in the most recent actuarial valuation, in accordance with the provisions of GASB Statement No. 75. Health care cost trend rates were based on market assessments.	We evaluated the assumptions used by the actuary in determining the total OPEB liability and found them to be in accordance with the provisions of GASB 75 and reasonable in relation to the financial statements taken as a whole.
Functional allocation of expenses	The costs of providing the various programs have been summarized on a functional basis in the statements of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among the various functions.	Yes	Expenses specific to each function are recorded in that particular functional code in the general ledger. Allocations between functions are made based on various determinations by management.	The methods used by management in the application of these accounting policies and the related financial statement disclosures are consistent with government accounting standards, as well as College's specific circumstances.

## Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Subscription-Based Information Technology Arrangements (SBITAs)	<p>The College has the noncancelable right to use certain third-party vendor information technology software. These subscription-based technology arrangements primarily consist of software used for the College's accounting and operational needs as well as student assessment and engagement and other software needs. Management determines if an arrangement is a SBITA or contains a SBITA at inception. For subscription agreements that have a maximum possible term of 12 months or less at commencement, the College recognizes expense based on the provisions of the subscription agreement. For all other subscription-based agreements, the College recognizes a subscription-based liability and an intangible right-to-use subscription-based-asset.</p>	X	<p>In determining the discount rate used to measure the subscription-based assets and liabilities, the College uses its estimated incremental borrowing rate as the discount rate. The incremental borrowing rate for subscription-based agreements is based on the rate of interest it would have to pay if it issued general obligation bonds to borrow an amount equal to the subscription payment under similar terms at the commencement or remeasurement date. The subscription term includes noncancelable period to use certain third-party vendor information technology software plus any additional periods covered by either the College or the vendor's option to extend or terminate. Extension of additional periods is reasonably certain to be exercised, while termination of periods is reasonably certain to not be exercised. Periods for which both the College and the SBITA vendor have an option to terminate without permission from the other party are cancelable periods and are excluded from the subscription term.</p>	<p>We evaluated the key factors and assumptions used to develop the estimated useful lives, incremental borrowing rate and fair value of assets in determining that they are reasonable in relation to the financial statements taken as a whole.</p>

## Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated Absences	<p>The College recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on that criteria, two types of leave (vacation and sick leave) qualify for liability recognition for compensated absences.</p>	X	<p>Vacation - Full-time employees are eligible for vacation benefits at a rate of one day per full month of employment and may accrue and carry forward from one year to the next a maximum of 30 vacation days. Current pay rate is used for calculation for these benefits.</p> <p>Sick - Sick leave can accumulate to a maximum of 70 days for the purpose of carry-over from year to year. Unused accrued sick leave is forfeited upon termination of employment with the College with one exception. Sick leave, which was accrued prior to September 1, 1989, is compensated at the rate of one-half the accrued amount up to a maximum of 60 days based on the employee's salary at separation of service. Additionally, a liability, based on historical leave trends, for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.</p>	<p>The methods used by management in the application of these accounting policies and the related financial statement disclosures are consistent with government accounting standards, as well as College's specific circumstances.</p>

## Summary of Audit Adjustments



During the course of our audit, we accumulate differences between amounts recorded by the College and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the College or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditor's judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

The following is a list of adjustments recorded (corrected) by the College. These entries are primarily Provided by Client (PBC) entries provided after the initial trial balance:

### Corrected audit adjustments

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
PBC - To reclass Fall 2025 Fast Scholarships from Prepaid to Student Receivables			
10401	Due from Students	388,985.00	
10910	Prepaid Expense		388,985.00
<b>Total</b>		<b>388,985.00</b>	<b>388,985.00</b>
<b>Adjusting Journal Entries JE # 2</b>			
PBC - To record YE SBITA Asset and Liability			
11530	GASB96 Subscription Asset, net	59,136.00	
21906	GASB96 Subscription Liability		59,136.00
<b>Total</b>		<b>59,136.00</b>	<b>59,136.00</b>
<b>Adjusting Journal Entries JE # 3</b>			
To record sick leave payable per GASB 101 implementation			
56450	Sick leave Payable GASB 101	94,078.00	
57450	Salary GASB 101	151,803.00	
21602	Sick Leave		245,881.00
<b>Total</b>		<b>245,881.00</b>	<b>245,881.00</b>

### Uncorrected audit adjustments

Account	Description	Debit	Credit
<b>Proposed Journal Entries JE # 201</b>			
To adjust old outstanding checks			
10011	General Account	16,093.00	
50820	Bad Debt Expense		16,093.00
<b>Total</b>		<b>16,093.00</b>	<b>16,093.00</b>
<b>Proposed Journal Entries JE # 202</b>			
To record effect of asset and liability difference impact on P&L			
51220	Contr Serv Comp Lic	95,545.00	
11530	GASB96 Subscription Asset, net		95,545.00
<b>Total</b>		<b>95,545.00</b>	<b>95,545.00</b>
<b>Proposed Journal Entries JE # 203</b>			
To record ROU Asset and Lease Liability as of 8/31/2025			
11600	GASB 87 ROU Asset	34,306.00	
21810	GASB 87 Lease Liability		34,306.00
<b>Total</b>		<b>34,306.00</b>	<b>34,306.00</b>
<b>Proposed Journal Entries JE # 204</b>			
To record tuition fee that should be recognized as revenue in FY2025			
20301	Academic	110,641.00	
41010	Academic		110,641.00
<b>Total</b>		<b>110,641.00</b>	<b>110,641.00</b>

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the College's operating environment that has been identified as playing a significant role in the College's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



December 19, 2025

Carr, Riggs & Ingram, LLC  
Two Riverway, 15<sup>th</sup> Floor  
Houston, Texas 77056

This representation letter is provided in connection with your audits of the financial statements of Galveston Community College District (the College), which comprise the financial position as of August 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

#### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 31, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.



- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the College is contingently liable, if any, have been properly recorded or disclosed.
- 11) We believe that the actuarial assumptions and methods used to measure pension and other post-employment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 12) Receivables recorded in the financial statements represents valid claims against debtors for transactions arising on or before the statement of net position date have been reduced to their estimated net realizable value.
- 13) We have implemented GASB issued Statement No. 101, Compensated Absences during the audit period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the GASB. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amounts recorded and disclosed in the financial statements.

#### Information Provided

- 14) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the College from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Regents or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal and State of Texas awards.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17) We have no knowledge of any fraud or suspected fraud that affects the College and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the College's financial statements communicated by employees, former employees, regulators, or others.
- 19) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.



20) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

21) We have disclosed to you the names of the College's related parties and all the related party relationships and transactions, including any side agreements.

**Government-specific**

22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.

24) No investigations or legal proceedings that have been initiated with respect to the period under audit.

25) The College has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

27) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No.87.

28) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96 .

29) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

30) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASBS No. 101 .

31) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

32) As part of your audit, you assisted with preparation of the financial statements and disclosures, required supplementary information and related notes, supplementary information, other information, and preparation and submission of data collection form. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating Jeff Engbrock, Chief Financial Officer / Comptroller, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures, required supplementary information and related notes, supplementary information, other information, and preparation and submission of data collection form.

33) The College has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

34) The College has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

35) The financial statements properly classify all funds and activities in accordance with GAAP.



36) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

37) Provisions for uncollectible receivables have been properly identified and recorded.

38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenue, expenses and changes in net position, and allocations have been made on a reasonable basis.

39) Revenues are appropriately classified in the statement of revenue, expenses and changes in net position within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

40) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.

41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

42) We have appropriately disclosed the College's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

45) With respect to the statistical section, we acknowledge that we have informed you of all documents that may comprise other information we expect to issue. The financial statements and other information you obtained prior to the auditor's report date are consistent with one another, and the other information does not contain any material misstatements.

46) With respect to the supplementary information, required supplementary information and other information required by the Texas Higher Education Coordinating Board:

- We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

47) With respect to federal and State of Texas award programs:

- We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Texas Grant Management Standards, including requirements relating to preparation of the schedules of expenditures of federal and State of Texas awards.



- b) We acknowledge our responsibility for preparing and presenting the schedules of expenditures of federal and State of Texas awards (Schedules) and related disclosures in accordance with the requirements of the Uniform Guidance and the Texas Grant Management Standards and we believe the Schedules, including its form and content, are fairly presented in accordance with the Uniform Guidance and the Texas Grant Management Standards. The methods of measurement or presentation of the Schedules have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the Schedules.
- c) If the Schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the Schedules no later than the date we issue the Schedules and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the Texas Grant Management Standards compliance audits, and have included in the Schedules, expenditures made during the audit period for all awards provided by federal and State of Texas agencies in the form of federal and State of Texas awards, federal and State of Texas cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal and State of Texas statutes, regulations, and the terms and conditions of federal and State of Texas awards related to each of our federal and State of Texas programs and have identified and disclosed to you the requirements of federal and State of Texas statutes, regulations, and the terms and conditions of federal and State of Texas awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal and State of Texas programs that provides reasonable assurance that we are managing our federal and State of Texas awards in compliance with federal and State of Texas statutes, regulations, and the terms and conditions of federal and State of Texas awards that could have a material effect on our federal and State of Texas programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal and State of Texas awards (including amendments, if any) and any other correspondence with federal and State of Texas agencies or pass-through entities relevant to federal and State of Texas programs and related activities.
- h) We have received no requests from a federal and State of Texas agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement* relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal and State of Texas awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).



- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and State of Texas program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal and State of Texas program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal and State of Texas program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal and State of Texas awards in accordance with applicable cost principles.
- u) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Myles Shelton (Dec 19, 2025 11:27:48 CST)

W. Myles Shelton, Ed.D.  
President

Karen Flowers (Dec 19, 2025 10:42:52 EST)

Karen F. Flowers  
Chairperson, Board of Regents

M. Jeff Engbrock  
Chief Financial Officer / Comptroller



Uncorrected audit adjustments for 2025

Account	Description	Debit	Credit
<b>Proposed JE # 201</b>			
To adjust old outstanding checks			
10011	General Account	16,093.00	
50820	Bad Debt Expense		16,093.00
<b>Total</b>		<b>16,093.00</b>	<b>16,093.00</b>
<b>Proposed JE # 202</b>			
Entry to record effect of asset and liability difference impact on P&L			
51220	Confr Serv Comp Lic	95,545.00	
11530	GASB96 Subscription Asset, net		95,545.00
<b>Total</b>		<b>95,545.00</b>	<b>95,545.00</b>
<b>Proposed JE # 203</b>			
To record ROU Asset and Lease Liability as of 8/31/2025.			
11600	GASB 87 ROU Asset	34,306.00	
21810	GASB 87 Lease Liability		34,306.00
<b>Total</b>		<b>34,306.00</b>	<b>34,306.00</b>
<b>Proposed JE # 204</b>			
To record tuition fee that should be recognized as revenue in FY2025			
20301	Academic	110,641.00	
41010	Academic		110,641.00
<b>Total</b>		<b>110,641.00</b>	<b>110,641.00</b>



The Board of Regents and Management  
Galveston Community College District

In planning and performing our audit of the financial statements of Galveston Community College District (the College) as of and for the year ended August 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The attached chart that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated December 19, 2025, on the financial statements of the College.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various College personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Regents and others within the College, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

Houston, Texas  
December 19, 2025



The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

<b>IP = Improvement Point</b>	<b>D = Control Deficiency</b>	<b>SD = Significant Deficiency</b>	<b>MW = Material Weakness</b>
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
25-01	IP	ITGC	During termination testing, 5 of 8 selections were not timely removed due to incomplete or no UAACF submitted to IT to disable accounts. CRI was able to verify no activity on these accounts after termination date.	We recommend HR consistently fill out and retain completed User Account Access Control Forms (UAACF) for all employees upon new hire and at termination. CRI also recommends HR submits these forms to IT on a timely basis to ensure accesses are properly disabled upon termination.