

Grayson County College
Annual Financial Report
August 31, 2011

**Grayson County College
Annual Financial Report
Year Ended August 31, 2011**

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Grayson County College

**Organizational Data
For the Fiscal Year 2010 - 2011**

Board of Trustees

Officers

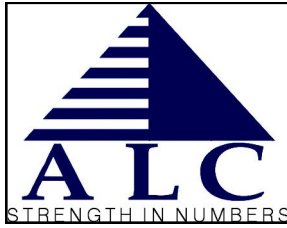
		<u>Term Expires</u>
Mrs. Janet Gott	President	2012
Mr. Bill McFatridge	Vice-President	2016
Mr. Bobby Brown	Secretary	2016

Members

Mr. Jack Norman	Howe, Texas	2012
Mrs. Ruby Jo Williams	Sherman, Texas	2014
Mr. Ralph Jones	Denison, Texas	2014
Dr. Mary Moses	Sherman, Texas	2012

Principal Administrative and Business Officers

Dr. Alan Scheibmeir	President
Mr. Giles Brown	Vice President for Business Services
Dr. Jeanie Hardin	Vice President for Instructional Services
Mr. Gary Paikowski	Vice President for Information Technology
Dr. Roy Renfro	Vice President for Resource and Community Development
Mr. Marc Payne	Vice President for Student Services



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

Independent Auditor's Report

Board of Trustees
Grayson County College
6101 Grayson Drive
Denison, Texas

Members of the Board:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Grayson County College (College) as of and for the years ended August 31, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of Grayson County College as of August 31, 2011 and 2010, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 on our consideration of the College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

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 accompanying 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 the State of Texas Single Audit Circular, 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated all material respects in relation to the basic financial statements taken 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 express no opinion on them.

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

Sherman, Texas

December 12, 2011

**GRAYSON COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011**

Management's discussion and analysis of Grayson County College's financial performance provides an overview of the college's financial activities for the fiscal year ended August 31, 2011. It should be read in conjunction with the college's financial statements which follow.

FINANCIAL HIGHLIGHTS

- Grayson County College continued its pattern of good financial performance, again increasing total net assets. For fiscal year 2010-2011, total net assets increased \$2,233,651, or 6.1%. In fiscal year 2009-2010 total net assets increased \$1,375,014, and in fiscal year 2008-2009 the increase was \$4,619,909.
- Unrestricted net assets also increased in fiscal year 2010-2011, growing from \$20,298,112 to \$21,990,019, for an 8.3% increase.
- Total assets decreased, falling from \$102,608,718 to \$98,935,981. This 3.6% decrease came primarily from investments as the proceeds from bond issues were spent.
- Total liabilities decreased \$5,906,388 to \$60,166,814. This 8.9% decrease came primarily from a decline in long-term bonds payable and accounts payable.
- Operating revenue increased 3.6% to \$10,163,220.
- Operating expenses grew \$2,569,123, or 7.0%, with the largest increases coming from scholarships and fellowships.
- Net non-operating revenues grew \$3,078,139, or 11.0%, to \$31,158,700.
- At August 31, 2011, the college was nearing the end of its facilities renewal program which is funded by \$44,790,000 in general obligation bonds that were authorized by voters in May 2007. The complete authorization of bond funds will be spent by December 31, 2012.

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 Assets*, *the Statement of Revenue, Expenses, and Changes in Net Assets* 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. Most significantly, they comply with GASB Statements 34 and 35, which are landmark pronouncements that changed the basic structure of financial reporting for governmental entities.

The *Statement of Net Assets* reflects assets, liabilities and net assets at a particular date of measurement, in this case August 31, 2011. In many respects it is similar to a balance sheet. The elements of the statement are classified as current assets, non-current assets, current liabilities, non-current liabilities, and net assets. The term "net assets" replaces the former term "fund balance." Net assets are further broken down as invested in capital assets, restricted, and unrestricted.

The *Statement of Revenues, Expenses and Changes in Net Assets* provides information on the change in net assets 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 Assets* and the *Statement of Revenues, Expenses and Changes in Net Assets*. These are provided as summaries. For more complete presentations, please see the actual statements shown in following sections of this Annual Financial Report.

Condensed Statement of Net Assets August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Capital assets (net accumulated depreciation)	\$ 69,612,898	\$ 68,100,716
All other assets	29,323,083	34,508,002
Total assets	<u>98,935,981</u>	<u>102,608,718</u>
<u>Liabilities</u>		
Non-current liabilities	55,056,412	57,737,178
All other liabilities	5,110,402	8,336,024
Total liabilities	<u>60,166,814</u>	<u>66,073,202</u>
<u>Net Assets</u>		
Invested in capital assets (net of related debt)	13,420,315	13,065,543
Restricted	3,358,833	3,171,861
Unrestricted	21,990,019	20,298,112
Total Net Assets	<u>\$ 38,769,167</u>	<u>\$ 36,535,516</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets for Years Ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Operating Revenue</u>		
Tuition and fees (net of discounts)	\$ 4,590,793	\$ 4,434,892
Operating grants and contracts	3,202,555	3,109,272
Auxiliary enterprises (net of discounts)	2,082,368	2,026,511
Other operating revenues	287,504	242,924
Total Operating Revenues	<u>10,163,220</u>	<u>9,813,599</u>
<u>Operating Expenses</u>		
Instruction	13,088,651	12,498,247
Public service	693,903	705,655
Academic support	1,489,883	1,531,288
Student services	2,263,197	2,098,517
Institutional support	3,731,280	3,491,956
Operation and maintenance of plant	4,420,886	4,909,414
Scholarships and fellowships	7,469,020	5,919,836
Auxiliary enterprises	4,151,032	3,969,656
Depreciation	1,790,417	1,404,577
Total Operating Expenses	<u>39,098,269</u>	<u>36,529,146</u>
<u>Operating Income (Loss)</u>	(28,935,049)	(26,715,547)
<u>Non-Operating Revenues (Expenses)</u>		
State appropriations	9,038,194	9,095,185
Ad valorem taxes	12,549,900	12,231,489
Net other non-operating revenues (expenses)	9,570,606	6,753,887
Net Non-Operating revenues (expenses)	<u>31,158,700</u>	<u>28,080,561</u>

<u>Income before Transfers</u>	2,223,651	1,365,014
Transfers	<u>10,000</u>	<u>10,000</u>
<u>Increase in Net Assets</u>	2,233,651	1,375,014
<u>Net Assets - Beginning of Year</u>	<u>36,535,516</u>	<u>35,160,502</u>
<u>Net Assets - End of Year</u>	<u>\$ 38,769,167</u>	<u>\$ 36,535,516</u>

DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Grayson County College uses a standard set of financial ratios to judge its financial position and the results of its operations. The ratios that the college uses are widely used in higher education and come from *Strategic Financial Analysis for Higher Education, 6th edition*.

The college compares the ratios from its current fiscal year with those of past years, with the statewide average for Texas community colleges, and with standards set by the Texas Higher Education Coordinating Board (THECB).

	<u>GCC</u>			2010 Average for Texas Comm. Colleges	THECB <u>Minimum</u>
	<u>2011</u>	<u>2010</u>	<u>2009</u>		
Return on Net Assets	6.1%	3.9%	15.1%	5.6%	0.0%
Operating Margin	5.4%	9.5%	13.3%	4.6%	0.0%
Primary Reserve Ratio	0.61	0.60	0.70	0.35	0.08
Viability Ratio	0.46	0.41	0.36	3.05	0.25
Composite Index	3.37	3.68	5.55	54.7	1.00

Grayson County College had solid results for fiscal year 2010-2011, improving in most categories over fiscal year 2009-2010. In all cases, the college's results were substantially better than the standards set by THECB.

Return on Net Assets: Calculated by dividing the change in net assets by net assets at the start of the fiscal year, this ratio provides information of the degree of change in the college's wealth from one year to the next. For fiscal year 2010-2011, Grayson County College's return was 6.1%, much higher than the THECB minimum of 0.0%, improving from the prior year and exceeding the most recent statewide average for this measure.

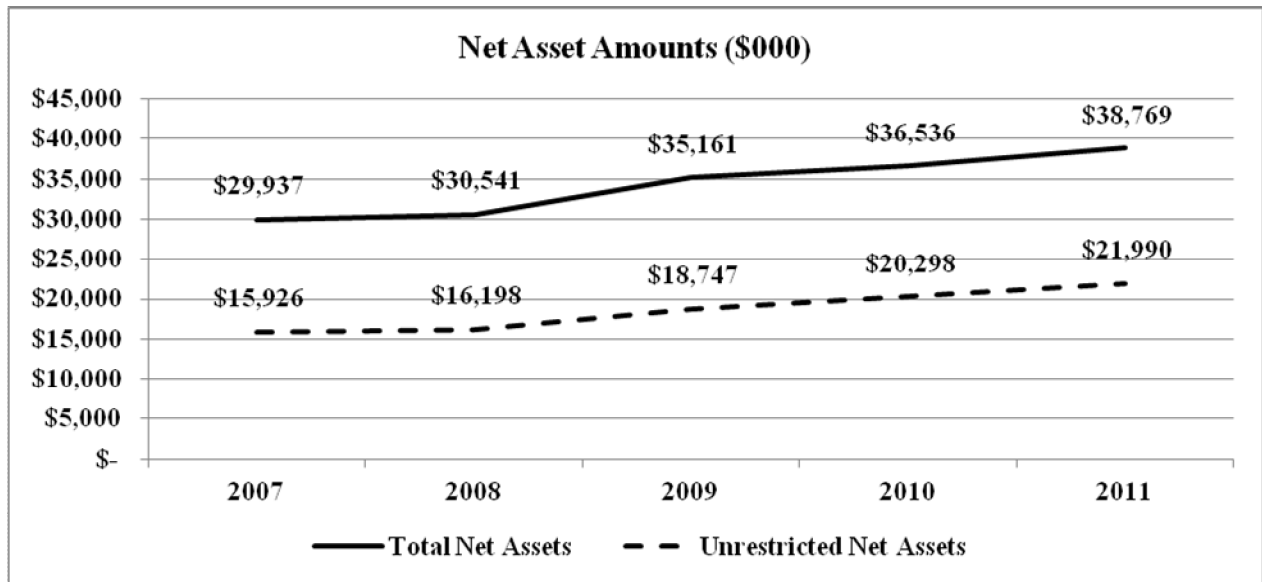
Operating Margin: This ratio indicates an operating surplus or deficit. Grayson's 2010-2011 ratio of 5.4% greatly surpasses the THECB minimum of 0.0% and improves on the results of the prior fiscal year.

Primary Reserve Ratio: Dividing expendable reserves by total expenses produces this ratio which is a gauge of financial strength and flexibility. Multiplying this ratio by 12 shows how long a school can survive without revenue in terms of months. Grayson County College's primary reserve ratio of 0.61 indicates that the school could survive over seven months without revenue. The minimum from the THECB is 0.08.

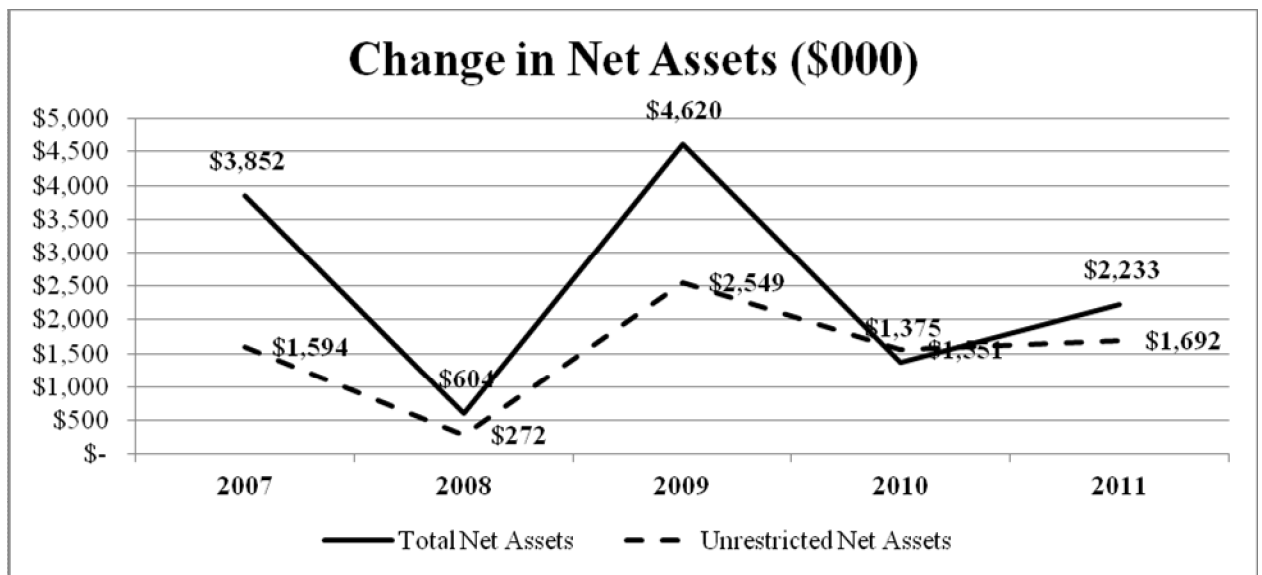
Viability Ratio: Dividing expendable reserves by total non-current liabilities produces the viability ratio. Grayson County College's ratio reflects the addition of the \$44,700,000 in general obligation debt but is improving over time as the debt load is paid off. Even with the debt load as it is, the college's viability ratio of 0.46 is well above the THECB minimum of 0.25 and has improved for each fiscal year presented.

Composite Index: This is a capstone measure of financial health that is calculated by blending the four ratios that are explained above. Grayson's composite index of 3.37 is solidly above the THECB minimum of 1.00. This measure improved from the prior fiscal year. The high debt load reflected in Viability Ratio holds this index below the statewide average.

The following charts show the amount and the change in net assets in recent fiscal years. The amount of net assets indicates the wealth of a school. The unrestricted segment of total net assets has the most flexibility in meeting financial opportunities or challenges.



The change in net assets indicates the increase or decrease in wealth. The unrestricted segment of total net assets generally reflects the on-going business activity of the school.



The Grayson County College Foundation is a component unit of Grayson County 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 2010-2011 the net assets of the foundation increased \$734,167, to a new total of \$8,642,579.

CAPITAL ASSET AND DEBT ADMINISTRATION

The most significant activity in capital assets is associated with the construction and renovation of facilities funded by the general obligation bond issues from fiscal year 2007-2008. In May 2007, local voters approved the issuance of \$44,790,000 in general obligation bonds. Major projects completed in prior fiscal years from these bond proceeds include: (1) the construction of the Career and Technology Center which houses occupational programs, (2) the expansion and renovation of the Arts and Communications Center, (3) construction of a second floor connection between the Library and the Student Life Center, and the renovation of each of those buildings, (4) the renovation of the Sports and Recreation Center, and (5) the renovation of various other facilities on the Main Campus and the West Extension. The construction of the last major bond-financed project, a Culinary Arts/Hospitality Building, will be completed in January 2012. Any proceeds remaining will be expended by December 31, 2012 on the rehabilitation of infrastructure such as parking lots and storm sewers.

The only significant capital asset activity which is to be completed without the use of bond proceeds is the replacement of the college's sewer treatment facility by connecting to the City of Denison's system. The college is waiting on the City of Denison to complete the acquisition of the necessary rights-of-way before the start of construction. The college's share of this project has an estimated cost of \$1,300,000. Actual construction time is estimated to be nine months, and the estimated completion date is December 31, 2012.

In October 2010, the college issued \$16,150,000 in Consolidated Fund Revenue Refunding Bonds. The transaction created an economic benefit to the college by replacing bonds issued in 2002, 2003 and 2004 with new debt at a lower interest rate, without lengthening the maturity date of the debt. The college does not expect to issue any debt in the foreseeable future.

OPERATING OUTLOOK

Management is not aware of any facts, decisions, or conditions that are expected to have a significant effect on the college's financial position or results of operations.

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 County College, Denison, Texas, 75020.

Basic Financial Statements

**Grayson County College
Statement of Net Assets
August 31, 2011 and 2010**

Exhibit 1

	2011	2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 4,668,542	\$ 5,058,687
Short-Term Investments	11,091,422	19,169,427
Receivables (net of allowance for doubtful / uncollectible accounts)	1,685,516	1,549,050
Prepaid Expenses	97,774	185,435
Inventories for Resale	850,371	739,203
Total Current Assets	18,393,625	26,701,802
Noncurrent Assets		
Other Long-Term Investments	10,123,258	7,000,000
Escrow Deposit for Sewer Line	806,200	806,200
Capital Assets (net of accumulated depreciation)	68,400,561	66,747,781
Bond Issuance Costs (net of accumulated amortization)	1,212,337	1,352,935
Total Noncurrent Assets	80,542,356	75,906,916
Total Assets	98,935,981	102,608,718
LIABILITIES		
Current Liabilities		
Accounts Payable	1,525,473	4,609,120
Accrued Liabilities	269,500	296,731
Funds Held for Others	538,532	507,165
Deferred Revenues	237,235	507,161
Deposits Payable	48,105	48,805
Notes and Leases Payable (current portion)	36,525	67,194
Bonds Payable (current portion)	2,455,032	2,299,848
Total Current Liabilities	5,110,402	8,336,024
Noncurrent Liabilities		
Accrued Compensated Absences	142,978	153,609
Notes and Leases Payable (net of current portion)	179,980	--
Bonds Payable (net of current portion)	54,733,454	57,583,569
Total Noncurrent Liabilities	55,056,412	57,737,178
Total Liabilities	60,166,814	66,073,202
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	13,420,315	13,065,543
Restricted for:		
Student Financial Aid Programs	490,447	386,863
Instructional Programs	48,691	51,577
Loans	46,471	46,451
Capital Projects	1,890,721	1,880,276
Debt Service	875,296	800,229
Other	7,207	6,465
Unrestricted	21,990,019	20,298,112
Total Net Assets (Schedule D)	\$ 38,769,167	\$ 36,535,516

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

**Grayson County College
Affiliated Organizations
Statement of Financial Position
August 31, 2011 and 2010**

	Grayson County College Foundation, Inc.	
	2011	2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 618,711	\$ 458,025
Short-Term Investments	220,725	184,624
Accrued Interest Receivable	875	5,170
Total Current Assets	840,311	647,819
Noncurrent Assets		
Long-Term Investments	6,717,486	6,165,983
Capital Assets (net of accumulated depreciation)	1,094,232	1,105,413
Total Noncurrent Assets	7,811,718	7,271,396
Total Assets	\$ 8,652,029	\$ 7,919,215
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 9,450	\$ 10,803
Total Current Liabilities	9,450	10,803
Noncurrent Liabilities	--	--
Total Liabilities	9,450	10,803
Net Assets		
Unrestricted	594,232	605,413
Temporarily Restricted	2,367,738	2,215,703
Permanently Restricted	5,680,609	5,087,296
Total Net Assets	8,642,579	7,908,412
Total Liabilities and Net Assets	\$ 8,652,029	\$ 7,919,215

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

Grayson County College
Statement of Revenues, Expenses and Changes in Net Assets
Years Ended August 31, 2011 and 2010

Exhibit 2

	2011	2010
Operating Revenues		
Tuition and Fees (net of discounts of \$4,179,785 and \$3,089,894)	\$ 4,590,793	\$ 4,434,892
Federal Grants and Contracts	1,222,727	1,112,090
State Grants and Contracts	1,670,978	1,618,430
Non-Governmental Grants and Contracts	308,850	378,752
Sales and Services of Educational Activities	47,705	52,884
Auxiliary Enterprises (net of discounts of \$1,890,884 and \$1,554,278)	2,082,368	2,026,511
Other Operating Revenues	239,799	190,040
Total Operating Revenues (Schedule A)	10,163,220	9,813,599
Operating Expenses		
Instruction	13,088,651	12,498,247
Public Service	693,903	705,655
Academic Support	1,489,883	1,531,288
Student Services	2,263,197	2,098,517
Institutional Support	3,731,280	3,491,956
Operation and Maintenance of Plant	4,420,886	4,909,414
Scholarships and Fellowships	7,469,020	5,919,836
Auxiliary Enterprises	4,151,032	3,969,656
Depreciation	1,790,417	1,404,577
Total Operating Expenses (Schedule B)	39,098,269	36,529,146
Operating Income (Loss)	(28,935,049)	(26,715,547)
Non-Operating Revenues (Expenses)		
State Appropriations	9,038,194	9,095,185
Ad-Valorem Taxes for Maintenance and Operations	9,208,795	8,873,861
Ad-Valorem Taxes for General Obligation Bonds	3,341,105	3,357,628
Federal Grants and Contracts, Non-Operating	11,802,432	9,092,385
Investment Income (Net of Investment Expenses)	136,030	149,310
Interest on Capital Related Debt	(2,331,680)	(2,070,971)
Gain (Loss) of Disposition of Property	(36,196)	(417,357)
Other Non-Operating Revenues (Expenses)	20	520
Net Non-Operating Revenues (Expenses) (Schedule C)	31,158,700	28,080,561
Income Before Transfers	2,223,651	1,365,014
Transfer from GCC Foundation (Component Unit)	10,000	10,000
Increase in Net Assets	2,233,651	1,375,014
Net Assets - Beginning of Year	36,535,516	35,160,502
Net Assets - End of Year	\$ 38,769,167	\$ 36,535,516

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

**Grayson County College
Affiliated Organizations
Statement of Activities
Years Ended August 31, 2011 and 2010**

	Grayson County College Foundation, Inc.	
	2011	2010
Revenues		
Gifts and Contributions	\$ 457,584	\$ 773,391
Gifts in Kind - Grayson County College	191,842	181,732
Federal Grants	51,823	--
Building Rentals	18,125	--
Other Income	--	3,500
Interest / Investment Income	132,281	103,534
Unrealized Investment Income	449,490	182,162
Total Revenues	<u>1,301,145</u>	<u>1,244,319</u>
Expenses		
Salary and Wages	198,319	144,972
Services and Supplies	92,727	84,334
Scholarships	236,891	230,121
Depreciation	29,041	28,881
Total Expenses	<u>556,978</u>	<u>488,308</u>
Income Before Transfers	744,167	756,011
Transfer to Grayson County College	<u>(10,000)</u>	<u>(10,000)</u>
Change in Net Assets	734,167	746,011
Net Assets - Beginning of Year	<u>7,908,412</u>	<u>7,162,401</u>
Net Assets - End of Year	<u>\$ 8,642,579</u>	<u>\$ 7,908,412</u>

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

Grayson County College
Statement of Cash Flows
Years Ended August 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from Students and Other Customers	\$ 6,631,039	\$ 6,581,053
Receipts of Grants and Contracts	3,072,948	2,911,459
Other Cash Receipts	--	495
Payments to or on Behalf of Employees	(16,128,697)	(15,842,069)
Payments to Suppliers for Goods and Services	(12,802,014)	(11,697,039)
Payments of Scholarships	(7,469,020)	(5,919,836)
Net Cash (Used in) Operating Activities	(26,695,744)	(23,965,937)
 Cash Flows from Noncapital Financing Activities		
Ad-Valorem Tax Revenues	12,534,401	12,157,351
Receipts of State Appropriations	6,912,430	6,979,383
Receipts of Grants and Contracts (Nonoperating)	11,819,354	9,083,944
Receipts from Student Organizations and Other Agency Transactions	1,943,152	1,706,535
Payments to Student Organizations and Other Agency Transactions	(1,911,785)	(1,688,727)
Transfer from GCC Foundation (Component Unit)	10,000	10,000
Other	20	521
Net Cash Provided by Noncapital Financing Activities	31,307,572	28,249,007
 Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	--	18,666
Purchases of Capital Assets	(5,166,878)	(18,989,826)
Payment on Capital Debt and Leases	(4,723,150)	(4,221,303)
Payment to Refunding Escrow Agent	(272,819)	--
Net Cash Provided by (Used in) Capital and Related Financing Activities	(10,162,847)	(23,192,463)
 Cash Flows from Investing Activities		
Proceeds from Sale and Maturity of Investments	9,386,268	35,627,631
Investment Earnings	195,681	129,054
Purchase of Investments	(4,421,075)	(13,997,999)
Net Cash Provided by (Used in) Investing Activities	5,160,874	21,758,686
 Increase (Decrease) in Cash and Cash Equivalents	(390,145)	2,849,293
 Cash and Cash Equivalents - Beginning of Year	5,058,687	2,209,394
 Cash and Cash Equivalents - End of Year	\$ 4,668,542	\$ 5,058,687

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

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income (Loss) to Net Cash		
(Used in) Operating Activities		
Operating Income (Loss)	\$ (28,935,049)	\$ (26,715,547)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
(Used in) Operating Activities		
Depreciation	1,790,417	1,404,577
State-Paid Employee Benefits	2,125,764	2,115,802
Change in Assets and Liabilities		
Receivables (net)	(197,541)	(162,993)
Prepaid Expenses	87,661	(8,488)
Inventories for Resale	(111,168)	(222,006)
Escrow Deposit for Sewer Line	--	(806,200)
Accounts Payable	(1,157,113)	554,705
Accrued Liabilities	(28,089)	29,840
Deferred Revenues	(269,926)	(167,652)
Deposits Payable	(700)	12,025
Total Adjustments	<u>2,239,305</u>	<u>2,749,610</u>
Net Cash (Used in) Operating Activities	<u>\$ (26,695,744)</u>	<u>\$ (23,965,937)</u>

SUPPLEMENTARY SCHEDULE TO STATEMENT OF CASH FLOWS

Noncash Investing, Capital and Financing Activities		
Bond Proceeds Deposited with Advance Refunding Escrow Agent	<u>\$ 15,888,030</u>	<u>\$ --</u>
Payment of Bond Issuance Cost Withheld from Bond Proceeds	<u>\$ 428,282</u>	<u>\$ --</u>
Purchase of Equipment by Issuance of Debt	<u>\$ 222,696</u>	<u>\$ --</u>

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

**Grayson County College
Affiliated Organizations
Statement of Cash Flows
Years Ended August 31, 2011 and 2010**

	Grayson County College Foundation, Inc.	
	2011	2010
Cash Flows from Operating Activities		
Change in Net Assets	\$ 734,167	\$ 746,011
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	29,041	28,881
Net (Gains) Losses on Investments	(460,995)	(182,162)
Change in Operating Assets and Liabilities:		
Accrued Interest Receivable	4,295	2,377
Accounts Payable	(1,354)	7,207
Net Cash Provided by Operating Activities	<u>305,154</u>	<u>602,314</u>
Cash Flows from Investing Activities		
Purchases of Investments	(2,506,902)	(2,180,425)
Proceeds from Sale of Investments	2,380,294	1,565,395
Purchases of Capital Assets	(17,860)	--
Net Cash Provided by (Used in) Investing Activities	<u>(144,468)</u>	<u>(615,030)</u>
Cash Flows from Financing Activities	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash	160,686	(12,716)
Cash - Beginning of Year	<u>458,025</u>	<u>470,741</u>
Cash - End of Year	<u><u>\$ 618,711</u></u>	<u><u>\$ 458,025</u></u>

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

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 1 - REPORTING ENTITY

Grayson County 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.

Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*), establishes the standards for defining and reporting on the financial reporting entity. This statement 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 this standard. 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 County College Foundation (Foundation) meets the criteria of GASB Statements No. 14 and 39 and has been presented as a discrete component unit of the College (see Note 16).

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 applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB Statement No. 34) established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities to the already required fund financial statements and notes. GASB Statement No. 34 also requires governments to present its net assets (or equity) into the following three components:

Invested in Capital Assets, Net of Related Debt ó 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 ó 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 ó This component represents the net assets that are available for use to fulfill the educational purposes of the College. It includes all net assets that are not classified as "invested in capital assets, net of related debt" or "restricted."

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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.

C. 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.

D. Tuition Discounting

Texas Public Education Grants ó 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.

Title IV, Higher Education Act Program Funds ó 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 ó 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 ó 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.

E. 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.

F. 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.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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, 2010, was \$10,223,678,000. Exemptions and abatements of \$3,088,600,000 are allowed, resulting in a taxable value of \$7,135,078,000. The tax levy of \$12,343,852 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, 2011 to finance Unrestricted Current Fund operations and debt service for general obligation bonds were \$0.1330 and \$0.0488 per \$100 valuation, respectively.

Property tax collections during the year ended August 31, 2011 were \$11,907,077 for current taxes, \$292,091 for delinquent taxes, and \$262,161 for penalties, interest and attorney fees. Tax collections for the year ended August 31, 2011 were 99% of the current tax levy. Other taxes (from non-property sources) collected during the year ended August 31, 2011 totaled \$73,587.

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.

I. Inventories

Goods held for resale by the College's auxiliary enterprises as of August 31, 2011 and 2010 are recorded as inventory. The inventory items are valued at cost or estimated cost calculated as a percentage of retail.

J. 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 asset's 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.

K. Deferred Revenues

Tuition, fees and other revenues received and related to future periods have been deferred.

L. 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.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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, 2011.

N. 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.

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, 2011 and 2010, as reported on the Statement of Net Assets (Exhibit 1), consist of the following items:

	2011	2010
Petty Cash	\$ 4,220	\$ 4,170
Bank Deposits:		
Demand Accounts	4,664,322	5,054,517
Time and Savings Accounts	10,923,539	11,754,804
Total Cash and Deposits	<u>\$ 15,592,081</u>	<u>\$ 16,813,491</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. The College's policy requires deposits to be 100% secured by collateral valued at market less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2011 and 2010, the College's deposits are not exposed to custodial credit risk.

Investments

The following schedule summarizes the College's investments as of August 31, 2011:

Type of Security	Fair Value	Credit Rating	Investment Maturities (in Years)		
			Less than 1	1 to 2 Years	More than 2
Money Market and Investment Pools	\$ 10,291,141	AAA	\$ 10,291,141	\$ --	\$ --
Total Investments	\$ 10,291,141		\$ 10,291,141	\$ --	\$ --

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The following schedule summarizes the College's investments as of August 31, 2010:

Type of Security	Fair Value	Credit Rating	Investment Maturities (in Years)		
			Less than 1	1 to 2 Years	More than 2
Money Market and Investment Pools	\$ 14,414,623	AAA	\$ 14,414,623	\$ --	\$ --
Total Investments	\$ 14,414,623		\$ 14,414,623	\$ --	\$ --

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, 2011 and 2010, 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.

Reconciliation

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

	2011	2010
Cash and Deposits	\$ 15,592,081	\$ 16,813,491
Investments	10,291,141	14,414,623
Total Deposits and Investments	<u>\$ 25,883,222</u>	<u>\$ 31,228,114</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 4,668,542	\$ 5,058,687
Short-Term Investments (Exhibit 1)	11,091,422	19,169,427
Other Long-Term Investments (Exhibit 1)	10,123,258	7,000,000
Total Deposits and Investments	<u>\$ 25,883,222</u>	<u>\$ 31,228,114</u>

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 5 - CAPITAL ASSETS

A summary of the changes in the College's capital assets during the year ended August 31, 2011 is shown below:

	Balance Sept. 1, 2010	Additions	Retirements	Balance August 31, 2011
Not Depreciated				
Land	\$ 1,251,740	\$ --	\$ --	\$ 1,251,740
Construction in Progress	9,614,152	830,674	8,310,313	2,134,513
Total - Not Depreciated	<u>10,865,892</u>	<u>830,674</u>	<u>8,310,313</u>	<u>3,386,253</u>
Other Capital Assets				
Buildings and Improvements	54,871,503	8,644,656	--	63,516,159
Facilities and Other Improvements	5,188,269	1,446,567	15,981	6,618,855
Furniture, Vehicles and Other Equipment	5,407,476	900,121	229,298	6,078,299
Library Books	1,032,279	25,682	--	1,057,961
Subtotal	<u>66,499,527</u>	<u>11,017,026</u>	<u>245,279</u>	<u>77,271,274</u>
Accumulated Depreciation				
Buildings and Improvements	5,122,342	1,065,488	--	6,187,830
Facilities and Other Improvements	1,483,172	241,489	8,425	1,716,236
Furniture, Vehicles and Other Equipment	3,295,607	441,815	142,664	3,594,758
Library Books	716,517	41,625	--	758,142
Subtotal	<u>10,617,638</u>	<u>1,790,417</u>	<u>151,089</u>	<u>12,256,966</u>
Net - Other Capital Assets	<u>55,881,889</u>	<u>9,226,609</u>	<u>94,190</u>	<u>65,014,308</u>
Totals	<u>\$ 66,747,781</u>	<u>\$ 10,057,283</u>	<u>\$ 8,404,503</u>	<u>\$ 68,400,561</u>

A summary of the changes in the College's capital assets during the year ended August 31, 2010 is shown below:

	Balance Sept. 1, 2009	Additions	Retirements	Balance August 31, 2010
Not Depreciated				
Land	\$ 1,251,740	\$ --	\$ --	\$ 1,251,740
Construction in Progress	15,570,869	6,851,692	12,808,409	9,614,152
Total - Not Depreciated	<u>16,822,609</u>	<u>6,851,692</u>	<u>12,808,409</u>	<u>10,865,892</u>
Other Capital Assets				
Buildings and Improvements	33,068,691	23,402,972	1,600,160	54,871,503
Facilities and Other Improvements	4,563,764	636,357	11,852	5,188,269
Furniture, Vehicles and Other Equipment	4,527,508	1,024,359	144,391	5,407,476
Library Books	1,001,562	30,717	--	1,032,279
Subtotal	<u>43,161,525</u>	<u>25,094,405</u>	<u>1,756,403</u>	<u>66,499,527</u>
Accumulated Depreciation				
Buildings and Improvements	5,524,455	777,060	1,179,173	5,122,342
Facilities and Other Improvements	1,292,763	193,876	3,467	1,483,172
Furniture, Vehicles and Other Equipment	3,060,989	372,357	137,739	3,295,607
Library Books	673,899	42,618	--	716,517
Subtotal	<u>10,552,106</u>	<u>1,385,911</u>	<u>1,320,379</u>	<u>10,617,638</u>
Net - Other Capital Assets	<u>32,609,419</u>	<u>23,708,494</u>	<u>436,024</u>	<u>55,881,889</u>
Totals	<u>\$ 49,432,028</u>	<u>\$ 30,560,186</u>	<u>\$ 13,244,433</u>	<u>\$ 66,747,781</u>

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 5 - CAPITAL ASSETS (Continued)

Construction in Progress

As of August 31, 2011, the College is involved in various projects for the construction, renovation and improvement to buildings. Contracts for construction and architectural services have been executed totaling approximately \$2,933,000, of which approximately \$805,000 was incurred through August 31, 2011. The remaining amounts due under these contracts, totaling approximately \$2,128,000, are expected to be incurred during the year ending August 31, 2012.

NOTE 6 - RECEIVABLES

Details of the College's receivables, including the allowance for uncollectible amounts, as of August 31, 2011 and 2010 are as follows:

	2011	2010
Accounts Receivable	\$ 103,550	\$ 68,099
Tuition and Fees Receivable	774,072	614,287
Property Taxes Receivable	873,503	855,269
Interest Receivable	9,361	69,011
Loans Receivable	30,743	30,757
Federal Receivables	297,690	289,047
State Receivables	400,791	286,103
Total Receivables	2,489,710	2,212,573
Allowance for Uncollectible Accounts	(804,194)	(663,523)
Totals	\$ 1,685,516	\$ 1,549,050

NOTE 7 - LONG-TERM DEBT

The following schedule summarizes the changes in the long-term indebtedness of the College for the year ended August 31, 2011:

	Balance Sept. 1, 2010	Additions	Retirements	Balance August 31, 2011	Due Within One Year
General Obligations Bonds	\$ 43,465,000	\$ --	\$ 1,310,000	\$ 42,155,000	\$ 1,435,000
Revenue Bonds	15,560,000	15,215,000	16,710,000	14,065,000	1,070,000
Unamortized Premium on Bonds	915,191	857,525	97,886	1,674,830	--
Deferred Bonds Payable	(56,774)	(755,857)	(106,287)	(706,344)	(49,968)
Total Bonds Payable	59,883,417	15,316,668	18,011,599	57,188,486	2,455,032
Notes and Capital Leases Payable	67,194	222,696	73,385	216,505	36,525
Total Bonds and Notes Payable	59,950,611	15,539,364	18,084,984	57,404,991	2,491,557
Compensated Absences	192,011	207,878	221,166	178,723	35,745
Totals	\$ 60,142,622	\$ 15,747,242	\$ 18,306,150	\$ 57,583,714	\$ 2,527,302

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 7 - LONG-TERM DEBT (Continued)

The following schedule summarizes the changes in the long-term indebtedness of the College for the year ended August 31, 2010:

	Balance Sept. 1, 2009	Additions	Retirements	Balance August 31, 2010	Due Within One Year
General Obligations Bonds	\$ 44,665,000	\$ --	\$ 1,200,000	\$ 43,465,000	\$ 1,310,000
Revenue Bonds	16,525,000	--	965,000	15,560,000	1,000,000
Unamortized Premium on Bonds	963,359	--	48,168	915,191	--
Deferred Bonds Payable	(66,174)	--	(9,400)	(56,774)	(10,152)
Total Bonds Payable	62,087,185	--	2,203,768	59,883,417	2,299,848
Notes and Capital Leases Payable	93,915	--	26,721	67,194	67,194
Total Bonds and Notes Payable	62,181,100	--	2,230,489	59,950,611	2,367,042
Compensated Absences	205,481	222,359	235,829	192,011	38,402
Totals	<u>\$ 62,386,581</u>	<u>\$ 222,359</u>	<u>\$ 2,466,318</u>	<u>\$ 60,142,622</u>	<u>\$ 2,405,444</u>

Bonds Payable

The College has the following bond issues outstanding as of August 31, 2011.

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, 2011 is \$9,015,000.

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, 2011 is \$33,140,000.

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, 2011 is \$14,065,000.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 7 - LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

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

Year Ended August 31,	General Obligation Bonds		Revenue Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,435,000	\$ 1,764,354	\$ 1,070,000	\$ 464,500	\$ 2,505,000	\$ 2,228,854
2013	1,575,000	1,703,605	1,095,000	443,100	2,670,000	2,146,705
2014	1,690,000	1,637,105	1,120,000	421,200	2,810,000	2,058,305
2015	1,885,000	1,574,137	1,140,000	398,800	3,025,000	1,972,937
2016	1,955,000	1,504,261	1,035,000	364,600	2,990,000	1,868,861
2017 - 2021	10,930,000	6,363,006	5,765,000	1,267,950	16,695,000	7,630,956
2022 - 2026	13,240,000	4,049,491	2,840,000	199,400	16,080,000	4,248,891
2027 - 2031	9,445,000	926,410	--	--	9,445,000	926,410
Total	<u>\$ 42,155,000</u>	<u>\$ 19,522,369</u>	<u>\$ 14,065,000</u>	<u>\$ 3,559,550</u>	<u>\$ 56,220,000</u>	<u>\$ 23,081,919</u>

Advance Refunding / Bonds Payable - Deferred

The Series 2010 bonds provided moneys for the advance refunding of the College's Consolidated Fund Revenue Bonds, Series 2002; Consolidated Fund Revenue Improvement and Refunding Bonds, Series 2003; and Consolidated Fund Revenue Bonds, Series 2004. Those bonds bore an average interest rate of 4.3% and had a combined outstanding balance of \$15,560,000 at the time of the advance refunding. Net proceeds from the issuance of 15,915,849 plus \$272,819 from the College were deposited into an irrevocable trust with an escrow agent to provide all future debt payments on the Series 2002, 2003 and 2004 bonds. Those bonds are considered fully defeased and the liability for these bonds has been removed from the College's financial statements. The advance refunding of the Series 2002, 2003 and 2004 bonds reduced the College's debt service requirements over the next 13 years by approximately \$1,350,000. The advance refunding resulted in an economic gain (the difference between the net present value of the old and new debt service payments of \$1,230,383 and an accounting loss (the difference between the book value of the old debt and the amount required to retire the debt) of \$754,857. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt by Proprietary Activities*, the accounting is deferred and is not reported on the statement of activities.

This deferral is amortized over the original life of the old bonds or the life of the new bonds, whichever is less. Amortization of the deferred bonds payable will be as follows:

<u>Year Ending August 31,</u>	
2012	\$ 49,968
2013	51,908
2014	54,092
2015	56,032
2016	51,423
2017 - 2021	292,774
2022 - 2026	<u>150,147</u>
Total	<u>\$ 706,344</u>

As of August 31, 2011, all of the defeased bonds have been retired.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 7 - LONG-TERM DEBT (Continued)

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 July 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.

Year Ended August 31,	PNC Equipment Finance LLC		
	Golf Cars	Equipment	Total
2012	\$ 32,532	\$ 15,285	\$ 47,817
2013	32,532	15,284	47,816
2014	32,532	15,285	47,817
2015	77,110	15,285	95,106
2016	--	12,737	12,737
Thereafter	--	--	--
Total Debt Service	174,706	73,876	251,293
Less Interest Portion	(23,096)	(8,981)	(34,788)
Notes and Leases Payable	\$ 151,610	\$ 64,895	\$ 216,505

Interest Expense

During the year ended August 31, 2011, the College incurred interest costs of \$2,358,478 on its bonds, notes and capital leases payable. Of this amount, \$2,331,680 was charged to expense and \$26,798 was capitalized as a component of construction costs. In accordance with generally accepted accounting principles (SFAS 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, and FASB Accounting Standards Codification 835, *Interest*), the College reduced the amount of capitalized interest by the investment earnings of the related tax-exempt borrowings (\$10,446). As a result, the College has capitalized \$16,352 in net interest costs with its capital assets during the year ended August 31, 2011.

During the year ended August 31, 2010, the College incurred interest costs of \$2,531,368 on its bonds, notes and capital leases payable. Of this amount, \$2,022,803 was charged to expense and \$508,565 was capitalized as a component of construction costs. In accordance with generally accepted accounting principles (SFAS 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, and FASB Accounting Standards Codification 835, *Interest*), the College reduced the amount of capitalized interest by the investment earnings of the related tax-exempt borrowings (\$46,355). As a result, the College has capitalized \$462,210 in net interest costs with its capital assets during the year ended August 31, 2010.

Compensated Absences

The sole component of the compensated absences liability as of August 31, 2011 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, 2011, \$171,186 is expected to be paid by the Current Unrestricted Fund and \$7,537 is expected to be paid by the College's auxiliary enterprises. The College believes that approximately \$35,745 of this liability will be paid to employees during the year ending August 31, 2012 and, accordingly, has classified that portion of the liability as a current obligation. The balance of the liability (\$142,978) is considered long-term.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 8 - 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 contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the 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 of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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. State law provides for a member contribution rate of 6.4% for fiscal years 2010 and 2009 and a state contribution rate of 6.644% for January 2010 through August 2011 and 6.4% for September through December 2009. In certain instances, the College is required to make all or a portion of the state's contribution for fiscal years 2011 and 2010.

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 and each participant are 6% and 6.55%, respectively. 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.

The retirement expense to the state for the College was \$658,460 and \$638,239 for the fiscal years ended August 31, 2011 and 2010, 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 \$14,234,999 and \$13,892,279 for the years ended August 31, 2011 and 2010, respectively. The total payroll for employees covered by the TRS was \$7,312,064 and \$6,984,181 and the total payroll for employees covered by the optional retirement program was \$4,571,479 and \$4,598,149 for the fiscal years ended August 31, 2011 and 2010, respectively.

NOTE 9 - COMPENSATED ABSENCES

Full-time employees who work twelve months during the year are allowed to accumulate annual leave based upon the number of hours required for the workweek and the number of years employed at the College. For employees with a 35-hour regular workweek, 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 and 120 for employees with 35-hour and 40-hour workweeks, respectively. A calculated percentage is applied to part-time contractual employees to determine their accrual rates.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 9 - COMPENSATED ABSENCES (Continued)

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 105 for 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 \$178,723 and \$192,011 is recorded in the financial statements as of August 31, 2011 and 2010, 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 10 - 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 11 - PENDING LAWSUITS AND CLAIMS

As of August 31, 2011, there are no material lawsuits and claims pending or threatened against the College.

NOTE 12 - 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, 2011 and 2010 for which monies have not been received nor funds expended totaled \$1,266,366 and \$894,912. Of these amounts, \$401,721 and \$305,986 were from Federal Contract and Grant Awards; and \$864,645 and \$588,926 were from State Contract and Grant Awards for the fiscal years ended August 31, 2011 and 2010, respectively.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 12 - CONTRACT AND GRANT AWARDS (Continued)

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 13 - 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 \$33,887 and \$45,773 for this insurance were allocated to the College for the years ended August 31, 2011 and 2010, respectively.

The following schedule summarizes the changes in claims liabilities for the years ended August 31, 2011 and 2010:

	2011	2010
Claims Liabilities - Beginning of Year	\$ 150,854	\$ 107,544
Incurred Claims	69,381	99,516
Change in Prior Year Claim Estimates	(31,786)	23,435
Payment on Claims	(52,396)	(79,641)
Claims Liabilities - End of Year	\$ 136,053	\$ 150,854

The claims liability is reported in accrued liabilities in the financial statements and includes \$55,634 and \$86,548 of estimated claims incurred but not reported, as determined actuarially by the administrator at August 31, 2011 and 2010, respectively.

NOTE 14 - 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.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 14 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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, 2011, 2010 and 2009 were \$79,289, \$72,783 and \$63,764, respectively, which equaled the required contributions each year.

NOTE 15 – SUBSEQUENT EVENTS

No events have occurred subsequent to August 31, 2011 that would require adjustment to, or disclosure in, these financial statements.

NOTE 16 - GRAYSON COUNTY 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 Statement No. 39, the Foundation is a component unit of the College because: 1) the College provides financial resources to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College; 2) the College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation; and 3) the economic resources held by the Foundation that the College is entitled to or has the ability to otherwise access are significant to the College.

Accordingly, the Foundation's financial statements are included in the College's annual report as a 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.

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 assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets ó Net assets that are not subject to donor-imposed restrictions and may be used for any operating purpose of the Foundation.

Temporarily Restricted Net Assets ó Net assets that are subject to donor-imposed stipulations that require the passage of time and / or the occurrence of a specific event.

Permanently Restricted Net Assets ó Net assets 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.

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 16 - GRAYSON COUNTY COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT (Continued)

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets are recorded at cost or at estimated fair market value at the date of the gift if donated. Such donations are reported 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 assets to unrestricted net assets 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 \$191,842 and \$181,732 for the years ended August 31, 2011 and 2010, 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, 2011 and 2010.

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, 2011 and 2010:

Type of Security	2011		2010	
	Cost	Fair Value	Cost	Fair Value
U.S. Government Securities	\$ 345,697	\$ 367,766	\$ 350,505	\$ 368,618
U.S. Government Agency Securities	343,462	350,272	352,893	372,187
Equity Securities	3,367,562	3,736,225	3,146,039	3,103,379
Corporate Obligations	988,271	1,040,422	883,726	949,327
Municipal Bonds	256,147	272,693	232,085	237,061
Money Market and Investment Pools	1,178,241	1,170,833	1,321,454	1,320,035
Total Investments	<u>\$ 6,479,380</u>	<u>\$ 6,938,211</u>	<u>\$ 6,286,702</u>	<u>\$ 6,350,607</u>

Grayson County College
Notes to the Financial Statements
August 31, 2011 and 2010

NOTE 16 - GRAYSON COUNTY COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT (Continued)

CAPITAL ASSETS

The following schedule summarizes the Foundation's capital assets as of August 31, 2011 and 2010:

	2011	2010
Land	\$ 506,000	\$ 506,000
Buildings and Improvements	507,350	489,490
Facilities and Other Improvements	17,345	17,345
Equipment	192,893	192,893
Less:		
Accumulated Depreciation	(129,356)	(100,315)
Net Capital Assets	\$ 1,094,232	\$ 1,105,413

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. This decision of the voters makes it unlikely that an educational facility will be built on this site.

GRANTS AND CONTRACTS

On August 26, 2009, the Foundation received a \$2,000,000 grant from the Department of Commerce to construct a campus in Fannin County. This grant requires a \$2,000,000 matching requirement from the Foundation. Since the Fannin County voters rejected the opportunity to join the Grayson County Junior College District, this grant will not be used to build a facility in that location. The Foundation is seeking alternative uses for the grant.

On June 30, 2010, the Foundation received a \$1,028,500 grant from the Department of Labor to develop and implement a Culinary Arts / Hospitality education program. The grant required the Foundation to provide facilities, personnel and travel with a minimum cost of \$762,871. The new program is in operation and it is anticipated that the grant will be fulfilled by August 31, 2012.

Supplementary Schedules and Reports

Grayson County College
Schedule of Operating Revenues
Year Ended August 31, 2011
With Memorandum Totals for Year Ended August 31, 2010

Schedule A

	Unrestricted	Restricted	Total		Totals	
			Educational Activities	Auxiliary Enterprises	2011	2010
Tuition						
State Funded Courses						
In-District Resident Tuition	\$ 3,848,516	\$ --	\$ 3,848,516	\$ --	\$ 3,848,516	\$ 3,216,802
Out-of-District Resident Tuition	2,005,929	--	2,005,929	--	2,005,929	1,546,391
Non-Resident Tuition	379,506	--	379,506	--	379,506	277,021
TPEG *	411,974	--	411,974	--	411,974	504,287
Non-State Funded Educational Programs	111,808	--	111,808	--	111,808	80,193
Total Tuition	6,757,733	--	6,757,733	--	6,757,733	5,624,694
Fees						
General Fee	968,236	--	968,236	--	968,236	888,217
Student Service Fee	--	--	--	242,041	242,041	222,026
Laboratory Fee	357,418	--	357,418	--	357,418	352,719
Other	445,150	--	445,150	--	445,150	437,130
Total Fees	1,770,804	--	1,770,804	242,041	2,012,845	1,900,092
Scholarship Allowances and Discounts						
Scholarship Allowances	(280,398)	--	(280,398)	(6,655)	(287,053)	(200,286)
Remissions and Exemptions	(156,846)	--	(156,846)	(2,490)	(159,336)	(101,225)
TPEG Allowances	(212,392)	--	(212,392)	(1,940)	(214,332)	(173,233)
Federal Grants to Students	(2,768,050)	--	(2,768,050)	(101,466)	(2,869,516)	(2,010,136)
Other Federal Grants	--	--	--	--	--	--
State Grants to Students	(91,340)	(554,639)	(645,979)	(3,569)	(649,548)	(605,014)
Total Scholarship Allowances and Discounts	(3,509,026)	(554,639)	(4,063,665)	(116,120)	(4,179,785)	(3,089,894)
Total Net Tuition and Fees	5,019,511	(554,639)	4,464,872	125,921	4,590,793	4,434,892
Other Operating Revenues						
Federal Grants and Contracts	25,635	1,197,092	1,222,727	--	1,222,727	1,112,090
State Grants and Contracts	36,094	1,634,884	1,670,978	--	1,670,978	1,618,430
Non-Governmental Grants and Contracts	--	308,850	308,850	--	308,850	378,752
Sales and Services of Educational Activities	47,705	--	47,705	--	47,705	52,884
Investment Income (Program Restricted)	--	--	--	--	--	--
Other Operating Revenues	237,832	780	238,612	1,187	239,799	190,040
Total Other Operating Revenues	347,266	3,141,606	3,488,872	1,187	3,490,059	3,352,196
Auxiliary Enterprises						
Residential Life (Net of Discounts of \$372,998)	--	--	--	222,612	222,612	258,204
Bookstore (Net of Discounts of \$1,517,886)	--	--	--	1,523,872	1,523,872	1,414,551
Golf Course	--	--	--	334,998	334,998	353,480
Other	--	--	--	886	886	276
Total Net Auxiliary Enterprises	--	--	--	2,082,368	2,082,368	2,026,511
Total Operating Revenues	\$5,366,777	\$2,586,967	\$ 7,953,744	\$2,209,476	\$10,163,220	\$ 9,813,599
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$379,506 of tuition was set aside for Texas Public Education Grants (TPEG).

Grayson County College
Schedule of Operating Expenses by Object
Year Ended August 31, 2011
With Memorandum Totals for Year Ended August 31, 2010

Schedule B

	Operating Expenses					Totals	
	Salaries and Wages	Benefits		Other Expenses	2011	2010	
		State Benefits	Local Benefits				
EDUCATIONAL ACTIVITIES							
Unrestricted							
Instruction	\$ 7,857,835	\$ --	\$1,066,500	\$ 1,044,966	\$ 9,969,301	\$ 9,253,830	
Public Service	293,814	--	52,702	141,521	488,037	442,864	
Academic Support	817,019	--	98,979	435,916	1,351,914	1,381,753	
Student Services	1,316,239	--	179,484	299,539	1,795,262	1,701,288	
Institutional Support	1,642,418	--	198,785	1,628,178	3,469,381	3,234,099	
Operation and Maintenance of Plant	563,235	--	167,758	3,663,160	4,394,153	4,875,651	
Scholarships and Fellowships	--	--	--	--	--	--	
Total Unrestricted	12,490,560	--	1,764,208	7,213,280	21,468,048	20,889,485	
Restricted							
Instruction	911,219	1,401,677	159,347	647,107	3,119,350	3,244,417	
Public Service	104,748	63,423	25,563	12,132	205,866	262,791	
Academic Support	--	129,969	--	8,000	137,969	149,535	
Student Services	166,261	235,820	5,686	60,168	467,935	397,228	
Institutional Support	--	261,294	--	605	261,899	257,858	
Operation and Maintenance of Plant	--	26,733	--	--	26,733	33,763	
Scholarships and Fellowships	--	--	--	7,469,020	7,469,020	5,919,836	
Total Restricted	1,182,228	2,118,916	190,596	8,197,032	11,688,772	10,265,428	
Total Educational Activities	13,672,788	2,118,916	1,954,804	15,410,312	33,156,820	31,154,913	
Auxiliary Enterprises	490,679	6,848	154,490	3,499,015	4,151,032	3,969,656	
Depreciation Expense							
Buildings and Other Improvements	--	--	--	1,306,977	1,306,977	988,741	
Equipment and Furniture	--	--	--	483,440	483,440	415,836	
Total	\$14,163,467	\$2,125,764	\$2,109,294	\$20,699,744	\$39,098,269	\$36,529,146	
				(Exhibit 2)	(Exhibit 2)		

Grayson County College
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2011
With Memorandum Totals for Year Ended August 31, 2010

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				2011	2010
Non-Operating Revenues					
State Appropriations					
Education and General State Support	\$ 6,885,313	\$ --	\$ --	\$ 6,885,313	\$ 6,952,266
Dramatic Enrollment Growth	27,117	--	--	27,117	27,117
State Group Insurance	--	1,467,304	--	1,467,304	1,477,563
State Retirement Matching	--	658,460	--	658,460	638,239
Total State Appropriations	6,912,430	2,125,764	--	9,038,194	9,095,185
Ad-Valorem Taxes for Maintenance and Operations	9,208,795	--	--	9,208,795	8,873,861
Ad-Valorem Taxes for General Obligation Bonds	3,341,105	--	--	3,341,105	3,357,628
Federal Grants and Contracts, Non-Operating	--	11,802,432	--	11,802,432	9,092,385
Investment Income (net of Investment Expenses)	134,925	1,105	--	136,030	149,310
Other	--	20	--	20	520
Total Non-Operating Revenues	19,597,255	13,929,321	--	33,526,576	30,568,889
Non-Operating Expenses					
Interest on Capital-Related Debt	2,331,680	--	--	2,331,680	2,070,971
Loss of Disposition of Property	36,196	--	--	36,196	417,357
Total Non-Operating Expenses	2,367,876	--	--	2,367,876	2,488,328
Net Non-Operating Revenues	\$17,229,379	\$ 13,929,321	\$ --	\$31,158,700	\$28,080,561
				(Exhibit 2)	(Exhibit 2)

Grayson County College
Schedule of Net Assets by Source and Availability
Year Ended August 31, 2011
With Memorandum Totals for Year Ended August 31, 2010

Schedule D

	Detail by Source					Available for Current Operations	
	Restricted			Capital Assets, Net of Depreciation & Related Debt	Total	Yes	No
	Unrestricted	Expendable	Non- Expendable				
Current Funds:							
Unrestricted	\$ 11,129,370	\$ --	\$ --	\$ --	\$ 11,129,370	\$ 11,129,370	\$ --
Restricted	--	546,345	--	--	546,345	--	546,345
Auxiliary Enterprises	1,285,529	--	--	--	1,285,529	1,285,529	--
Loan Funds	--	46,471	--	--	46,471	--	46,471
Endowment Funds:							
True Endowments	--	--	--	--	--	--	--
Term Endowments	--	--	--	--	--	--	--
Plant Funds:							
Unexpended	7,224,489	1,890,721	--	--	9,115,210	7,224,489	1,890,721
Renewals and Replacements	2,350,631	--	--	--	2,350,631	2,350,631	--
Debt Service	--	875,296	--	--	875,296	--	875,296
Investment in Plant	--	--	--	13,420,315	13,420,315	--	13,420,315
Total Net Assets - August 31, 2011	21,990,019	3,358,833	--	13,420,315	38,769,167	21,990,019	16,779,148
					(Exhibit 1)		
Total Net Assets - August 31, 2010	20,298,112	3,171,861	--	13,065,543	36,535,516	20,298,112	16,237,404
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	\$ 1,691,907	\$ 186,972	\$ --	\$ 354,772	\$ 2,233,651	\$ 1,691,907	\$ 541,744
					(Exhibit 2)		

Grayson County College
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2011

Schedule E

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. Department of Labor			
Direct Programs:			
Community Based Job Training Grants	17.269	CB-20568-10-60-A-48	\$ 51,823
Total U.S. Department of Labor			<u>51,823</u>
U.S. Small Business Administration			
Passed through Dallas County Community College District:			
Small Business Development Center (SBDC)	59.037	10-603001-Z-0076-24	--
Small Business Development Center (SBDC)	59.037	1-603001-Z-0046-24	45,528
Subtotal - Small Business Development Center (SBDC)			<u>45,528</u>
Total U.S. Small Business Administration			<u>45,528</u>
U.S. Department of Education			
Direct Programs:			
Federal Supplemental Education Opportunity Grant (FSEOG) *	84.007		58,720
Federal Workstudy Program *	84.033		90,359
Federal Pell Grant Program *	84.063		11,555,274
Direct Student Loans *	84.268		8,837,882
Academic Competitiveness Grant *	84.375		123,714
Passed through Texas Education Agency:			
Adult Basic Education (Section 231) 2010-2011	84.002	114100017110332	328,428
English Literacy and Civics Education (Section 231) 2010-2011	84.002	114100087110398	84,574
Adult Basic Education (Section 231) 2011-2012	84.002	124100017110397	50,288
English Literacy and Civics Education (Section 231) 2011-2012	84.002	124100087110423	14,071
Subtotal - Adult Basic Education			<u>477,361</u>
Passed through Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education - Annual Application	84.048	114219	356,312
Passed through Texas Higher Education Coordinating Board:			
Leveraging Educational Assistance Partnership	84.069A		5,048
Leveraging Educational Assistance Partnership	84.069B		7,352
Subtotal - Leveraging Educational Assistance Partnership			<u>12,400</u>
Passed through Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education - Tech Prep	84.243	111711	284,035
Total U.S. Department of Education			<u>21,796,057</u>
U.S. Department of Health and Human Services			
Passed through Texas Education Agency:			
Temporary Assistance for Needy Families (TANF) 2009-2010	93.558	113625017110311	21,456
Total U.S. Department of Health and Human Services			<u>21,456</u>
Total Federal Financial Assistance			<u>\$ 21,914,864</u>

* Indicates clustered programs.

See Notes to This Schedule on the Following Pages.

(Continued)

Grayson County College
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2011

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts per Schedule A	\$ 1,222,727
Federal Grants and Contracts, Non-operating per Schedule C	11,802,432
Reconciling Items:	
Federal Grants Revenue of Discrete Component Unit (CFDA #17.269)	51,823
Direct Student Loans	<u>8,837,882</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 21,914,864</u></u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award. The expenditures reported may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts included in the schedule may differ from amounts used in preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures Not Subject to Single Audit

None

Note 4: Student Loans Processed and Administrative Costs Recovered - If Not Included in Schedule

Federal Grantor and CFDA Number Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin. Costs Recovered
None			

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed-Through by the College

The following amounts were passed-through to the listed recipients by the College. These amounts were from the Carl Perkins Vocational Education - Tech Prep program (CFDA #84.243) from the U.S. Department of Education through the Texas Higher Education Coordinating Board.

	<u>Perkins - Tech Prep</u>
North Central Texas College	\$ 46,538
Denison Independent School District	5,000
Ector Independent School District	2,207
Krum Independent School District	5,000
Muenster Independent School District	3,209
Ponder Independent School District	3,280
Van Alstyne Independent School District	<u>3,500</u>
 Total Amount Passed-Through	 <u><u>\$ 68,734</u></u>

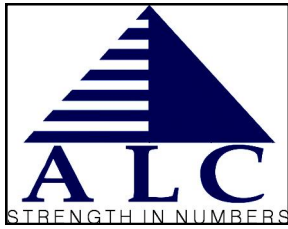
Grayson County College
Schedule of Expenditures of State Awards
Year Ended August 31, 2011

Schedule F

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
Passed through Texas Higher Education Coordinating Board		
College Work Study Program (2010-2011)		\$ 19,969
Early High School Graduation (HB 1479)		15,950
Certified Educational Aide Program		10,169
TopTen Percent		30,000
Student Financial Aid (Texas Grant)		319,560
Financial Aid - Professional / Vocational Nursing		7,295
Nursing Shortage Reduction		91,806
Academic Study		2,000
Total Passed through Texas Higher Education Coordinating Board		496,749
Passed through Dallas County Community College District		
Small Business Development Center (SBDC) 2009-2010	10-603001-Z-0076-24	19,514
Small Business Development Center (SBDC) 2010-2011	1-603001-Z-0046-24	76,243
Total Passed through Dallas County Community College District		95,757
Passed through Texas Education Agency		
Adult Basic Education	100100017110325	46,822
Adult Basic Education	110100017110332	118,991
Total Passed through Texas Education Agency		165,813
Passed through Texas Workforce Commission		
Skill Development Fund	2510SDF000	480,593
Skill Development Fund	2511SDF000	136,953
Skill Development Fund	2511SSD000	12,285
Total Passed through Texas Workforce Commission		629,831
Passed through Texas State Technical College		
Skill Development Fund	1310SDF000	7,975
Total Passed through Texas State Technical College		7,975
Passed through Texas Department of Agriculture		
Viticulture and Enology Certificate Agreement	EVER0809-04	22,992
Viticulture Outreach Education Team Agreement	EVER0809-02	34,381
Viticulture and Enology Certificate Agreement	EVER1011-15	30,790
Viticulture Outreach Education Team Agreement	EVER1011-17	33,430
Total Passed through Texas Department of Agriculture		121,593
Passed through Comptroller of Public Accounts		
Jobs and Education for Texans Grant	3595-10	153,260
Jobs and Education for Texans Grant	3572-19	--
Total Passed through Comptroller of Public Accounts		153,260
Total State Financial Assistance		\$ 1,670,978
Note 1: State Assistance Reconciliation		
State Grants and Contracts per Exhibit 2		\$ 1,670,978
Reconciling Items:		
None		--
Total Expenditures per Schedule of State Financial Assistance		\$ 1,670,978

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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



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BELINDA W. DEVINCENTIS

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Trustees
Grayson County College
6101 Grayson Drive
Denison, Texas

Members of the Board:

We have audited the financial statements of the business-type activities and discretely presented component unit of Grayson County College (College) as of and for the year ended August 31, 2011, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 12, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

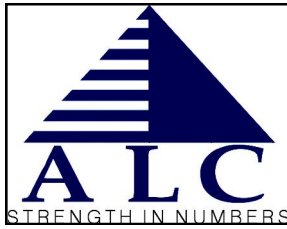
As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

We have also performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2011, no instances of noncompliance were found.

This report is intended solely for the information and use of the College's trustees, administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sherman, Texas
December 12, 2011



ADAMI, LINDSEY & COMPANY, L.L.P.

Certified Public Accountants

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**Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133
and the State of Texas Single Audit Circular**

Board of Trustees
Grayson County College
6101 Grayson Drive
Denison, Texas

Members of the Board:

Compliance

We have audited the compliance of Grayson County College (College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that are applicable to each of its major federal and state programs for the year ended August 31, 2011. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major and state federal programs is the responsibility of the College's administrators. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Grayson County College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2011.

Internal Control over Compliance

The administration of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

This report is intended solely for the information and use of the College's trustees, administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sherman, Texas
December 12, 2011

**Grayson County College
Schedule of Findings and Questioned Costs
Year Ended August 31, 2011**

Part I Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued on the Financial Statements
Unqualified

Internal Control Findings Disclosed in the Audit of the Financial Statements	
Material Weaknesses Identified	No
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None Reported

Noncompliance Material to the Financial Statements
None

Federal and State Awards

Internal Control Findings Disclosed in the Audit of Major Programs	
Material Weaknesses Identified	No
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None Reported

Type of Auditor's Report on Compliance for Major Programs
Unqualified

Did the Audit Disclose Findings Required to be Reported under Section .510(a)
No

Major Programs - Federal	
Student Financial Aid Programs Cluster	
Federal Supplemental Educational Opportunity Grant (FSEOG)	CFDA #84.007
Federal Workstudy Program	CFDA #84.033
Federal Pell Grant Program	CFDA #84.063
Federal Direct Student Loan Program	CFDA #84.268
Academic Competitiveness Grant	CFDA #84.375
Carl Perkins Vocational Education	CFDA #84.048

Major Programs - State	
Skills Development Fund (2510SDF000)	
Skills Development Fund (2511SDF000)	
Skills Development Fund (2511SSD000)	
Jobs and Education for Texans Grant (3595-10)	

Dollar Threshold Used to Distinguish Between Type A and Type B Programs	
Federal - \$392,310	
State - \$300,000	

Low Risk Auditee
Yes

Part II Findings Related to the Financial Statements

None

Part III Findings and Questioned Costs Related to the Federal and State Awards

None

**Grayson County College
Schedule of Status of Prior Year Findings
Year Ended August 31, 2011**

None

Statistical Supplement

(Unaudited)

Grayson County College
Net Assets by Component
Last Ten Fiscal Years
(Unaudited)

For the Fiscal Year Ended August 31,

(amounts expressed in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Invested in Capital Assets, Net of Related Debt	\$ 13,420	\$ 13,066	\$ 13,664	\$ 13,102	\$ 11,667	\$ 9,567	\$ 8,674	\$ 7,396	\$ 1,596	\$ 570
Restricted - Expendable	3,359	3,172	2,750	1,241	1,945	1,797	1,736	1,738	1,691	1,707
Restricted - Nonexpendable	--	--	--	--	398	389	386	388	2,742	2,632
Unrestricted	21,990	20,298	18,747	16,198	15,926	14,332	11,429	10,705	9,548	8,177
Total Primary Government Net Assets	<u>\$ 38,769</u>	<u>\$ 36,536</u>	<u>\$ 35,161</u>	<u>\$ 30,541</u>	<u>\$ 29,936</u>	<u>\$ 26,085</u>	<u>\$ 22,225</u>	<u>\$ 20,227</u>	<u>\$ 15,577</u>	<u>\$ 13,086</u>

Grayson County College
Revenues by Source
Last Ten Fiscal Years
(Unaudited)

For the Fiscal Year Ended August 31,

	(amounts expressed in thousands)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)	\$ 4,591	\$ 4,435	\$ 4,394	\$ 4,022	\$ 3,832	\$ 3,288	\$ 3,074	\$ 3,003	\$ 2,417	\$ 2,289
Governmental Grants and Contracts										
Federal Grants and Contracts	1,223	1,112	1,017	946	2,216	1,258	1,305	1,138	831	1,038
State Grants and Contracts	1,671	1,618	952	1,640	1,326	1,265	423	570	453	432
Local Grants and Contracts	--	--	--	--	--	960	--	--	--	--
Non-Governmental Grants and Contracts	309	379	329	14	10	18	18	25	111	72
Sales & Services of Educational Activities	47	53	49	50	45	39	65	67	65	69
Investment Income (Program Restricted)	--	--	--	--	97	58	30	44	113	59
Auxiliary enterprises	2,082	2,027	2,518	2,552	2,199	2,046	1,988	1,927	1,991	1,878
Other Operating Revenue	240	190	161	153	179	139	135	128	101	86
Total Operating Revenues	10,163	9,814	9,420	9,377	9,904	9,071	7,038	6,902	6,082	5,923
State Appropriations	9,038	9,095	9,059	8,993	8,469	8,372	7,599	7,537	7,835	8,181
Ad Valorem Taxes	12,550	12,231	11,796	8,664	8,451	7,402	6,588	5,869	5,192	4,430
Federal Revenue, Non-Operating	11,802	9,092	4,963	3,180	3,183	3,141	3,740	3,564	3,155	2,662
Gifts	--	--	43	--	--	--	--	--	--	--
Investment Income	136	149	358	592	891	706	355	190	114	173
Gain on Disposition of Fixed Assets	--	--	--	--	--	--	--	--	--	335
Other non-operating revenues	--	1	--	--	--	--	--	--	--	--
Total Non-Operating Revenues	33,526	30,568	26,219	21,429	20,994	19,621	18,282	17,160	16,296	15,781
Total Revenues	\$ 43,689	\$ 40,382	\$ 35,639	\$ 30,806	\$ 30,898	\$ 28,692	\$ 25,320	\$ 24,062	\$ 22,378	\$ 21,704

For the Fiscal Year Ended August 31,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)	10.51%	10.98%	12.33%	13.06%	12.40%	11.46%	12.14%	12.48%	10.80%	10.55%
Governmental Grants and Contracts										
Federal Grants and Contracts	2.80%	2.75%	2.85%	3.07%	7.17%	4.38%	5.15%	4.73%	3.71%	4.78%
State Grants and Contracts	3.82%	4.01%	2.67%	5.32%	4.29%	4.41%	1.67%	2.37%	2.02%	1.99%
Local Grants and Contracts	0.00%	0.00%	0.00%	0.00%	0.00%	3.35%	0.00%	0.00%	0.00%	0.00%
Non-Governmental Grants and Contracts	0.71%	0.94%	0.92%	0.05%	0.03%	0.06%	0.07%	0.10%	0.50%	0.33%
Sales & Services of Educational Activities	0.11%	0.13%	0.14%	0.16%	0.15%	0.14%	0.26%	0.28%	0.29%	0.32%
Investment Income (Program Restricted)	0.00%	0.00%	0.00%	0.00%	0.31%	0.20%	0.12%	0.18%	0.50%	0.27%
Auxiliary enterprises	4.77%	5.02%	7.07%	8.28%	7.12%	7.13%	7.85%	8.01%	8.90%	8.65%
Other Operating Revenue	0.55%	0.47%	0.45%	0.50%	0.58%	0.48%	0.53%	0.53%	0.45%	0.40%
Total Operating Revenues	23.26%	24.30%	26.43%	30.44%	32.05%	31.62%	27.80%	28.68%	27.18%	27.29%
State Appropriations	20.69%	22.52%	25.42%	29.19%	27.41%	29.18%	30.01%	31.32%	35.01%	37.69%
Ad Valorem Taxes	28.73%	30.29%	33.10%	28.12%	27.35%	25.80%	26.02%	24.39%	23.20%	20.41%
Federal Revenue, Non-Operating	27.01%	22.51%	13.93%	10.32%	10.30%	10.95%	14.77%	14.81%	14.10%	12.27%
Gifts	0.00%	0.00%	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Income	0.31%	0.37%	1.00%	1.92%	2.88%	2.46%	1.40%	0.79%	0.51%	0.80%
Gain on Disposition of Fixed Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.54%
Other non-operating revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Non-Operating Revenues	76.74%	75.70%	73.57%	69.56%	67.95%	68.38%	72.20%	71.32%	72.82%	72.71%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Grayson County College
Program Expenses by Function
Last Ten Fiscal Years
(Unaudited)

For the Fiscal Year Ended August 31,

	(amounts expressed in thousands)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	\$ 13,088	\$ 12,498	\$ 11,237	\$ 10,379	\$ 11,242	\$ 9,864	\$ 9,045	\$ 8,563	\$ 8,286	\$ 8,341
Public Service	694	706	623	543	448	473	411	370	430	434
Academic Support	1,490	1,531	1,517	1,276	1,175	944	1,249	964	839	848
Student Services	2,264	2,098	1,972	2,013	1,660	1,509	1,425	1,527	1,344	1,310
Institutional Support	3,731	3,492	3,147	3,253	2,731	2,568	2,340	2,279	1,916	1,922
Operation and Maintenance of Plant	4,421	4,909	3,574	3,425	3,038	2,765	2,347	2,365	2,020	1,839
Scholarships and Fellowships	7,469	5,920	2,974	2,298	1,853	1,999	2,344	2,215	2,118	1,730
Auxiliary Enterprises	4,151	3,970	3,825	3,269	3,026	3,037	2,775	2,652	2,686	2,488
Depreciation Expense	1,790	1,405	1,085	988	887	742	638	519	434	360
Total Operating Expenses	39,098	36,529	29,954	27,444	26,060	23,901	22,574	21,454	20,073	19,272
Interest on Capital Related Debt	2,332	2,071	943	820	792	817	859	608	418	236
Loss on Disposal of Fixed Assets	36	417	132	67	205	123	152	99	107	--
Other Nonoperating Expenses	--	--	--	--	--	--	--	--	33	--
Total Nonoperating Expenses	2,368	2,488	1,075	887	997	940	1,011	707	558	236
Total Expenses	\$ 41,466	\$ 39,017	\$ 31,029	\$ 28,331	\$ 27,057	\$ 24,841	\$ 23,585	\$ 22,161	\$ 20,631	\$ 19,508

For the Fiscal Year Ended August 31,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	31.55%	32.02%	36.20%	36.62%	41.54%	39.70%	38.35%	38.64%	40.16%	42.75%
Public Service	1.67%	1.81%	2.01%	1.92%	1.66%	1.90%	1.74%	1.67%	2.08%	2.22%
Academic Support	3.59%	3.92%	4.89%	4.50%	4.34%	3.80%	5.30%	4.35%	4.07%	4.35%
Student Services	5.46%	5.38%	6.36%	7.11%	6.14%	6.07%	6.04%	6.89%	6.51%	6.72%
Institutional Support	9.00%	8.95%	10.14%	11.48%	10.09%	10.34%	9.92%	10.28%	9.29%	9.85%
Operation and Maintenance of Plant	10.66%	12.58%	11.52%	12.09%	11.23%	11.13%	9.95%	10.67%	9.79%	9.43%
Scholarships and Fellowships	18.01%	15.17%	9.58%	8.11%	6.85%	8.05%	9.94%	10.00%	10.27%	8.87%
Auxiliary Enterprises	10.01%	10.18%	12.33%	11.54%	11.18%	12.23%	11.77%	11.97%	13.02%	12.75%
Depreciation Expense	4.32%	3.60%	3.50%	3.49%	3.28%	2.99%	2.71%	2.34%	2.10%	1.85%
Total Operating Expenses	94.29%	93.62%	96.54%	96.87%	96.32%	96.22%	95.71%	96.81%	97.30%	98.79%
Interest on Capital Related Debt	5.62%	5.31%	3.04%	2.89%	2.93%	3.29%	3.64%	2.74%	2.03%	1.21%
Loss on Disposal of Fixed Assets	0.09%	1.07%	0.43%	0.24%	0.76%	0.50%	0.64%	0.45%	0.52%	0.00%
Other Nonoperating Expenses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.00%
Total Nonoperating Expenses	5.71%	6.38%	3.46%	3.13%	3.68%	3.78%	4.29%	3.19%	2.70%	1.21%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Grayson County College
Tuition and Fees
Last Ten Academic Years
(Unaudited)**

Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Fees per student			In-District Tuition	Out-of District Tuition	General Fee	Student Service Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
	Matriculation Fee	Student ID Fee	International Fee								
2010	\$ 10	\$ 2	\$ --	\$ 37	\$ 64	\$ 8	\$ 2	\$ 576	\$ 900	4.35%	15.38%
2009	10	2	--	35	54	8	2	552	780	0.00%	0.00%
2008	10	2	--	35	54	8	2	552	780	4.55%	18.18%
2007	10	2	--	33	44	8	2	528	660	0.00%	0.00%
2006	10	2	--	33	44	8	2	528	660	0.00%	0.00%
2005	10	2	--	33	44	8	2	528	660	2.33%	10.00%
2004	10	2	--	32	39	8	2	516	600	13.16%	13.64%
2003	10	2	--	28	34	7	2	456	528	11.76%	10.00%
2002	10	2	--	24	30	7	2	408	480	6.25%	5.26%
2001	10	2	--	22	28	7	2	384	456		

Non-Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Fees per student			Non-Resident Tuition Out of State	Non-Resident Tuition International	General Fee	Student Service Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
	Matriculation Fee	Student ID Fee	International Fee								
2010	\$ 10	\$ 2	\$ 225	\$ 113	\$ 113	\$ 8	\$ 2	\$ 1,488	\$ 1,713	8.77%	7.53%
2009	10	2	225	103	103	8	2	1,368	1,593	0.00%	0.00%
2008	10	2	225	103	103	8	2	1,368	1,593	9.62%	8.15%
2007	10	2	225	93	93	8	2	1,248	1,473	0.00%	0.00%
2006	10	2	225	93	93	8	2	1,248	1,473	0.00%	0.00%
2005	10	2	225	93	93	8	2	1,248	1,473	5.05%	4.25%
2004	10	2	225	88	88	8	2	1,188	1,413	10.00%	8.28%
2003	10	2	225	80	80	7	2	1,080	1,305	15.38%	12.40%
2002	10	2	225	68	68	7	2	936	1,161	5.41%	30.74%
2001	10	2	--	64	64	7	2	888	888		

Grayson County College
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2010 - 2011	\$ 10,223,678	\$ 3,088,600	\$ 7,135,078	69.79%	\$ 0.13300	\$ 0.04880	\$ 0.18180
2009 - 2010	9,979,063	3,079,341	6,899,722	69.14%	0.13278	0.05094	0.18372
2008 - 2009	9,300,832	2,926,033	6,374,799	68.54%	0.13000	0.05436	0.18436
2007 - 2008	8,602,533	2,736,999	5,865,534	68.18%	0.13974	0.00000	0.13974
2006 - 2007	8,022,443	2,479,299	5,543,144	69.10%	0.14774	0.00000	0.14774
2005 - 2006	7,241,918	2,221,560	5,020,358	69.32%	0.14002	0.00000	0.14002
2004 - 2005	6,570,126	1,938,514	4,631,612	70.50%	0.13411	0.00000	0.13411
2003 - 2004	6,000,661	1,724,927	4,275,734	71.25%	0.12626	0.00000	0.12626
2002 - 2003	5,466,662	1,355,385	4,111,277	75.21%	0.12000	0.00000	0.12000
2001 - 2002	4,954,414	1,160,887	3,793,527	76.57%	0.11031	0.00000	0.11031

Source: Local Appraisal District

Notes: Property is assessed at full market value
(a) per \$100 Taxable Assessed Valuation

Grayson County College
State Appropriations per FTSE and Contact Hour
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	State Appropriation (amounts expressed in thousands)	Appropriation per FTSE		Appropriation per Contact Hour			State Appropriation per Contact Hour
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	
2010 - 2011	\$ 6,912	\$ 4,966	\$ 1,392	1,643	932	2,575	\$ 2.68
2009 - 2010	6,979	4,541	1,537	1,481	895	2,376	2.94
2008 - 2009	6,955	3,927	1,771	1,312	734	2,046	3.40
2007 - 2008	6,955	3,490	1,993	1,171	621	1,792	3.88
2006 - 2007	6,539	3,487	1,875	1,195	602	1,797	3.64
2005 - 2006	6,489	3,368	1,927	1,135	611	1,746	3.72
2004 - 2005	6,041	3,500	1,726	1,147	698	1,845	3.27
2003 - 2004	6,041	3,528	1,712	1,156	657	1,813	3.33
2002 - 2003	5,945	3,307	1,798	1,114	592	1,706	3.48
2001 - 2002	6,387	3,247	1,967	1,084	598	1,682	3.80

Note:

FTSE is defined as the number of full-time students plus total hours taken by part-time students divided by 24.

(a) Source: CBM001

(b) Source: CBM00A

**Grayson County College
Principal Taxpayers
Last Ten Years
(Unaudited)**

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Oncor Electric	Utility	\$ 65,690	\$ 68,250	\$ 69,764	\$ 75,177	\$ 72,258	\$ 74,687	\$ 69,049	\$ 65,081	\$ 60,402	\$ 62,099
UHS of Texoma, Inc	Hospital	30,251	99,900	61,845	31,914	--	--	--	--	--	--
Gulf Crossing Pipeline Co	Energy	51,810	58,747	--	--	--	--	--	--	--	--
Sherman Town Center LP	Retail	44,295	43,125	43,236	49,469	50,862	50,654	--	--	--	--
Texas Instruments	Manufacturing	--	27,981	39,745	--	--	20,007	38,001	42,647	56,023	60,234
Universal Health Services	Medical	40,080	44,400	--	--	--	--	--	--	--	--
XTO Energy, Inc.	Utility	41,227	53,261	35,486	46,631	34,646	38,453	27,928	--	--	--
Kwikset Corporation	Manufacturing	29,004	31,103	34,073	40,953	29,886	27,786	31,351	30,485	40,978	41,815
Union Pacific Railroad	Transportation	33,616	34,277	33,798	30,712	--	--	16,414	20,881	18,155	20,031
Energy Transfer Fuel LP	Energy	28,126	--	28,288	28,625	36,113	21,584	--	--	--	--
Verizon Southwest	Utility	--	--	22,691	30,765	27,310	25,633	25,633	37,063	37,063	37,318
Sherman Grayson Hospital LLC	Hospital	42,333	27,309	--	--	--	--	--	--	--	--
MEMC Southwest, Inc.	Manufacturing	--	--	21,693	23,722	23,450	18,995	18,990	18,990	19,740	23,649
Globitech Incorporated	Manufacturing	--	--	--	21,942	21,000	--	--	--	--	--
Woodmont Sherman LP	Retail	--	--	--	--	17,920	--	--	--	--	--
Walmart Stores, Inc.	Retail	--	--	--	--	18,786	18,807	18,829	18,950	19,820	19,889
Tyson Fresh Meats, Inc.	Food	--	--	--	--	--	41,385	--	--	--	--
Venoco, Inc.	Energy	--	--	--	--	--	--	15,752	--	--	--
A-S 71 Sherman	Retail	--	--	--	--	--	--	42,669	--	--	--
Southwestern Bell Telephone	Utility	--	--	--	--	--	--	--	14,822	--	--
Folger Coffee Company	Manufacturing	--	--	--	--	--	--	--	22,501	22,396	30,365
Chevron USA, Inc.	Energy	--	--	--	--	--	--	--	25,239	21,615	21,846
Johnson & Johnson	Manufacturing	--	--	--	--	--	--	--	--	37,838	51,903
Totals		\$ 406,432	\$ 488,353	\$ 390,619	\$ 379,910	\$ 332,231	\$ 337,991	\$ 304,616	\$ 296,659	\$ 334,030	\$ 369,149
Total Taxable Assessed Value		\$ 7,135,078	\$ 6,899,722	\$ 6,374,799	\$ 5,865,534	\$ 5,543,144	\$ 5,020,358	\$ 4,631,612	\$ 4,275,734	\$ 4,111,277	\$ 3,793,527

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Oncor Electric	Utility	0.92%	0.99%	1.09%	1.28%	1.30%	1.49%	1.49%	1.52%	1.47%	1.64%
UHS of Texoma, Inc	Hospital	0.42%	1.45%	0.97%	0.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gulf Crossing Pipeline Co	Energy	0.73%	0.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherman Town Center LP	Retail	0.62%	0.63%	0.68%	0.84%	0.92%	1.01%	0.00%	0.00%	0.00%	0.00%
Texas Instruments	Manufacturing	0.00%	0.41%	0.62%	0.00%	0.00%	0.40%	0.82%	1.00%	1.36%	1.59%
Universal Health Services	Medical	0.56%	0.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
XTO Energy, Inc.	Utility	0.58%	0.77%	0.56%	0.80%	0.63%	0.77%	0.60%	0.00%	0.00%	0.00%
Kwikset Corporation	Manufacturing	0.41%	0.45%	0.53%	0.70%	0.54%	0.55%	0.68%	0.71%	1.00%	1.10%
Union Pacific Railroad	Transportation	0.47%	0.50%	0.53%	0.52%	0.00%	0.00%	0.35%	0.49%	0.44%	0.53%
Energy Transfer Fuel LP	Energy	0.39%	0.00%	0.44%	0.49%	0.65%	0.43%	0.00%	0.00%	0.00%	0.00%
Verizon Southwest	Utility	0.00%	0.00%	0.36%	0.52%	0.49%	0.51%	0.55%	0.87%	0.90%	0.98%
Sherman Grayson Hospital LLC	Hospital	0.59%	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MEMC Southwest, Inc.	Manufacturing	0.00%	0.00%	0.34%	0.40%	0.42%	0.38%	0.41%	0.44%	0.48%	0.62%
Globitech Incorporated	Manufacturing	0.00%	0.00%	0.00%	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Woodmont Sherman LP	Retail	0.00%	0.00%	0.00%	0.00%	0.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Walmart Stores, Inc.	Retail	0.00%	0.00%	0.00%	0.00%	0.34%	0.37%	0.41%	0.44%	0.48%	0.52%
Tyson Fresh Meats, Inc.	Food	0.00%	0.00%	0.00%	0.00%	0.00%	0.82%	0.00%	0.00%	0.00%	0.00%
Venoco, Inc.	Energy	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.34%	0.00%	0.00%	0.00%
A-S 71 Sherman	Retail	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.92%	0.00%	0.00%	0.00%
Southwestern Bell Telephone	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%
Folger Coffee Company	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.53%	0.54%	0.80%
Chevron USA, Inc.	Energy	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.59%	0.53%	0.58%
Johnson & Johnson	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.92%	1.37%
		5.69%	7.09%	6.12%	6.46%	5.99%	6.73%	6.57%	6.94%	8.12%	9.73%

Source: County Appraisal District

**Grayson County College
Property Tax Levies and Collections
Last Ten Tax Years
(Unaudited)**

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C + D + E)	Cumulative Collections of Adjusted Levy
2011	\$ 12,350	\$ (92)	\$ 12,258	\$ 11,903	97.10%	\$ --	\$ --	\$ 11,903	97.10%
2010	12,064	(86)	11,978	11,535	96.30%	--	201	11,736	97.98%
2009	11,414	81	11,495	11,108	96.63%	222	57	11,387	99.06%
2008	8,261	122	8,383	8,126	96.93%	165	15	8,306	99.08%
2007	8,314	(28)	8,286	8,038	97.01%	215	10	8,263	99.72%
2006	7,102	133	7,235	6,995	96.68%	208	5	7,208	99.63%
2005	6,426	(35)	6,391	6,167	96.50%	215	2	6,384	99.89%
2004	5,657	7	5,664	5,452	96.26%	197	1	5,650	99.75%
2003	5,042	4	5,046	4,850	96.12%	181	--	5,031	99.70%
2002	4,384	(22)	4,362	4,231	97.00%	125	--	4,356	99.86%

Amounts expressed in thousands

Source: Local Tax Assessor Collector and College records

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

Grayson County College
Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

For the Year Ended August 31 (amounts expressed in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Bonded Debt										
General Obligation Bonds	\$ 42,155	\$ 43,465	\$ 44,665	\$ 44,765	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Notes and Capital Leases	--	--	--	--	--	--	--	--	--	--
Less: Funds Restricted for Debt Service	(784)	(800)	(471)	--	--	--	--	--	--	--
Net General Bonded Debt	41,371	42,665	44,194	44,765	--	--	--	--	--	--
Other Debt										
Revenue Bonds	14,065	15,560	16,525	17,460	18,360	19,239	19,991	20,734	11,162	6,675
Notes and Capital Leases	217	67	93	119	142	60	82	405	520	490
Total Outstanding Debt	\$ 55,653	\$ 58,292	\$ 60,812	\$ 62,344	\$ 18,502	\$ 19,299	\$ 20,073	\$ 21,139	\$ 11,682	\$ 7,165
General Bonded Debt Ratios										
Per Capita	\$ 342.26	\$ 355.45	\$ 371.99	\$ 377.31	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Per FTSE	8,331	9,396	11,254	12,827	--	--	--	--	--	--
As a percentage of Taxable Assessed Value	0.58%	0.62%	0.69%	0.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Outstanding Debt Ratios										
Per Capita	\$ 460.41	\$ 485.65	\$ 511.87	\$ 525.48	\$ 156.16	\$ 165.28	\$ 173.26	\$ 183.84	\$ 102.80	\$ 63.67
Per FTSE	11,207	12,837	15,486	17,864	5,306	5,730	5,735	5,992	3,533	2,207
As a Percentage of Taxable Assessed Value	0.78%	0.84%	0.95%	1.06%	0.33%	0.38%	0.43%	0.49%	0.28%	0.19%

Notes:

Ratios calculated using population and TAV from corresponding fiscal year.

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

**Grayson County College
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

For the Year Ended August 31 (amounts expressed in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Taxable Assessed Value	<u>\$7,135,078</u>	<u>\$6,899,722</u>	<u>\$6,374,799</u>	<u>\$5,865,534</u>	<u>\$5,543,144</u>	<u>\$5,020,358</u>	<u>\$4,631,612</u>	<u>\$4,275,734</u>	<u>\$4,111,277</u>	<u>\$3,793,527</u>
General Obligations Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 35,675	\$ 34,499	\$ 31,874	\$ 29,328	\$ 27,716	\$ 25,102	\$ 23,158	\$ 21,379	\$ 20,556	\$ 18,968
Less Funds Restricted for Repayment of General Obligation Bonds	784	800	471	--	--	--	--	--	--	--
Total Net General Obligation Debt	34,891	33,699	31,403	29,328	27,716	25,102	23,158	21,379	20,556	18,968
Current Year Debt Service Requirements	3,078	3,011	1,916	1,007	--	--	--	--	--	--
Excess of Statutory Limit for Debt Service over Current Requirements	<u>\$ 31,813</u>	<u>\$ 30,688</u>	<u>\$ 29,487</u>	<u>\$ 28,321</u>	<u>\$ 27,716</u>	<u>\$ 25,102</u>	<u>\$ 23,158</u>	<u>\$ 21,379</u>	<u>\$ 20,556</u>	<u>\$ 18,968</u>
Net Current Requirements as a % of Statutory Limit	<u>6.43%</u>	<u>6.41%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

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

**Grayson County College
Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended August 31,	Pledged Revenues (\$000 omitted)									Debt Service Requirements (\$000 omitted)			Coverage Ratio
	Tuition	General Use Fee	Student Service Fee	Registration Fees	Laboratory Fees	Community Education Fees	Investment Income	Auxiliary Enterprises	Total	Principal	Interest	Total	
2011	\$ 1,661	\$ 968	\$ 242	\$ 334	\$ 357	\$ 112	\$ 113	\$ 3,590	\$ 7,377	\$ 1,150	\$ 464	\$ 1,614	4.57
2010	1,386	888	222	307	353	80	158	3,197	6,591	965	667	1,632	4.04
2009	1,178	772	193	276	246	44	168	3,210	6,087	935	694	1,629	3.74
2008	1,042	676	169	231	201	89	354	2,841	5,603	900	722	1,622	3.45
2007	984	674	168	223	184	162	532	2,595	5,522	880	747	1,627	3.39
2006	845	648	162	189	175	144	368	2,392	4,923	850	772	1,622	3.04
2005	780	597	171	184	181	86	226	2,473	4,698	1,051	814	1,865	2.52
2004	740	598	171	176	181	68	87	2,376	4,397	532	568	1,100	4.00
2003	502	557	159	144	182	52	80	2,326	4,002	612	399	1,011	3.96
2002	228	548	157	146	167	53	120	2,207	3,626	292	230	522	6.95

**Grayson County College
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(Unaudited)**

<u>Calendar Year</u>	<u>District Population</u>	<u>District Personal Income</u>	<u>District Personal Income per Capita</u>	<u>District Unemployment Rate</u>
2010	120,877	(a)	(a)	8.4%
2009	120,030	3,848,851,000	32,066	8.1%
2008	118,804	3,624,919,000	30,015	5.3%
2007	118,641	3,412,174,000	28,901	4.7%
2006	118,478	3,230,638,000	27,591	4.9%
2005	116,763	3,059,973,000	26,207	5.2%
2004	115,855	2,856,052,000	24,652	6.1%
2003	114,984	2,694,267,000	23,424	7.0%
2002	113,642	2,622,248,000	23,064	6.6%
2001	112,537	2,601,876,000	23,114	5.2%

(a) Information is not yet available

Sources:

Population from U.S. Bureau of Census

Person income from U.S. Bureau of Economic Analysis

Unemployment rate from Texas Workforce Commission

**Grayson County College
Principal Employers
Current Year and Nine Years Prior
(Unaudited)**

Current Fiscal Year

Employer	Number of Employees	Percentage of Total County Employment
Tyson Fresh Meats	1,500 - 1,749	2.85%
Texoma Health Care Systems	1,250 - 1,499	2.49%
Sherman ISD	1,000 - 1,249	2.05%
Wilson N. Jones Regional Health Systems	1,000 - 1,249	1.90%
Texas Instruments	750 - 999	1.71%
CIGNA Company	750 - 999	1.43%
Ruiz Foods	500 - 749	1.33%
Denison ISD	500 - 749	1.15%
City of Sherman	250 - 499	0.86%
Total	<u>7,500 - 9,741</u>	

Source:

Texas Workforce Commission

Notes:

Percentages are calculated using the midpoints of the ranges.

Information for nine years prior is unavailable and the College has chosen to implement this schedule prospectively.

Grayson County College
Faculty, Staff and Administrative Statistics
Last Ten Fiscal Years
(Unaudited)

	For the Year Ended August 31,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Faculty										
Full-Time	97	95	90	86	88	87	93	83	94	98
Part-Time	183	152	153	145	142	137	122	122	116	119
Total	<u>280</u>	<u>247</u>	<u>243</u>	<u>231</u>	<u>230</u>	<u>224</u>	<u>215</u>	<u>205</u>	<u>210</u>	<u>217</u>
Percent										
Full-Time	34.6%	38.5%	37.0%	37.2%	38.3%	38.8%	43.3%	40.5%	44.8%	45.2%
Part-Time	65.4%	61.5%	63.0%	62.8%	61.7%	61.2%	56.7%	59.5%	55.2%	54.8%
Staff and Administrators										
Full-Time	136	135	134	130	116	119	118	113	111	108
Part-Time	--	--	--	--	--	--	--	--	--	--
Total	<u>136</u>	<u>135</u>	<u>134</u>	<u>130</u>	<u>116</u>	<u>119</u>	<u>118</u>	<u>113</u>	<u>111</u>	<u>108</u>
Percent										
Full-Time	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Part-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FTSE per Full-Time Faculty	51.2	47.8	43.6	40.6	39.6	38.7	37.6	42.5	35.2	33.1
FTSE per Full-Time Staff Member	36.5	33.6	29.3	26.8	30.1	28.3	29.7	31.2	29.8	30.1
Average Annual Faculty Salary	\$ 54,762	\$ 53,734	\$ 53,058	\$ 47,740	\$ 46,836	\$ 46,500	\$ 45,600	\$ 44,700	\$ 43,600	\$ 42,500

**Grayson County College
Enrollment Details
Last Five Fiscal Years
(Unaudited)**

Student Classification	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	4,152	82.48%	3,968	84.21%	3,382	82.05%	3,015	81.12%	3,086	81.75%
31-60 hours	882	17.52%	538	11.42%	594	14.41%	655	17.62%	558	14.78%
> 60 hours	0	0.00%	206	4.37%	146	3.54%	47	1.26%	131	3.47%
Total	5,034	100.00%	4,712	100.00%	4,122	100.00%	3,717	100.00%	3,775	100.00%

Semester Hour Load	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	9	0.18%	13	0.28%	13	0.32%	18	0.48%	18	0.48%
3-5 semester hours	690	13.71%	714	15.15%	663	16.08%	541	14.55%	555	14.70%
6-8 semester hours	1,116	22.17%	1,055	22.39%	809	19.63%	775	20.85%	793	21.01%
9-11 semester hours	940	18.67%	456	9.68%	648	15.72%	640	17.22%	655	17.35%
12-14 semester hours	1,836	36.47%	1,876	39.81%	1,473	35.73%	1,206	32.46%	1,202	31.84%
15-17 semester hours	375	7.45%	499	10.59%	462	11.21%	474	12.75%	486	12.87%
18 & over	68	1.35%	99	2.10%	54	1.31%	63	1.69%	66	1.75%
Total	5,034	100.00%	4,712	100.00%	4,122	100.00%	3,717	100.00%	3,775	100.00%

Tuition Status	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	3,555	70.62%	3,328	70.63%	2,817	68.34%	2,552	68.65%	2,631	69.70%
Texas Resident (Out-of-District)	1,111	22.07%	1,046	22.20%	944	22.90%	825	22.20%	780	20.66%
Non-Resident Tuition	368	7.31%	338	7.17%	361	8.76%	340	9.15%	364	9.64%
Total	5,034	100.00%	4,712	100.00%	4,122	100.00%	3,717	100.00%	3,775	100.00%

**Grayson County College
Student Profile
Last Five Fiscal Years
(Unaudited)**

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	3,072	61.03%	2,881	61.14%	2,508	60.84%	2,296	61.77%	2,353	62.33%
Male	1,962	38.97%	1,831	38.86%	1,614	39.16%	1,421	38.23%	1,422	37.67%
Total	<u>5,034</u>	<u>100.00%</u>	<u>4,712</u>	<u>100.00%</u>	<u>4,122</u>	<u>100.00%</u>	<u>3,717</u>	<u>100.00%</u>	<u>3,775</u>	<u>100.00%</u>

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	4,073	80.92%	3,583	76.04%	3,208	77.82%	2,908	78.24%	3,034	80.38%
African American	377	7.49%	329	6.98%	240	5.82%	222	5.97%	207	5.48%
Hispanic	280	5.56%	318	6.75%	260	6.31%	218	5.86%	225	5.96%
Native American	191	3.79%	286	6.07%	207	5.02%	169	4.55%	159	4.21%
International	61	1.21%	135	2.87%	161	3.91%	154	4.14%	120	3.18%
Asian	52	1.03%	61	1.29%	46	1.12%	46	1.24%	30	0.79%
Total	<u>5,034</u>	<u>100.00%</u>	<u>4,712</u>	<u>100.00%</u>	<u>4,122</u>	<u>100.00%</u>	<u>3,717</u>	<u>100.00%</u>	<u>3,775</u>	<u>100.00%</u>

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age										
Under 18	658	13.07%	602	12.77%	575	13.95%	483	12.99%	486	12.88%
18-21	1,849	36.73%	1,759	37.33%	1,660	40.27%	1,530	41.16%	1,562	41.38%
22-24	574	11.40%	596	12.65%	523	12.69%	410	11.03%	435	11.52%
25-30	758	15.06%	738	15.66%	562	13.63%	528	14.21%	466	12.34%
31-35	397	7.89%	299	6.35%	244	5.92%	246	6.62%	287	7.60%
36-50	652	12.95%	568	12.05%	446	10.82%	437	11.76%	445	11.79%
51-64	139	2.76%	135	2.87%	98	2.38%	76	2.04%	86	2.28%
61 & over	7	0.14%	15	0.32%	14	0.34%	7	0.19%	8	0.21%
Total	<u>5,034</u>	<u>100.00%</u>	<u>4,712</u>	<u>100.00%</u>	<u>4,122</u>	<u>100.00%</u>	<u>3,717</u>	<u>100.00%</u>	<u>3,775</u>	<u>100.00%</u>

Average Age	26	25	25	25	25
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Grayson County College
Transfers to Senior Institutions
2008 - 2009 Graduates, Completers and Non-Returners
(Unaudited)

Institution	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
Angelo State University			1	1	0.19%
Lamar University	2			2	0.37%
Midwestern State University	9	1	2	12	2.23%
Prairie View A & M University	1			1	0.19%
Sam Houston State University	3			3	0.56%
Stephen F. Austin State University	19	1		20	3.72%
Tarleton State University	13	1	3	17	3.16%
Texas A & M University	45	6	1	52	9.66%
Texas A & M University at Commerce	76	13	5	94	17.46%
Texas A & M University at Corpus Christi	4			4	0.74%
Texas A & M University at Galveston	3	1		4	0.74%
Texas A & M University at Kingsville			1	1	0.19%
Texas Southern University			1	1	0.19%
Texas State University	21	1	3	25	4.65%
Texas Tech University	42	4	1	47	8.73%
Texas Tech University Health Sciences Center	2			2	0.37%
Texas Woman's University	36	2	5	43	7.98%
The University of Texas at Arlington	24	1	8	33	6.13%
The University of Texas at Austin	20	5		25	4.65%
The University of Texas at Dallas	11	4		15	2.79%
The University of Texas at Pan American	1			1	0.19%
The University of Texas at the Permian Basin			1	1	0.19%
The University of Texas at San Antonio	1			1	0.19%
The University of Texas at Tyler	5			5	0.93%
The University of Texas Health Center at San Antonio	2			2	0.37%
The University of Texas Medical Branch at Galveston	1			1	0.19%
University of Houston	3			3	0.56%
University of Houston-Victoria	1			1	0.19%
University of North Texas	95	6	8	109	20.26%
University of North Texas Health Science at Fort Worth	2			2	0.37%
West Texas A & M University	8		2	10	1.86%
Totals	<u>450</u>	<u>46</u>	<u>42</u>	<u>538</u>	<u>100.00%</u>

**Grayson County College
Capital Asset Information
Fiscal Years 2007 to 2011
(Unaudited)**

	Fiscal Year				
	2011	2010	2009	2008	2007
Academic Buildings	19	18	18	18	18
Square Footage	399,848	337,500	304,320	304,320	304,320
Libraries	1	1	1	1	1
Square Footage	18,503	18,503	18,503	18,503	18,503
Number of Volumes	51,800	51,800	51,800	51,800	51,800
Administrative and support buildings	3	3	3	3	3
Square Footage	39,953	39,953	34,553	34,553	34,553
Dormitories	2	2	2	2	2
Square Footage	51,121	51,121	51,121	51,121	51,121
Number of Beds	180	180	180	180	180
Golf Course	2	2	2	2	2
Square Footage	4,122	4,122	4,122	4,122	4,122
Dining Facilities	1	1	1	1	1
Square Footage	9,750	9,750	9,750	9,750	9,750
Average Daily Customers	300	300	300	300	300
Athletic Facilities	4	4	4	3	3
Square Footage	29,753	29,753	29,753	25,379	25,379
Gymnasiums	1	1	1	1	1
Baseball Field	1	1	1	1	1
Softball Field	1	1	1	1	1
Batting Cage	1	1	1	--	--
Plant Facilities	3	3	3	3	3
Square Footage	6,797	6,797	6,797	6,797	6,797
Transportation					
Cars	3	3	3	2	2
Light Trucks/Vans	24	24	24	24	23
Buses	3	3	3	2	2