

Grayson College
Annual Financial Report
August 31, 2012

**Grayson College
Annual Financial Report
Year Ended August 31, 2012**

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Grayson College
Organizational Data
For the Fiscal Year 2011 - 2012

Board of Trustees

Officers

| | | <u>Term Expires</u> |
|---------------------|----------------|---------------------|
| Mrs. Janet Gott | President | 2012 |
| Mr. Bill McFatridge | Vice-President | 2016 |
| Vacant | 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. Jeremy McMillen | 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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Certified Public Accountants

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

Independent Auditor's Report

Board of Trustees
Grayson College
6101 Grayson Drive
Denison, Texas

Members of the Board:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Grayson College (College) as of and for the years ended August 31, 2012 and 2011, 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 respective financial position of the business-type activities and discretely presented component unit of Grayson College as of August 31, 2012 and 2011, and the respective 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 14, 2012 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 financial statements as a whole. 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 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 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 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 do not express an opinion or provide any assurance on them.

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

Sherman, Texas

December 14, 2012

**GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

Management's discussion and analysis of Grayson College's financial performance provides an overview of the college's financial activities for the fiscal year ended August 31, 2012. It should be read in conjunction with the college's financial statements which follow.

FINANCIAL HIGHLIGHTS

- Grayson College continued its pattern of good financial performance, again increasing total net assets. For fiscal year 2011-2012, total net assets increased \$4,348,747, or 11.2%. In fiscal year 2010-2011 total net assets increased \$2,233,651, and in fiscal year 2009-2010 the increase was \$1,375,014.
- Unrestricted net assets also increased in fiscal year 2011-2012, growing from \$21,990,019 to \$25,106,839, for a 14.2% increase.
- Total assets grew from \$98,935,981 at August 31, 2011 to \$100,874,207 at August 31, 2012.
- Total liabilities were \$57,756,293 at August 31, 2012, down from \$60,166,814 at August 31, 2011.
- Operating revenue increased 1.3% to \$10,299,944.
- Operating expenses decreased \$2,501,855 or 6.4%.
- Net non-operating revenues decreased \$523,483 or 1.7%.

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, 2012. 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, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|----------------------|----------------------|
| <u>Assets</u> | | |
| Capital assets (net accumulated depreciation) | \$ 68,964,140 | \$ 68,400,561 |
| All other assets | 31,910,067 | 30,535,420 |
| Total assets | <u>100,874,207</u> | <u>98,935,981</u> |
| <u>Liabilities</u> | | |
| Non-current liabilities | 52,292,895 | 55,056,412 |
| All other liabilities | 5,463,398 | 5,110,402 |
| Total liabilities | <u>57,756,293</u> | <u>60,166,814</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets (net of related debt) | 15,297,786 | 13,420,315 |
| Restricted | 2,713,289 | 3,358,833 |
| Unrestricted | 25,106,839 | 21,990,019 |
| Total Net Assets | <u>\$ 43,117,914</u> | <u>\$ 38,769,167</u> |

Condensed Statement of Revenues, Expenses and Changes in Net Assets for Years Ended August 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| <u>Operating Revenue</u> | | |
| Tuition and fees (net of discounts) | \$ 4,923,045 | \$ 4,590,793 |
| Operating grants and contracts | 3,445,770 | 3,202,555 |
| Auxiliary enterprises (net of discounts) | 1,700,829 | 2,082,368 |
| Other operating revenues | 230,300 | 287,504 |
| Total Operating Revenues | <u>10,299,944</u> | <u>10,163,220</u> |
| <u>Operating Expenses</u> | | |
| Instruction | 13,235,594 | 13,088,651 |
| Public service | 630,664 | 693,903 |
| Academic support | 1,512,159 | 1,489,883 |
| Student services | 2,155,275 | 2,263,197 |
| Institutional support | 3,898,636 | 3,731,280 |
| Operation and maintenance of plant | 3,073,430 | 4,420,886 |
| Scholarships and fellowships | 6,510,510 | 7,469,020 |
| Auxiliary enterprises | 3,589,818 | 4,151,032 |
| Depreciation | 1,990,328 | 1,790,417 |
| Total Operating Expenses | <u>36,596,414</u> | <u>39,098,269</u> |
| <u>Operating Income (Loss)</u> | (26,296,470) | (28,935,049) |
| <u>Non-Operating Revenues (Expenses)</u> | | |
| State appropriations | 9,002,532 | 9,038,194 |
| Ad valorem taxes | 12,578,742 | 12,549,900 |
| Net other non-operating revenues (expenses) | 9,053,943 | 9,570,606 |
| Net Non-Operating revenues (expenses) | <u>30,635,217</u> | <u>31,158,700</u> |

| | | |
|--|----------------------|----------------------|
| <u>Income before Transfers</u> | 4,338,747 | 2,223,651 |
| Transfers | <u>10,000</u> | <u>10,000</u> |
| <u>Increase in Net Assets</u> | 4,348,747 | 2,233,651 |
| <u>Net Assets - Beginning of Year</u> | <u>38,769,167</u> | <u>36,535,516</u> |
| <u>Net Assets - End of Year</u> | <u>\$ 43,117,914</u> | <u>\$ 38,769,167</u> |

DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted above, Grayson College had a successful fiscal year in 2011-2012, continuing the pattern of good financial results.

The chief measure of the financial success is a solid increase in net assets, which can be viewed as a measure of wealth for the school. In fiscal year 2011-2012, net assets for Grayson College increased \$4,348,747, or 11.2%, indicating a high level of financial success.

Grayson College uses a set of financial ratios to judge its financial position and the results of its operations. The college compares the ratios from its current fiscal year with those of past years and with the most recent statewide averages for Texas community colleges as reported by the Texas Higher Education Coordinating Board (THECB).

| | <u>Grayson College</u> | | | Texas Community College Average |
|-----------------------------|------------------------|-------------|-------------|------------------------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> |
| Return on Net Assets | 11.2% | 6.1% | 3.9% | 6.3% |
| Financial Vulnerability | 0.69 | 0.56 | 0.56 | 0.29 |
| Primary Reserve Ratio | 0.72 | 0.60 | 0.59 | 0.34 |
| Viability Ratio | 0.53 | 0.46 | 0.41 | 1.34 |
| Debt Burden Ratio | 6.4% | 6.3% | 6.0% | 2.9% |
| Net Operating Revenue Ratio | 10.6% | 5.4% | 3.6% | 5.0% |

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. Grayson College's results for fiscal year 2011-2012 were outstanding at 11.2%, considerably higher than prior fiscal years and the state-wide average for fiscal year 2010-2011.

Financial Vulnerability Ratio: Calculated by dividing unrestricted net assets by total operating expenses, this ratio measures an organization's ability to cover its expenditures from existing resources. Grayson College's results increased for 2011-2012 and are well over the state average.

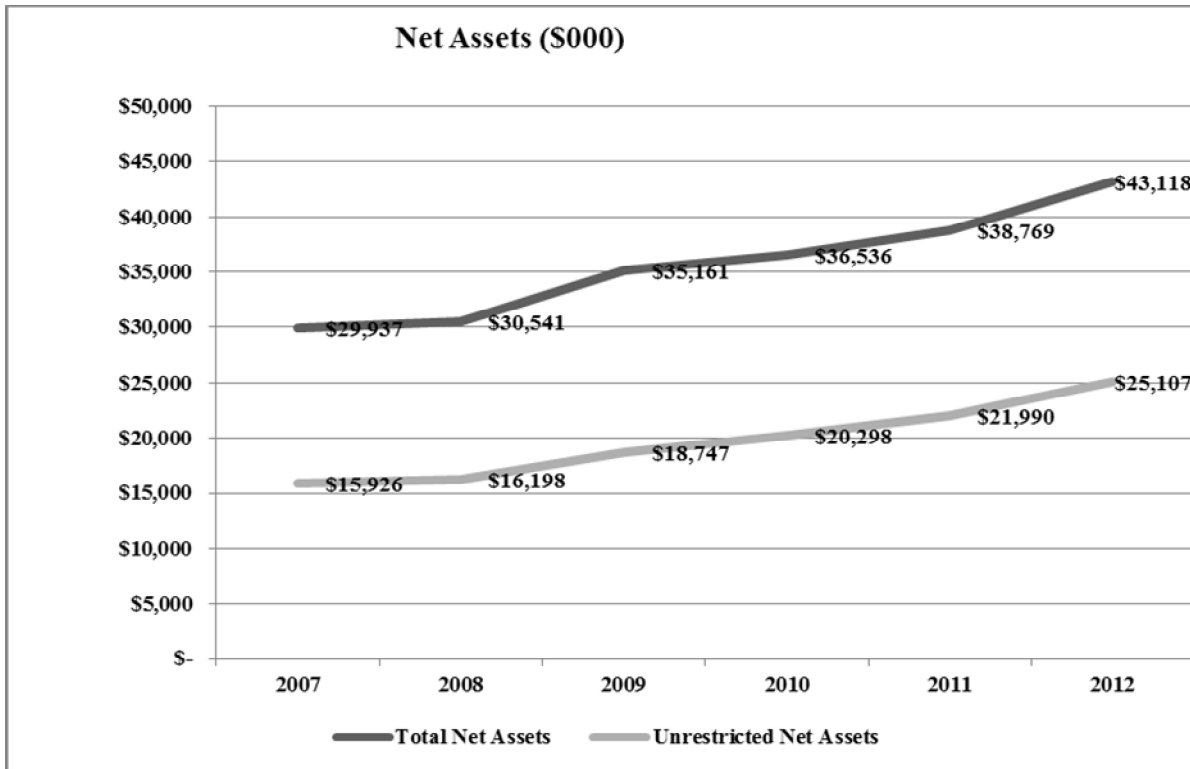
Primary Reserve Ratio: Dividing expendable net assets by total expenses produces this ratio which is a gauge of financial strength and flexibility. It is similar to the financial vulnerability ratio, but it takes into account expendable restricted net assets and non-operating expenses. Again, Grayson's results are improving and are much higher than the state average.

Viability Ratio: Dividing expendable reserves by long-term debt produces the viability ratio. Grayson 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.

Debt Burden Ratio: This ratio measures how much of a college's total expense goes for debt service. It is calculated by dividing debt service by total expenditures. The ratio increased slightly for fiscal year 2011-2012 because debt service was essentially constant but total expenditures decreased.

Net Operating Revenue Ratio: This ratio indicates an operating surplus or deficit. It is calculated by dividing income before transfers by the sum of total operating revenues and net non-operating revenues. For 2011-2012, Grayson College's results improved significantly from the prior year and also exceed the average results for community colleges in fiscal year 2010-2011.

The following chart shows the amount of net assets at the end of 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 chart provides a quick, visual representation of the recent history of excellent financial results that Grayson College has enjoyed.



The Grayson College Foundation is a component unit of Grayson College. In accordance with GASB Statement 39, the financial statements of the foundation are presented with those of the college. The prescribed presentation is for the foundation's statement to be presented separately in a format known as a discrete presentation. For fiscal year 2011-2012 the net assets of the foundation increased \$1,210,541.

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, was substantially completed in January 2012, although final payment has not yet been made due to the need to correct some minor construction defects. Approximately \$900,000 of interest accumulated from the investment of bond proceeds remains to be used. Potential uses of this remnant include re-surfacing parking lots or upgrading portions of the college's sanitary sewer collection system.

Two capital projects are to be completed without the use of bond proceeds. One is the replacement of the college's sewer treatment facility by connecting to the City of Denison's system. The City of Denison has completed the acquisition of the necessary rights-of-way and started construction on the sewer main. The college has awarded a contract for the construction of a lift station and a lengthy force service line to connect to the new sewer main. The college's total cost is estimated at \$1,300,000 and the completion date is estimated as April 1, 2013. The other project is the construction of a facility to provide technical instruction on our South Campus in Van Alstyne. The facility will house programs in occupational safety, medical laboratory technician, welding, and electrician. Current projections call for contracts to be signed for construction in January 2013, and instruction to begin in the new building for the Spring 2014 semester. The total cost of the new facility for technical instruction will be approximately \$4,000,000, with approximately one-half of the funding provided by the U. S. Department of Commerce and the remaining funding coming from Grayson College's resources.

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 College, Denison, Texas, 75020.

Basic Financial Statements

Grayson College
Statement of Net Assets
August 31, 2012 and 2011

Exhibit 1

| | 2012 | 2011 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 11,585,358 | \$ 4,668,542 |
| Short-Term Investments | 15,864,622 | 11,091,422 |
| Receivables (net of allowance for doubtful / uncollectible accounts) | 1,268,545 | 1,685,516 |
| Prepaid Expenses | 109,144 | 97,774 |
| Inventories for Resale | 888,924 | 850,371 |
| Total Current Assets | 29,716,593 | 18,393,625 |
| Noncurrent Assets | | |
| Other Long-Term Investments | 250,501 | 10,123,258 |
| Escrow Deposit for Sewer Line | 806,200 | 806,200 |
| Capital Assets (net of accumulated depreciation) | 68,964,140 | 68,400,561 |
| Bond Issuance Costs (net of accumulated amortization) | 1,136,773 | 1,212,337 |
| Total Noncurrent Assets | 71,157,614 | 80,542,356 |
| Total Assets | 100,874,207 | 98,935,981 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 1,189,252 | 1,525,473 |
| Accrued Liabilities | 228,180 | 269,500 |
| Funds Held for Others | 549,243 | 538,532 |
| Deferred Revenues | 795,214 | 237,235 |
| Deposits Payable | 44,780 | 48,105 |
| Notes and Leases Payable (current portion) | 38,638 | 36,525 |
| Bonds Payable (current portion) | 2,618,091 | 2,455,032 |
| Total Current Liabilities | 5,463,398 | 5,110,402 |
| Noncurrent Liabilities | | |
| Accrued Compensated Absences | 146,497 | 142,978 |
| Notes and Leases Payable (net of current portion) | 141,342 | 179,980 |
| Bonds Payable (net of current portion) | 52,005,056 | 54,733,454 |
| Total Noncurrent Liabilities | 52,292,895 | 55,056,412 |
| Total Liabilities | 57,756,293 | 60,166,814 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 15,297,786 | 13,420,315 |
| Restricted for: | | |
| Expendable: | | |
| Student Financial Aid Programs | 504,820 | 490,447 |
| Instructional Programs | 53,062 | 48,691 |
| Loans | 46,471 | 46,471 |
| Capital Projects | 1,307,420 | 1,890,721 |
| Debt Service | 794,084 | 875,296 |
| Other | 7,432 | 7,207 |
| Unrestricted | 25,106,839 | 21,990,019 |
| Total Net Assets (Schedule D) | \$ 43,117,914 | \$ 38,769,167 |

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

**Grayson College
Affiliated Organizations
Statement of Financial Position
August 31, 2012 and 2011**

| | Grayson College Foundation, Inc. | |
|--|---|---------------------|
| | 2012 | 2011 |
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 750,293 | \$ 618,711 |
| Short-Term Investments | 325,398 | 220,725 |
| Accrued Interest Receivable | 633 | 875 |
| Total Current Assets | 1,076,324 | 840,311 |
| Noncurrent Assets | | |
| Long-Term Investments | 7,715,762 | 6,717,486 |
| Capital Assets (net of accumulated depreciation) | 1,065,030 | 1,094,232 |
| Total Noncurrent Assets | 8,780,792 | 7,811,718 |
| Total Assets | \$ 9,857,116 | \$ 8,652,029 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts Payable | \$ 3,996 | \$ 9,450 |
| Total Current Liabilities | 3,996 | 9,450 |
| Noncurrent Liabilities | | |
| Total Liabilities | -- | -- |
| Net Assets | | |
| Unrestricted | 565,030 | 594,232 |
| Temporarily Restricted | 2,476,719 | 2,367,738 |
| Permanently Restricted | 6,811,371 | 5,680,609 |
| Total Net Assets | 9,853,120 | 8,642,579 |
| Total Liabilities and Net Assets | \$ 9,857,116 | \$ 8,652,029 |

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

Grayson College
Statement of Revenues, Expenses and Changes in Net Assets
Years Ended August 31, 2012 and 2011

Exhibit 2

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Tuition and Fees (net of discounts of \$4,527,144 and \$4,179,785) | \$ 4,923,045 | \$ 4,590,793 |
| Federal Grants and Contracts | 1,833,206 | 1,222,727 |
| State Grants and Contracts | 1,365,458 | 1,670,978 |
| Non-Governmental Grants and Contracts | 247,106 | 308,850 |
| Sales and Services of Educational Activities | 49,346 | 47,705 |
| Auxiliary Enterprises (net of discounts of \$1,936,437 and \$1,890,884) | 1,700,829 | 2,082,368 |
| Other Operating Revenues | 180,954 | 239,799 |
| Total Operating Revenues (Schedule A) | 10,299,944 | 10,163,220 |
| Operating Expenses | | |
| Instruction | 13,235,594 | 13,088,651 |
| Public Service | 630,664 | 693,903 |
| Academic Support | 1,512,159 | 1,489,883 |
| Student Services | 2,155,275 | 2,263,197 |
| Institutional Support | 3,898,636 | 3,731,280 |
| Operation and Maintenance of Plant | 3,073,430 | 4,420,886 |
| Scholarships and Fellowships | 6,510,510 | 7,469,020 |
| Auxiliary Enterprises | 3,589,818 | 4,151,032 |
| Depreciation | 1,990,328 | 1,790,417 |
| Total Operating Expenses (Schedule B) | 36,596,414 | 39,098,269 |
| Operating Income (Loss) | (26,296,470) | (28,935,049) |
| Non-Operating Revenues (Expenses) | | |
| State Appropriations | 9,002,532 | 9,038,194 |
| Ad-Valorem Taxes for Maintenance and Operations | 9,445,550 | 9,208,795 |
| Ad-Valorem Taxes for General Obligation Bonds | 3,133,192 | 3,341,105 |
| Federal Grants and Contracts, Non-Operating | 11,187,966 | 11,802,432 |
| Investment Income (Net of Investment Expenses) | 92,886 | 136,030 |
| Interest on Capital Related Debt | (2,226,909) | (2,331,680) |
| Gain (Loss) of Disposition of Property | -- | (36,196) |
| Other Non-Operating Revenues (Expenses) | -- | 20 |
| Net Non-Operating Revenues (Expenses) (Schedule C) | 30,635,217 | 31,158,700 |
| Income Before Transfers | 4,338,747 | 2,223,651 |
| Transfer from GCC Foundation (Component Unit) | 10,000 | 10,000 |
| Increase in Net Assets | 4,348,747 | 2,233,651 |
| Net Assets - Beginning of Year | 38,769,167 | 36,535,516 |
| Net Assets - End of Year | \$ 43,117,914 | \$ 38,769,167 |

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

**Grayson College
Affiliated Organizations
Statement of Activities
Years Ended August 31, 2012 and 2011**

| | Grayson College Foundation, Inc. | |
|---------------------------------------|---|---------------------|
| | 2012 | 2011 |
| Revenues | | |
| Gifts and Contributions | \$ 1,025,085 | \$ 457,584 |
| Gifts in Kind - Grayson College | 206,929 | 191,842 |
| Federal Grants | 10,000 | 51,823 |
| Building Rentals | 16,976 | 18,125 |
| Other Income | 1,300 | -- |
| Interest / Investment Income | 131,449 | 132,281 |
| Unrealized Investment Income | 408,595 | 449,490 |
| Total Revenues | 1,800,334 | 1,301,145 |
| Expenses | | |
| Salary and Wages | 173,735 | 198,319 |
| Services and Supplies | 107,190 | 92,727 |
| Scholarships | 269,666 | 236,891 |
| Depreciation | 29,202 | 29,041 |
| Total Expenses | 579,793 | 556,978 |
| Income Before Transfers | 1,220,541 | 744,167 |
| Transfer to Grayson College | (10,000) | (10,000) |
| Change in Net Assets | 1,210,541 | 734,167 |
| Net Assets - Beginning of Year | 8,642,579 | 7,908,412 |
| Net Assets - End of Year | \$ 9,853,120 | \$ 8,642,579 |

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

Grayson College
Statement of Cash Flows
Years Ended August 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Receipts from Students and Other Customers | \$ 7,179,826 | \$ 6,631,039 |
| Receipts of Grants and Contracts | 4,074,069 | 3,072,948 |
| Payments to or on Behalf of Employees | (17,090,315) | (16,128,697) |
| Payments to Suppliers for Goods and Services | (9,776,181) | (12,802,014) |
| Payments of Scholarships | (6,510,510) | (7,469,020) |
| Net Cash Flows from Operating Activities | <u>(22,123,111)</u> | <u>(26,695,744)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Ad-Valorem Tax Revenues | 12,603,956 | 12,534,401 |
| Receipts of State Appropriations | 7,575,517 | 6,912,430 |
| Receipts of Grants and Contracts (Nonoperating) | 11,188,914 | 11,819,354 |
| Receipts from Student Organizations and Other Agency Transactions | 1,697,890 | 1,943,152 |
| Payments to Student Organizations and Other Agency Transactions | (1,687,179) | (1,911,785) |
| Transfer from GCC Foundation (Component Unit) | 10,000 | 10,000 |
| Other | -- | 20 |
| Net Cash Flows from Noncapital Financing Activities | <u>31,389,098</u> | <u>31,307,572</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchases of Capital Assets | (2,782,253) | (5,166,878) |
| Payment on Capital Debt and Leases | (4,771,480) | (4,723,150) |
| Payment to Refunding Escrow Agent | -- | (272,819) |
| Net Cash Flows from Capital and Related Financing Activities | <u>(7,553,733)</u> | <u>(10,162,847)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sale and Maturity of Investments | 14,711,017 | 9,386,268 |
| Investment Earnings | 105,005 | 195,681 |
| Purchase of Investments | (9,611,460) | (4,421,075) |
| Net Cash Flows from Investing Activities | <u>5,204,562</u> | <u>5,160,874</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 6,916,816 | (390,145) |
| Cash and Cash Equivalents - Beginning of Year | <u>4,668,542</u> | <u>5,058,687</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 11,585,358</u> | <u>\$ 4,668,542</u> |

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

| | <u>2012</u> | <u>2011</u> |
|--|------------------------|------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash | | |
| (Used in) Operating Activities | | |
| Operating Income (Loss) | \$ (26,296,470) | \$ (28,935,049) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash | | |
| (Used in) Operating Activities | | |
| Depreciation | 1,990,328 | 1,790,417 |
| State-Paid Employee Benefits | 1,427,015 | 2,125,764 |
| Change in Assets and Liabilities | | |
| Receivables (net) | 381,900 | (197,541) |
| Prepaid Expenses | (11,370) | 87,661 |
| Inventories for Resale | (38,553) | (111,168) |
| Accounts Payable | (96,415) | (1,157,113) |
| Accrued Liabilities | (34,200) | (28,089) |
| Deferred Revenues | 557,979 | (269,926) |
| Deposits Payable | (3,325) | (700) |
| Total Adjustments | <u>4,173,359</u> | <u>2,239,305</u> |
| Net Cash (Used in) Operating Activities | <u>\$ (22,123,111)</u> | <u>\$ (26,695,744)</u> |

SUPPLEMENTARY SCHEDULE TO STATEMENT OF CASH FLOWS

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

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

**Grayson College
Affiliated Organizations
Statement of Cash Flows
Years Ended August 31, 2012 and 2011**

| | Grayson College Foundation, Inc. | |
|--|---|-------------------|
| | 2012 | 2011 |
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 1,210,541 | \$ 734,167 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 29,202 | 29,041 |
| Net (Gains) Losses on Investments | (373,762) | (460,995) |
| Change in Operating Assets and Liabilities: | | |
| Accrued Interest Receivable | 242 | 4,295 |
| Accounts Payable | (5,454) | (1,354) |
| Net Cash Flows from Operating Activities | <u>860,769</u> | <u>305,154</u> |
| Cash Flows from Investing Activities | | |
| Purchases of Investments | (3,419,612) | (2,506,902) |
| Proceeds from Sale of Investments | 2,690,425 | 2,380,294 |
| Purchases of Capital Assets | -- | (17,860) |
| Net Cash Flows from Investing Activities | <u>(729,187)</u> | <u>(144,468)</u> |
| Cash Flows from Financing Activities | <u>--</u> | <u>--</u> |
| Net Increase (Decrease) in Cash | 131,582 | 160,686 |
| Cash - Beginning of Year | <u>618,711</u> | <u>458,025</u> |
| Cash - End of Year | <u>\$ 750,293</u> | <u>\$ 618,711</u> |

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

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 1 - REPORTING ENTITY

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

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 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 17).

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 – This component consists of capital assets net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction or improvement of those assets.

Restricted – This component includes those assets upon which constraints have been placed on their utilization. Such constraints may be placed externally (by creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component represents the net 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 College
Notes to the Financial Statements
August 31, 2012 and 2011

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

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

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

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 College
Notes to the Financial Statements
August 31, 2012 and 2011

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, 2011, was \$10,239,690,000. Exemptions and abatements of \$3,168,077,000 are allowed, resulting in a taxable value of \$7,071,613,000. The tax levy of \$12,353,993 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, 2012 to finance Unrestricted Current Fund operations and debt service for general obligation bonds were \$0.136168 and \$0.045632 per \$100 valuation, respectively.

Property tax collections during the year ended August 31, 2012 were \$12,004,527 for current taxes, \$272,117 for delinquent taxes, and \$252,239 for penalties, interest and attorney fees. Tax collections for the year ended August 31, 2012 were 99% of the current tax levy. Other taxes (from non-property sources) collected during the year ended August 31, 2011 totaled \$75,515.

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, 2012 and 2011 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 assets' lives are charged to operating expense in the year in which the expense is incurred. The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

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

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

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 College
Notes to the Financial Statements
August 31, 2012 and 2011

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, 2012.

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, 2012 and 2011, as reported on the Statement of Net Assets (Exhibit 1), consist of the following items:

| | 2012 | 2011 |
|---------------------------|---------------|---------------|
| Petty Cash | \$ 4,220 | \$ 4,220 |
| Bank Deposits: | | |
| Demand Accounts | 11,581,138 | 4,664,322 |
| Time and Savings Accounts | 492,689 | 10,923,539 |
| Total Cash and Deposits | \$ 12,078,047 | \$ 15,592,081 |

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, 2012 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, 2012:

| Type of Security | Fair Value | Credit Rating | Investment Maturities (in Years) | | |
|-------------------|---------------|------------------|----------------------------------|--------------|-------------|
| | | | Less than 1 | 1 to 2 Years | More than 2 |
| Investment Pools | \$ 15,622,434 | AAA | \$ 15,622,434 | \$ -- | \$ -- |
| Total Investments | \$ 15,622,434 | | \$ 15,622,434 | \$ -- | \$ -- |

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 |
| Investment Pools | \$ 10,291,141 | AAA | \$ 10,291,141 | \$ -- | \$ -- |
| Total Investments | <u>\$ 10,291,141</u> | | <u>\$ 10,291,141</u> | <u>\$ --</u> | <u>\$ --</u> |

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, 2012 and 2011, 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):

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Cash and Deposits | \$ 12,078,047 | \$ 15,592,081 |
| Investments | 15,622,434 | 10,291,141 |
| Total Deposits and Investments | <u>\$ 27,700,481</u> | <u>\$ 25,883,222</u> |
| Cash and Cash Equivalents (Exhibit 1) | \$ 11,585,358 | \$ 4,668,542 |
| Short-Term Investments (Exhibit 1) | 15,864,622 | 11,091,422 |
| Other Long-Term Investments (Exhibit 1) | 250,501 | 10,123,258 |
| Total Deposits and Investments | <u>\$ 27,700,481</u> | <u>\$ 25,883,222</u> |

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 5 - CAPITAL ASSETS

A summary of the changes in the College's capital assets during the year ended August 31, 2012 is shown below:

| | Balance Sept. 1, 2011 | Additions | Retirements | Balance August 31, 2012 |
|--|--------------------------|---------------------|---------------------|----------------------------|
| Not Depreciated | | | | |
| Land | \$ 1,251,740 | \$ -- | \$ -- | \$ 1,251,740 |
| Construction in Progress | 2,134,513 | 1,690,983 | 3,647,451 | 178,045 |
| Total - Not Depreciated | <u>3,386,253</u> | <u>1,690,983</u> | <u>3,647,451</u> | <u>1,429,785</u> |
| Other Capital Assets | | | | |
| Buildings and Improvements | 63,516,159 | 3,659,726 | -- | 67,175,885 |
| Facilities and Other Improvements | 6,618,855 | 210,347 | -- | 6,829,202 |
| Furniture, Vehicles and Other Equipment | 6,078,299 | 604,052 | -- | 6,682,351 |
| Library Books | 1,057,961 | 36,250 | -- | 1,094,211 |
| Subtotal | <u>77,271,274</u> | <u>4,510,375</u> | <u>--</u> | <u>81,781,649</u> |
| Accumulated Depreciation | | | | |
| Buildings and Improvements | 6,187,830 | 1,176,227 | -- | 7,364,057 |
| Facilities and Other Improvements | 1,716,236 | 277,552 | -- | 1,993,788 |
| Furniture, Vehicles and Other Equipment | 3,594,758 | 495,629 | -- | 4,090,387 |
| Library Books | 758,142 | 40,920 | -- | 799,062 |
| Subtotal | <u>12,256,966</u> | <u>1,990,328</u> | <u>--</u> | <u>14,247,294</u> |
| Net - Other Capital Assets | <u>65,014,308</u> | <u>2,520,047</u> | <u>--</u> | <u>67,534,355</u> |
| Totals | <u>\$ 68,400,561</u> | <u>\$ 4,211,030</u> | <u>\$ 3,647,451</u> | <u>\$ 68,964,140</u> |

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> |

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 5 - CAPITAL ASSETS (Continued)

Construction in Progress

As of August 31, 2012, the College is involved in planning and design phase for the construction of a Career and Technology Center for the College's South Campus. Estimated total cost for this project is approximately \$4,000,000. A contract for architectural services has been executed totaling approximately \$229,000, of which approximately \$172,000 was incurred through August 31, 2012. Contracts for construction and other costs of the project will be executed during the year ended August 31, 2013. The College expects a significant portion of the costs of this project to be incurred by August 31, 2013.

NOTE 6 - RECEIVABLES

Details of the College's receivables, including the allowance for uncollectible amounts, as of August 31, 2012 and 2011 are as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|---------------------|---------------------|
| Accounts Receivable | \$ 51,297 | \$ 103,550 |
| Tuition and Fees Receivable | 978,233 | 774,072 |
| Property Taxes Receivable | 843,840 | 873,503 |
| Interest Receivable | 451 | 9,361 |
| Loans Receivable | 30,743 | 30,743 |
| Federal Receivables | 224,587 | 297,690 |
| State Receivables | 168,530 | 400,791 |
| Total Receivables | <u>2,297,681</u> | <u>2,489,710</u> |
| Allowance for Uncollectible Accounts | <u>(1,029,136)</u> | <u>(804,194)</u> |
| Totals | <u>\$ 1,268,545</u> | <u>\$ 1,685,516</u> |

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, 2012:

| | <u>Balance</u> <u>Sept. 1, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>August 31, 2012</u> | <u>Due Within</u> <u>One Year</u> |
|----------------------------------|--|-------------------|---------------------|--|--------------------------------------|
| General Obligations Bonds | \$ 42,155,000 | \$ -- | \$ 1,435,000 | \$ 40,720,000 | \$ 1,575,000 |
| Revenue Bonds | 14,065,000 | -- | 1,070,000 | 12,995,000 | 1,095,000 |
| Unamortized Premium on Bonds | 1,674,830 | -- | 110,307 | 1,564,523 | -- |
| Deferred Bonds Payable | (706,344) | -- | (49,968) | (656,376) | (51,909) |
| Total Bonds Payable | <u>57,188,486</u> | <u>--</u> | <u>2,565,339</u> | <u>54,623,147</u> | <u>2,618,091</u> |
| Notes and Capital Leases Payable | 216,505 | -- | 36,525 | 179,980 | 38,638 |
| Total Bonds and Notes Payable | <u>57,404,991</u> | <u>--</u> | <u>2,601,864</u> | <u>54,803,127</u> | <u>2,656,729</u> |
| Compensated Absences | 178,723 | 206,783 | 202,960 | 182,546 | 36,049 |
| Totals | <u>\$ 57,583,714</u> | <u>\$ 206,783</u> | <u>\$ 2,804,824</u> | <u>\$ 54,985,673</u> | <u>\$ 2,692,778</u> |

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

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, 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 | <u>(56,774)</u> | <u>(755,857)</u> | <u>(106,287)</u> | <u>(706,344)</u> | <u>(49,968)</u> |
| Total Bonds Payable | 59,883,417 | 15,316,668 | 18,011,599 | 57,188,486 | 2,455,032 |
| Notes and Capital Leases Payable | <u>67,194</u> | <u>222,696</u> | <u>73,385</u> | <u>216,505</u> | <u>36,525</u> |
| 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 | <u>\$ 60,142,622</u> | <u>\$ 15,747,242</u> | <u>\$ 18,306,150</u> | <u>\$ 57,583,714</u> | <u>\$ 2,527,302</u> |

Bonds Payable

The College has the following bond issues outstanding as of August 31, 2012.

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, 2012 is \$8,680,000.

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, 2012 is \$32,040,000.

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, 2012 is \$12,995,000.

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

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 |
| 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 | 2,030,000 | 1,429,762 | 1,065,000 | 333,550 | 3,095,000 | 1,763,312 |
| 2018 - 2022 | 11,340,000 | 5,948,405 | 6,000,000 | 1,048,000 | 17,340,000 | 6,996,405 |
| 2023 - 2027 | 13,800,000 | 3,490,220 | 1,540,000 | 85,800 | 15,340,000 | 3,576,020 |
| 2028 - 2032 | 6,445,000 | 470,520 | -- | -- | 6,445,000 | 470,520 |
| Total | <u>\$ 40,720,000</u> | <u>\$ 17,758,015</u> | <u>\$ 12,995,000</u> | <u>\$ 3,095,050</u> | <u>\$ 53,715,000</u> | <u>\$ 20,853,065</u> |

Advance Refunding / Bonds Payable - Deferred

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the assets of the trust account and liabilities for the defeased bonds are not included in the College's financial statements. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt by Proprietary Activities, the difference between the book value of the old debt and the amount required to retire the debt is deferred and is not reported on the statement of activities.

This 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> | |
|-------------------------------|-------------------|
| 2013 | \$ 51,908 |
| 2014 | 54,092 |
| 2015 | 56,032 |
| 2016 | 51,423 |
| 2017 | 53,606 |
| 2018 - 2022 | 305,873 |
| 2023 - 2027 | 83,442 |
| Total | <u>\$ 656,376</u> |

As of August 31, 2012, all of the defeased bonds have been retired.

Notes and Capital Leases Payable

On May 3, 2011, the College executed a tax-exempt equipment lease with PNC Equipment Finance LLC for the acquisition of golf course equipment (golf cars). This note bears interest at the rate of 10.67% and is payable in monthly installments of \$2,711, including principal and interest, beginning July 3, 2011 through June 3, 2015. On 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.

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 7 - LONG-TERM DEBT (Continued)

Notes and Capital Leases Payable (Continued)

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

| <u>Year Ended August 31,</u> | <u>PNC Equipment Finance LLC</u> | | |
|------------------------------|----------------------------------|------------------|-------------------|
| | <u>Golf Cars</u> | <u>Equipment</u> | <u>Total</u> |
| 2013 | \$ 32,532 | \$ 15,284 | \$ 47,816 |
| 2014 | 32,532 | 15,285 | 47,817 |
| 2015 | 77,110 | 15,285 | 92,395 |
| 2016 | -- | 12,737 | 12,737 |
| Thereafter | -- | -- | -- |
| Total Debt Service | 142,174 | 58,591 | 200,765 |
| Less Interest Portion | (13,976) | (6,809) | (20,785) |
| Notes and Leases Payable | <u>\$ 128,198</u> | <u>\$ 51,782</u> | <u>\$ 179,980</u> |

Interest Expense

During the year ended August 31, 2012, the College incurred interest costs of \$2,241,574 on its bonds, notes and capital leases payable. Of this amount, \$2,226,909 was charged to expense and \$14,670 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 (\$3,209). As a result, the College has capitalized \$11,461 in net interest costs with its capital assets during the year ended August 31, 2012.

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.

Compensated Absences

The sole component of the compensated absences liability as of August 31, 2012 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, 2012, \$175,004 is expected to be paid by the Current Unrestricted Fund and \$7,542 is expected to be paid by the College's auxiliary enterprises. The College believes that approximately \$36,049 of this liability will be paid to employees during the year ending August 31, 2013 and, accordingly, has classified that portion of the liability as a current obligation. The balance of the liability (\$146,497) is considered long-term.

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.

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 8 - EMPLOYEES' RETIREMENT PLAN (Continued)

Teacher Retirement System of Texas (Continued)

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' 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 2012 and 2011 and a state contribution rate of 6% and 6.644% for the 2012 and 2011 fiscal years, respectively. In certain instances, the College is required to make all or a portion of the state's contribution for fiscal years 2012 and 2011.

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 \$604,378 and \$658,460 for the fiscal years ended August 31, 2012 and 2011, 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 \$14,097,261 and \$14,234,999 for the years ended August 31, 2012 and 2011, respectively. The total payroll for employees covered by the TRS was \$7,332,192 and \$7,312,064 and the total payroll for employees covered by the optional retirement program was \$4,168,691 and \$4,571,479 for the fiscal years ended August 31, 2012 and 2011, 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.

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 \$182,546 and \$178,723 is recorded in the financial statements as of August 31, 2012 and 2011, respectively. These amounts are payable to the employees (or their beneficiaries) upon termination or death.

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 9 - COMPENSATED ABSENCES (Continued)

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, 2012, 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, 2012 and 2011 for which monies have not been received nor funds expended totaled \$885,118 and \$1,266,366. Of these amounts, \$522,039 and \$401,721 were from Federal Contract and Grant Awards; and \$363,079 and \$864,645 were from State Contract and Grant Awards for the fiscal years ended August 31, 2012 and 2011, respectively.

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

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 13 - CONTINGENT LIABILITY

The Texas Constitution requires the State of Texas to contribute to the Texas Teacher Retirement System (TRS) and the Optional Retirement Program (ORP) that provide pension benefits to community college employees, including the employees of Grayson College. Specifically, the Texas Constitution provides that the State of Texas contribute not less than six percent of the aggregate compensation to individuals participating in TRS and ORP.

During the 2011 legislative session, the Texas Legislature restricted the State of Texas' contribution to six percent of each community college district's unrestricted General Revenue appropriation. In the case of Grayson College, the appropriation for pension benefits was approximately \$165,000 per year less than the amount that is required by the Texas Constitution.

Agencies of the State of Texas have taken the position that each community college district should provide funds to supplement the appropriation from the State of Texas by the amount that the Texas Legislature under-funded pension contributions for community colleges. However, they have not provided any legal basis or authority for requiring community colleges to fund these obligations. Furthermore, they have not presented any invoices or made any attempts to collect the State of Texas' under-funding of pension benefits from community colleges.

NOTE 14 - RISK MANAGEMENT

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

The College participates in the Workers' Compensation Fund of the Texas Public Junior and Community College Employee Benefits Consortium (Fund) administered by Claims Administrative Services, Inc. The College is responsible for the payment of all claims until a certain threshold is reached. Whenever the claims exceed the threshold, a commercial insurance policy pays the excess claims. The Fund's specific retention of loss is \$200,000, with an aggregate limit of \$5,000,000; the College's maximum fund loss is \$109,450. Premiums of \$31,531 and \$33,887 for this insurance were allocated to the College for the years ended August 31, 2012 and 2011, respectively.

The following schedule summarizes the changes in claims liabilities for the years ended August 31, 2012 and 2011:

| | 2012 | 2011 |
|--|------------|------------|
| Claims Liabilities - Beginning of Year | \$ 136,053 | \$ 150,854 |
| Incurred Claims | 33,631 | 69,381 |
| Change in Prior Year Claim Estimates | (27,412) | (31,786) |
| Payment on Claims | (44,242) | (52,396) |
| Claims Liabilities - End of Year | \$ 98,030 | \$ 136,053 |

The claims liability is reported in accrued liabilities in the financial statements and includes \$45,697 and \$55,634 of estimated claims incurred but not reported, as determined actuarially by the administrator at August 31, 2012 and 2011, respectively.

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

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

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

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 15 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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

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

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

The College's contributions to SRHP for the years ended August 31, 2012, 2011 and 2010 were \$77,520, \$79,289 and \$72,783, respectively, which equaled the required contributions each year.

NOTE 16 - SUBSEQUENT EVENTS

No events have occurred subsequent to August 31, 2012 that would require adjustment to, or disclosure in, these financial statements.

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

The Foundation was established as a separate nonprofit organization in 1991 to raise funds to provide student scholarships and assistance in the development and growth of the College. Under GASB 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 – 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 – 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 – Net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT (Continued)

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Capital Assets and Depreciation

Capital assets are recorded at cost or at estimated fair market value at the date of the gift if donated. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Assets donated with specific restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net 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 \$206,929 and \$191,842 for the years ended August 31, 2012 and 2011, 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, 2012 and 2011.

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, 2012 and 2011:

| Type of Security | 2012 | | 2011 | |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| U.S. Government Securities | \$ 371,853 | \$ 385,614 | \$ 345,697 | \$ 367,766 |
| U.S. Government Agency Securities | 165,629 | 168,634 | 343,462 | 350,272 |
| Equity Securities | 3,826,913 | 4,333,321 | 3,367,562 | 3,736,225 |
| Corporate Obligations | 1,631,446 | 1,699,898 | 988,271 | 1,040,422 |
| Municipal Bonds | 215,675 | 243,392 | 256,147 | 272,693 |
| Money Market and Investment Pools | 1,214,062 | 1,210,301 | 1,178,241 | 1,170,833 |
| Total Investments | <u>\$ 7,425,578</u> | <u>\$ 8,041,160</u> | <u>\$ 6,479,380</u> | <u>\$ 6,938,211</u> |

Grayson College
Notes to the Financial Statements
August 31, 2012 and 2011

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT (Continued)

CAPITAL ASSETS

The following schedule summarizes the Foundation's capital assets as of August 31, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 506,000 | \$ 506,000 |
| Buildings and Improvements | 507,350 | 507,350 |
| Facilities and Other Improvements | 17,345 | 17,345 |
| Equipment | 192,893 | 192,893 |
| Less: | | |
| Accumulated Depreciation | <u>(158,558)</u> | <u>(129,356)</u> |
| Net Capital Assets | <u>\$ 1,065,030</u> | <u>\$ 1,094,232</u> |

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, the Foundation has received permission to use this grant for the expansion of the College's South Campus in Van Alstyne, Texas.

Supplementary Schedules and Reports

Grayson College
Schedule of Operating Revenues
Year Ended August 31, 2012
With Memorandum Totals for Year Ended August 31, 2011

Schedule A

| | Unrestricted | Restricted | Total | | Totals | |
|---|--------------------|--------------------|------------------------|-----------------------|---------------------|---------------------|
| | | | Educational Activities | Auxiliary Enterprises | 2012 | 2011 |
| Tuition | | | | | | |
| State Funded Courses | | | | | | |
| In-District Resident Tuition | \$4,237,878 | \$ -- | \$ 4,237,878 | \$ -- | \$ 4,237,878 | \$ 3,848,516 |
| Out-of-District Resident Tuition | 2,155,096 | -- | 2,155,096 | -- | 2,155,096 | 2,005,929 |
| Non-Resident Tuition | 317,534 | -- | 317,534 | -- | 317,534 | 411,974 |
| TPEG * | 412,197 | -- | 412,197 | -- | 412,197 | 379,506 |
| Non-State Funded Educational Programs | 106,765 | -- | 106,765 | -- | 106,765 | 111,808 |
| Total Tuition | 7,229,470 | -- | 7,229,470 | -- | 7,229,470 | 6,757,733 |
| Fees | | | | | | |
| General Fee | 915,186 | -- | 915,186 | -- | 915,186 | 968,236 |
| Student Service Fee | -- | -- | -- | 528,885 | 528,885 | 242,041 |
| Laboratory Fee | 310,813 | -- | 310,813 | -- | 310,813 | 357,418 |
| Other | 465,835 | -- | 465,835 | -- | 465,835 | 445,150 |
| Total Fees | 1,691,834 | -- | 1,691,834 | 528,885 | 2,220,719 | 2,012,845 |
| Scholarship Allowances and Discounts | | | | | | |
| Scholarship Allowances | (283,518) | -- | (283,518) | (12,248) | (295,766) | (287,053) |
| Remissions and Exemptions | (170,402) | -- | (170,402) | (2,882) | (173,284) | (159,336) |
| TPEG Allowances | (275,755) | -- | (275,755) | (6,956) | (282,711) | (214,332) |
| Federal Grants to Students | (2,889,692) | -- | (2,889,692) | (219,842) | (3,109,534) | (2,869,516) |
| Other Federal Grants | (2,550) | -- | (2,550) | (399) | (2,949) | -- |
| State Grants to Students | (113,276) | (538,864) | (652,140) | (10,760) | (662,900) | (649,548) |
| Total Scholarship Allowances and Discounts | (3,735,193) | (538,864) | (4,274,057) | (253,087) | (4,527,144) | (4,179,785) |
| Total Net Tuition and Fees | 5,186,111 | (538,864) | 4,647,247 | 275,798 | 4,923,045 | 4,590,793 |
| Other Operating Revenues | | | | | | |
| Federal Grants and Contracts | 27,566 | 1,805,640 | 1,833,206 | -- | 1,833,206 | 1,222,727 |
| State Grants and Contracts | 5,291 | 1,360,167 | 1,365,458 | -- | 1,365,458 | 1,670,978 |
| Non-Governmental Grants and Contracts | -- | 247,106 | 247,106 | -- | 247,106 | 308,850 |
| Sales and Services of Educational Activities | 49,346 | -- | 49,346 | -- | 49,346 | 47,705 |
| Investment Income (Program Restricted) | -- | -- | -- | -- | -- | -- |
| Other Operating Revenues | 176,117 | 3,792 | 179,909 | 1,045 | 180,954 | 239,799 |
| Total Other Operating Revenues | 258,320 | 3,416,705 | 3,675,025 | 1,045 | 3,676,070 | 3,490,059 |
| Auxiliary Enterprises | | | | | | |
| Residential Life (Net of Discounts of \$295,012) | -- | -- | -- | 246,988 | 246,988 | 222,612 |
| Bookstore (Net of Discounts of \$1,641,425) | -- | -- | -- | 1,121,704 | 1,121,704 | 1,523,872 |
| Golf Course | -- | -- | -- | 332,137 | 332,137 | 334,998 |
| Other | -- | -- | -- | -- | -- | 886 |
| Total Net Auxiliary Enterprises | -- | -- | -- | 1,700,829 | 1,700,829 | 2,082,368 |
| Total Operating Revenues | \$5,444,431 | \$2,877,841 | \$ 8,322,272 | \$1,977,672 | \$10,299,944 | \$10,163,220 |
| | | | | | (Exhibit 2) | (Exhibit 2) |

* In accordance with Education Code 56.033, \$412,197 of tuition was set aside for Texas Public Education Grants (TPEG).

Grayson College
Schedule of Operating Expenses by Object
Year Ended August 31, 2012
With Memorandum Totals for Year Ended August 31, 2011

Schedule B

| | Operating Expenses | | | | | Totals | |
|---------------------------------------|-----------------------|--------------------|--------------------|---------------------|---------------------|---------------------|------|
| | Salaries and Wages | Benefits | | Other Expenses | | 2012 | 2011 |
| | | State Benefits | Local Benefits | | | | |
| EDUCATIONAL ACTIVITIES | | | | | | | |
| Unrestricted | | | | | | | |
| Instruction | \$ 7,743,299 | \$ -- | \$1,511,373 | \$ 1,195,081 | \$10,449,753 | \$ 9,969,301 | |
| Public Service | 253,416 | -- | 65,895 | 114,547 | 433,858 | 488,037 | |
| Academic Support | 867,268 | -- | 150,034 | 393,872 | 1,411,174 | 1,351,914 | |
| Student Services | 1,259,481 | -- | 242,967 | 294,649 | 1,797,097 | 1,795,262 | |
| Institutional Support | 1,650,466 | -- | 285,329 | 1,784,786 | 3,720,581 | 3,469,381 | |
| Operation and Maintenance of Plant | 600,774 | -- | 175,283 | 2,270,901 | 3,046,958 | 4,394,153 | |
| Scholarships and Fellowships | -- | -- | -- | -- | -- | -- | |
| Total Unrestricted | 12,374,704 | -- | 2,430,881 | 6,053,836 | 20,859,421 | 21,468,048 | |
| Restricted | | | | | | | |
| Instruction | 996,644 | 937,065 | 185,580 | 666,552 | 2,785,841 | 3,119,350 | |
| Public Service | 102,132 | 38,111 | 24,789 | 31,774 | 196,806 | 205,866 | |
| Academic Support | -- | 92,985 | -- | 8,000 | 100,985 | 137,969 | |
| Student Services | 145,558 | 150,651 | -- | 61,969 | 358,178 | 467,935 | |
| Institutional Support | -- | 176,956 | -- | 1,099 | 178,055 | 261,899 | |
| Operation and Maintenance of Plant | -- | 26,472 | -- | -- | 26,472 | 26,733 | |
| Scholarships and Fellowships | -- | -- | -- | 6,510,510 | 6,510,510 | 7,469,020 | |
| Total Restricted | 1,244,334 | 1,422,240 | 210,369 | 7,279,904 | 10,156,847 | 11,688,772 | |
| Total Educational Activities | 13,619,038 | 1,422,240 | 2,641,250 | 13,333,740 | 31,016,268 | 33,156,820 | |
| Auxiliary Enterprises | 447,983 | 4,775 | 148,491 | 2,988,569 | 3,589,818 | 4,151,032 | |
| Depreciation Expense | | | | | | | |
| Buildings and Other Improvements | -- | -- | -- | 1,453,779 | 1,453,779 | 1,306,977 | |
| Equipment and Furniture | -- | -- | -- | 536,549 | 536,549 | 483,440 | |
| Total | \$14,067,021 | \$1,427,015 | \$2,789,741 | \$18,312,637 | \$36,596,414 | \$39,098,269 | |
| | | | | | (Exhibit 2) | (Exhibit 2) | |

Grayson College
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2012
With Memorandum Totals for Year Ended August 31, 2011

Schedule C

| | Unrestricted | Restricted | Auxiliary Enterprises | Totals | |
|---|----------------------------|-----------------------------|--------------------------|----------------------------|----------------------------|
| | | | | 2012 | 2011 |
| Non-Operating Revenues | | | | | |
| State Appropriations | | | | | |
| Education and General State Support | \$ 7,548,400 | \$ -- | \$ -- | \$ 7,548,400 | \$ 6,885,313 |
| Dramatic Enrollment Growth | 27,117 | -- | -- | 27,117 | 27,117 |
| State Group Insurance | -- | 822,637 | -- | 822,637 | 1,467,304 |
| State Retirement Matching | -- | 604,378 | -- | 604,378 | 658,460 |
| Total State Appropriations | <u>7,575,517</u> | <u>1,427,015</u> | <u>--</u> | <u>9,002,532</u> | <u>9,038,194</u> |
| Ad-Valorem Taxes for Maintenance and Operations | 9,445,550 | -- | -- | 9,445,550 | 9,208,795 |
| Ad-Valorem Taxes for General Obligation Bonds | 3,133,192 | -- | -- | 3,133,192 | 3,341,105 |
| Federal Grants and Contracts, Non-Operating | -- | 11,187,966 | -- | 11,187,966 | 11,802,432 |
| Investment Income (net of Investment Expenses) | 91,780 | 1,106 | -- | 92,886 | 136,030 |
| Other | -- | -- | -- | -- | 20 |
| Total Non-Operating Revenues | <u><u>20,246,039</u></u> | <u><u>12,616,087</u></u> | <u><u>--</u></u> | <u><u>32,862,126</u></u> | <u><u>33,526,576</u></u> |
| Non-Operating Expenses | | | | | |
| Interest on Capital-Related Debt | 2,226,909 | -- | -- | 2,226,909 | 2,331,680 |
| Loss of Disposition of Property | -- | -- | -- | -- | 36,196 |
| Total Non-Operating Expenses | <u><u>2,226,909</u></u> | <u><u>--</u></u> | <u><u>--</u></u> | <u><u>2,226,909</u></u> | <u><u>2,367,876</u></u> |
| Net Non-Operating Revenues | <u><u>\$18,019,130</u></u> | <u><u>\$ 12,616,087</u></u> | <u><u>\$ --</u></u> | <u><u>\$30,635,217</u></u> | <u><u>\$31,158,700</u></u> |
| | | | | (Exhibit 2) | (Exhibit 2) |

Grayson College
Schedule of Net Assets by Source and Availability
Year Ended August 31, 2012
With Memorandum Totals for Year Ended August 31, 2011

Schedule D

| | Detail by Source | | | | | Available for Current Operations | |
|---------------------------------------|------------------|--------------|--------------------|---|--------------------|----------------------------------|--------------|
| | Unrestricted | Restricted | | Capital Assets, Net of Depreciation & Related Debt | Total | Yes | No |
| | | Expendable | Non- Expendable | | | | |
| Current Funds: | | | | | | | |
| Unrestricted | \$ 14,063,051 | \$ -- | \$ -- | \$ -- | \$ 14,063,051 | \$ 14,063,051 | \$ -- |
| Restricted | -- | 565,313 | -- | -- | 565,313 | -- | 565,313 |
| Auxiliary Enterprises | 1,666,947 | -- | -- | -- | 1,666,947 | 1,666,947 | -- |
| Loan Funds | -- | 46,471 | -- | -- | 46,471 | -- | 46,471 |
| Endowment Funds: | | | | | | | |
| True Endowments | -- | -- | -- | -- | -- | -- | -- |
| Term Endowments | -- | -- | -- | -- | -- | -- | -- |
| Plant Funds: | | | | | | | |
| Unexpended | 7,224,489 | -- | -- | -- | 7,224,489 | 7,224,489 | -- |
| Renewals and Replacements | 2,152,353 | -- | -- | -- | 2,152,353 | 2,152,353 | -- |
| Debt Service | -- | 2,101,504 | -- | -- | 2,101,504 | -- | 2,101,504 |
| Investment in Plant | -- | -- | -- | 15,297,786 | 15,297,786 | -- | 15,297,786 |
| Total Net Assets - August 31, 2012 | 25,106,840 | 2,713,288 | -- | 15,297,786 | 43,117,914 | 25,106,840 | 18,011,074 |
| | | | | | (Exhibit 1) | | |
| 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) | | |
| Net Increase (Decrease) in Net Assets | \$ 3,116,821 | \$ (645,545) | \$ -- | \$ 1,877,471 | \$ 4,348,747 | \$ 3,116,821 | \$ 1,231,926 |
| | | | | | (Exhibit 2) | | |

Grayson College
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2012

| 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 | \$ 789,099 |
| Total U.S. Department of Labor | | | <u>789,099</u> |
| U.S. Small Business Administration | | | |
| Passed through Dallas County Community College District: | | | |
| Small Business Development Center (SBDC) | 59.037 | 1-603001-Z-0046-24 | -- |
| Small Business Development Center (SBDC) | 59.037 | 9-603001-Z-0046-24 | 45,528 |
| Small Business Development Center (SBDC) | 59.037 | 1-603001-Z-0152 | 12,974 |
| Subtotal - Small Business Development Center (SBDC) | | | <u>58,502</u> |
| Total U.S. Small Business Administration | | | <u>58,502</u> |
| National Endowment for the Humanities | | | |
| Direct Programs: | | | |
| Arts Education in American Communities | 45.024 | 11-5900-8088 | 10,000 |
| Total National Endowment for the Humanities | | | <u>10,000</u> |
| U.S. Department of Education | | | |
| Direct Programs: | | | |
| Federal Supplemental Education Opportunity Grant (FSEOG) * | 84.007 | | 72,160 |
| Federal Workstudy Program * | 84.033 | | 99,235 |
| Federal Pell Grant Program * | 84.063 | | 11,044,137 |
| Direct Student Loans * | 84.268 | | 9,582,788 |
| Passed through Texas Education Agency: | | | |
| Adult Basic Education (Section 231) 2011-2012 | 84.002 | 124100017110397 | 326,107 |
| English Literacy and Civics Education (Section 231) 2011-2012 | 84.002 | 124100087110423 | 114,829 |
| Adult Basic Education (Section 231) 2012-2013 | 84.002 | 134100017110461 | 58,576 |
| English Literacy and Civics Education (Section 231) 2012-2013 | 84.002 | 134100087110473 | 20,750 |
| Subtotal - Adult Basic Education | | | <u>520,262</u> |
| Passed through Texas Higher Education Coordinating Board: | | | |
| Carl Perkins Vocational Education - Annual Application | 84.048 | 124244 | 419,257 |
| Total U.S. Department of Education | | | <u>21,737,839</u> |
| U.S. Department of Health and Human Services | | | |
| Passed through Texas Education Agency: | | | |
| Temporary Assistance for Needy Families (TANF) 2011-2012 | 93.558 | 123625017110372 | 18,520 |
| Total U.S. Department of Health and Human Services | | | <u>18,520</u> |
| Total Federal Financial Assistance | | | <u>\$ 22,613,960</u> |

Grayson College
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2012

Schedule E

Note 1: Federal Assistance Reconciliation

| | |
|---|---------------------------------|
| Federal Grants and Contracts per Schedule A | \$ 1,833,206 |
| Federal Grants and Contracts, Non-operating per Schedule C | 11,187,966 |
| Reconciling Items: | |
| Federal Grants Revenue of Discrete Component Unit (CFDA #45.024) | 10,000 |
| Direct Student Loans | <u>9,582,788</u> |
| Total Federal Revenues per Schedule of Expenditures of Federal Awards | <u><u>\$ 22,613,960</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

None

Grayson College
Schedule of Expenditures of State Awards
Year Ended August 31, 2012

Schedule F

| Grantor Agency/ Program Title | Grant Contract Number | Expenditures |
|--|-----------------------------|---------------------|
| Passed through Texas Higher Education Coordinating Board | | |
| College Work Study Program (2011-2012) | | \$ 25,585 |
| Early High School Graduation (HB 1479) | | 5,291 |
| TopTen Percent | | 14,000 |
| Student Financial Aid (Texas Grant) | | 322,720 |
| Nursing Shortage Reduction | | 92,161 |
| Total Passed through Texas Higher Education Coordinating Board | | <u>459,757</u> |
| Passed through Dallas County Community College District | | |
| Small Business Development Center (SBDC) 2010-2011 | 1-603001-Z-0046-24 | 24,871 |
| Small Business Development Center (SBDC) 2011-2012 | 9-603001-Z-0046-24 | 69,854 |
| Total Passed through Dallas County Community College District | | <u>94,725</u> |
| Passed through Texas Education Agency | | |
| Adult Basic Education | 110100017110332 | -- |
| Adult Basic Education | 120100017110397 | 89,273 |
| Temporary Assistance for Needy Families - State | 123625017110372 | 10,883 |
| Total Passed through Texas Education Agency | | <u>100,156</u> |
| Passed through Texas Workforce Commission | | |
| Skills Development Fund | 2510SDF000 | 401 |
| Skills Development Fund | 2511SDF000 | 476,694 |
| Skills Development Fund | 2511SSD000 | 18,884 |
| Skills Development Fund | 2512SDF000 | 94,976 |
| Skills Development Fund | 2512SDF001 | 7,962 |
| Total Passed through Texas Workforce Commission | | <u>598,917</u> |
| Passed through Texas Department of Agriculture | | |
| Viticulture and Enology Certificate Agreement | EVER0809-04 | 250 |
| Viticulture and Enology Certificate Agreement | EVER1011-15 | 58,638 |
| Viticulture Outreach Education Team Agreement | EVER1011-17 | 53,015 |
| Total Passed through Texas Department of Agriculture | | <u>111,903</u> |
| Total State Financial Assistance | | <u>\$ 1,365,458</u> |
| Note 1: State Assistance Reconciliation | | |
| State Grants and Contracts per Exhibit 2 | | \$ 1,365,458 |
| Reconciling Items: | | |
| None | | -- |
| Total Expenditures per Schedule of State Financial Assistance | | <u>\$ 1,365,458</u> |

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 College's significant accounting policies. These expenditures are reported on Grayson College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.



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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 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 College (College) as of and for the year ended August 31, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 14, 2012. 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

The administration of the College is responsible for establishing and maintaining effective 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 or other matters 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, 2012, 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 14, 2012



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

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**Independent Auditor's Report on Compliance with Requirements That Could Have a
Direct and Material Effect on 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 College
6101 Grayson Drive
Denison, Texas

Members of the Board:

Compliance

We have audited the compliance of Grayson 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 could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2012. 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 state and 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 of the College's compliance with those requirements.

In our opinion, Grayson 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, 2012.

Internal Control over Compliance

The administration of the College is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 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 14, 2012

Grayson College
Schedule of Findings and Questioned Costs
Year Ended August 31, 2012

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 |
| Adult Education - Basic Grants to States | CFDA #84.002 |
| Community-Based Job Training Grants | CFDA #17.269 |

Major Programs - State

 Skills Development Fund
 Texas Grant

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

 Federal - \$386,661
 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 College
Schedule of Status of Prior Year Findings
Year Ended August 31, 2012**

None

Statistical Supplement

(Unaudited)

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

| | For the Fiscal Year Ended August 31, | | | | | | | | | |
|--|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | (amounts expressed in thousands) | | | | | | | | | |
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Invested in Capital Assets, Net of Related Debt | \$ 15,298 | \$ 13,420 | \$ 13,066 | \$ 13,664 | \$ 13,102 | \$ 11,667 | \$ 9,567 | \$ 8,674 | \$ 7,396 | \$ 1,596 |
| Restricted - Expendable | 2,713 | 3,359 | 3,172 | 2,750 | 1,241 | 1,945 | 1,797 | 1,736 | 1,738 | 1,691 |
| Restricted - Nonexpendable | -- | -- | -- | -- | -- | 398 | 389 | 386 | 388 | 2,742 |
| Unrestricted | 25,107 | 21,990 | 20,298 | 18,747 | 16,198 | 15,926 | 14,332 | 11,429 | 10,705 | 9,548 |
| Total Primary Government Net Assets | <u>\$ 43,118</u> | <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> |

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

For the Fiscal Year Ended August 31,

| | (amounts expressed in thousands) | | | | | | | | | |
|--|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Tuition and Fees (Net of Discounts) | \$ 4,923 | \$ 4,591 | \$ 4,435 | \$ 4,394 | \$ 4,022 | \$ 3,832 | \$ 3,288 | \$ 3,074 | \$ 3,003 | \$ 2,417 |
| Governmental Grants and Contracts | | | | | | | | | | |
| Federal Grants and Contracts | 1,833 | 1,223 | 1,112 | 1,017 | 946 | 2,216 | 1,258 | 1,305 | 1,138 | 831 |
| State Grants and Contracts | 1,365 | 1,671 | 1,618 | 952 | 1,640 | 1,326 | 1,265 | 423 | 570 | 453 |
| Local Grants and Contracts | -- | -- | -- | -- | -- | -- | 960 | -- | -- | -- |
| Non-Governmental Grants and Contracts | 247 | 309 | 379 | 329 | 14 | 10 | 18 | 18 | 25 | 111 |
| Sales & Services of Educational Activities | 49 | 47 | 53 | 49 | 50 | 45 | 39 | 65 | 67 | 65 |
| Investment Income (Program Restricted) | -- | -- | -- | -- | -- | 97 | 58 | 30 | 44 | 113 |
| Auxiliary enterprises | 1,701 | 2,082 | 2,027 | 2,518 | 2,552 | 2,199 | 2,046 | 1,988 | 1,927 | 1,991 |
| Other Operating Revenue | 181 | 240 | 190 | 161 | 153 | 179 | 139 | 135 | 128 | 101 |
| Total Operating Revenues | 10,299 | 10,163 | 9,814 | 9,420 | 9,377 | 9,904 | 9,071 | 7,038 | 6,902 | 6,082 |
| State Appropriations | 9,002 | 9,038 | 9,095 | 9,059 | 8,993 | 8,469 | 8,372 | 7,599 | 7,537 | 7,835 |
| Ad Valorem Taxes | 12,579 | 12,550 | 12,231 | 11,796 | 8,664 | 8,451 | 7,402 | 6,588 | 5,869 | 5,192 |
| Federal Revenue, Non-Operating | 11,188 | 11,802 | 9,092 | 4,963 | 3,180 | 3,183 | 3,141 | 3,740 | 3,564 | 3,155 |
| Gifts | -- | -- | -- | 43 | -- | -- | -- | -- | -- | -- |
| Investment Income | 93 | 136 | 149 | 358 | 592 | 891 | 706 | 355 | 190 | 114 |
| Gain on Disposition of Fixed Assets | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other non-operating revenues | -- | -- | 1 | -- | -- | -- | -- | -- | -- | -- |
| Total Non-Operating Revenues | 32,862 | 33,526 | 30,568 | 26,219 | 21,429 | 20,994 | 19,621 | 18,282 | 17,160 | 16,296 |
| Total Revenues | \$ 43,161 | \$ 43,689 | \$ 40,382 | \$ 35,639 | \$ 30,806 | \$ 30,898 | \$ 28,692 | \$ 25,320 | \$ 24,062 | \$ 22,378 |

For the Fiscal Year Ended August 31,

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Tuition and Fees (Net of Discounts) | 11.41% | 10.51% | 10.98% | 12.33% | 13.06% | 12.40% | 11.46% | 12.14% | 12.48% | 10.80% |
| Governmental Grants and Contracts | | | | | | | | | | |
| Federal Grants and Contracts | 4.25% | 2.80% | 2.75% | 2.85% | 3.07% | 7.17% | 4.38% | 5.15% | 4.73% | 3.71% |
| State Grants and Contracts | 3.16% | 3.82% | 4.01% | 2.67% | 5.32% | 4.29% | 4.41% | 1.67% | 2.37% | 2.02% |
| Local Grants and Contracts | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 3.35% | 0.00% | 0.00% | 0.00% |
| Non-Governmental Grants and Contracts | 0.57% | 0.71% | 0.94% | 0.92% | 0.05% | 0.03% | 0.06% | 0.07% | 0.10% | 0.50% |
| Sales & Services of Educational Activities | 0.11% | 0.11% | 0.13% | 0.14% | 0.16% | 0.15% | 0.14% | 0.26% | 0.28% | 0.29% |
| Investment Income (Program Restricted) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.31% | 0.20% | 0.12% | 0.18% | 0.50% |
| Auxiliary enterprises | 3.94% | 4.77% | 5.02% | 7.07% | 8.28% | 7.12% | 7.13% | 7.85% | 8.01% | 8.90% |
| Other Operating Revenue | 0.42% | 0.55% | 0.47% | 0.45% | 0.50% | 0.58% | 0.48% | 0.53% | 0.53% | 0.45% |
| Total Operating Revenues | 23.86% | 23.26% | 24.30% | 26.43% | 30.44% | 32.05% | 31.62% | 27.80% | 28.68% | 27.18% |
| State Appropriations | 20.86% | 20.69% | 22.52% | 25.42% | 29.19% | 27.41% | 29.18% | 30.01% | 31.32% | 35.01% |
| Ad Valorem Taxes | 29.14% | 28.73% | 30.29% | 33.10% | 28.12% | 27.35% | 25.80% | 26.02% | 24.39% | 23.20% |
| Federal Revenue, Non-Operating | 25.92% | 27.01% | 22.51% | 13.93% | 10.32% | 10.30% | 10.95% | 14.77% | 14.81% | 14.10% |
| Gifts | 0.00% | 0.00% | 0.00% | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Investment Income | 0.22% | 0.31% | 0.37% | 1.00% | 1.92% | 2.88% | 2.46% | 1.40% | 0.79% | 0.51% |
| Gain on Disposition of Fixed Assets | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 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 | 76.14% | 76.74% | 75.70% | 73.57% | 69.56% | 67.95% | 68.38% | 72.20% | 71.32% | 72.82% |
| Total Revenues | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

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

For the Fiscal Year Ended August 31,

| | (amounts expressed in thousands) | | | | | | | | | |
|------------------------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Instruction | \$ 13,236 | \$ 13,088 | \$ 12,498 | \$ 11,237 | \$ 10,379 | \$ 11,242 | \$ 9,864 | \$ 9,045 | \$ 8,563 | \$ 8,286 |
| Public Service | 631 | 694 | 706 | 623 | 543 | 448 | 473 | 411 | 370 | 430 |
| Academic Support | 1,512 | 1,490 | 1,531 | 1,517 | 1,276 | 1,175 | 944 | 1,249 | 964 | 839 |
| Student Services | 2,155 | 2,264 | 2,098 | 1,972 | 2,013 | 1,660 | 1,509 | 1,425 | 1,527 | 1,344 |
| Institutional Support | 3,899 | 3,731 | 3,492 | 3,147 | 3,253 | 2,731 | 2,568 | 2,340 | 2,279 | 1,916 |
| Operation and Maintenance of Plant | 3,073 | 4,421 | 4,909 | 3,574 | 3,425 | 3,038 | 2,765 | 2,347 | 2,365 | 2,020 |
| Scholarships and Fellowships | 6,511 | 7,469 | 5,920 | 2,974 | 2,298 | 1,853 | 1,999 | 2,344 | 2,215 | 2,118 |
| Auxiliary Enterprises | 3,590 | 4,151 | 3,970 | 3,825 | 3,269 | 3,026 | 3,037 | 2,775 | 2,652 | 2,686 |
| Depreciation Expense | 1,990 | 1,790 | 1,405 | 1,085 | 988 | 887 | 742 | 638 | 519 | 434 |
| Total Operating Expenses | 36,597 | 39,098 | 36,529 | 29,954 | 27,444 | 26,060 | 23,901 | 22,574 | 21,454 | 20,073 |
| Interest on Capital Related Debt | 2,227 | 2,332 | 2,071 | 943 | 820 | 792 | 817 | 859 | 608 | 418 |
| Loss on Disposal of Fixed Assets | -- | 36 | 417 | 132 | 67 | 205 | 123 | 152 | 99 | 107 |
| Other Nonoperating Expenses | -- | -- | -- | -- | -- | -- | -- | -- | -- | 33 |
| Total Nonoperating Expenses | 2,227 | 2,368 | 2,488 | 1,075 | 887 | 997 | 940 | 1,011 | 707 | 558 |
| Total Expenses | \$ 38,824 | \$ 41,466 | \$ 39,017 | \$ 31,029 | \$ 28,331 | \$ 27,057 | \$ 24,841 | \$ 23,585 | \$ 22,161 | \$ 20,631 |

For the Fiscal Year Ended August 31,

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Instruction | 34.08% | 31.55% | 32.02% | 36.20% | 36.62% | 41.54% | 39.71% | 38.35% | 38.64% | 40.15% |
| Public Service | 1.63% | 1.67% | 1.81% | 2.01% | 1.92% | 1.66% | 1.90% | 1.74% | 1.67% | 2.08% |
| Academic Support | 3.89% | 3.59% | 3.92% | 4.89% | 4.50% | 4.34% | 3.80% | 5.30% | 4.35% | 4.07% |
| Student Services | 5.55% | 5.46% | 5.38% | 6.36% | 7.11% | 6.14% | 6.07% | 6.04% | 6.89% | 6.51% |
| Institutional Support | 10.04% | 9.00% | 8.95% | 10.14% | 11.48% | 10.09% | 10.34% | 9.92% | 10.28% | 9.29% |
| Operation and Maintenance of Plant | 7.92% | 10.66% | 12.58% | 11.52% | 12.09% | 11.23% | 11.13% | 9.95% | 10.67% | 9.79% |
| Scholarships and Fellowships | 16.77% | 18.01% | 15.17% | 9.58% | 8.11% | 6.85% | 8.05% | 9.94% | 10.00% | 10.27% |
| Auxiliary Enterprises | 9.25% | 10.01% | 10.18% | 12.33% | 11.54% | 11.18% | 12.23% | 11.77% | 11.97% | 13.02% |
| Depreciation Expense | 5.13% | 4.32% | 3.60% | 3.50% | 3.49% | 3.28% | 2.99% | 2.71% | 2.34% | 2.10% |
| Total Operating Expenses | 94.26% | 94.29% | 93.62% | 96.54% | 96.87% | 96.32% | 96.22% | 95.71% | 96.81% | 97.30% |
| Interest on Capital Related Debt | 5.74% | 5.62% | 5.31% | 3.04% | 2.89% | 2.93% | 3.29% | 3.64% | 2.74% | 2.03% |
| Loss on Disposal of Fixed Assets | 0.00% | 0.09% | 1.07% | 0.43% | 0.24% | 0.76% | 0.50% | 0.64% | 0.45% | 0.52% |
| Other Nonoperating Expenses | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.16% |
| Total Nonoperating Expenses | 5.74% | 5.71% | 6.38% | 3.46% | 3.13% | 3.68% | 3.78% | 4.29% | 3.19% | 2.70% |
| Total Expenses | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

**Grayson 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 | | | | | | | | |
| 2011 | \$ 10 | \$ 2 | \$ -- | \$ 42 | \$ 74 | \$ 8 | \$ 2 | \$ 636 | \$ 1,020 | 10.42% | 13.33% |
| 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 | | |

| |
|---|
| 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 | | | | | | | | |
| 2011 | \$ 10 | \$ 2 | \$ 225 | \$ 123 | \$ 123 | \$ 8 | \$ 2 | \$ 1,608 | \$ 1,833 | 8.06% | 7.01% |
| 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 | | |

Grayson 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) |
| 2011 - 2012 | \$ 10,239,690 | \$ 3,168,077 | \$ 7,071,613 | 69.06% | \$ 0.13060 | \$ 0.05120 | \$ 0.18180 |
| 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 |

Source: Local Appraisal District

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

Grayson 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 | |
| 2011 - 2012 | \$ 7,576 | 4,711 | \$ 1,608 | 1,509 | 936 | 2,445 | \$ 3.10 |
| 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 |

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 College
Principal Taxpayers
Last Ten Years
(Unaudited)**

| Taxpayer | Type of Business | Taxable Assessed Value (TAV) by Tax Year (\$000 omitted) | | | | | | | | | |
|-------------------------------------|------------------|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Oncor Electric | Utility | \$ 67,556 | \$ 65,690 | \$ 68,250 | \$ 69,764 | \$ 75,177 | \$ 72,258 | \$ 74,687 | \$ 69,049 | \$ 65,081 | \$ 60,402 |
| UHS of Texoma, Inc | Hospital | 30,251 | 30,251 | 99,900 | 61,845 | 31,914 | -- | -- | -- | -- | -- |
| Gulf Crossing Pipeline Co | Energy | 46,723 | 51,810 | 58,747 | -- | -- | -- | -- | -- | -- | -- |
| Sherman Town Center LP | Retail | 45,316 | 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 |
| Universal Health Services | Medical | -- | 40,080 | 44,400 | -- | -- | -- | -- | -- | -- | -- |
| Jetta Operating Co. Inc | Energy | 31,638 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| XTO Energy, Inc. | Utility | 43,979 | 41,227 | 53,261 | 35,486 | 46,631 | 34,646 | 38,453 | 27,928 | -- | -- |
| Kwikset Corporation | Manufacturing | 28,907 | 29,004 | 31,103 | 34,073 | 40,953 | 29,886 | 27,786 | 31,351 | 30,485 | 40,978 |
| Union Pacific Railroad | Transportation | 33,596 | 33,616 | 34,277 | 33,798 | 30,712 | -- | -- | 16,414 | 20,881 | 18,155 |
| 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 |
| Sherman Grayson Hospital LLC | Hospital | 42,530 | 42,333 | 27,309 | -- | -- | -- | -- | -- | -- | -- |
| MEMC Southwest, Inc. | Manufacturing | -- | -- | -- | 21,693 | 23,722 | 23,450 | 18,995 | 18,990 | 18,990 | 19,740 |
| Globitech Incorporated | Manufacturing | 49,626 | -- | -- | -- | 21,942 | 21,000 | -- | -- | -- | -- |
| Woodmont Sherman LP | Retail | -- | -- | -- | -- | -- | 17,920 | -- | -- | -- | -- |
| Walmart Stores, Inc. | Retail | -- | -- | -- | -- | -- | 18,786 | 18,807 | 18,829 | 18,950 | 19,820 |
| 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 |
| Chevron USA, Inc. | Energy | -- | -- | -- | -- | -- | -- | -- | -- | 25,239 | 21,615 |
| Johnson & Johnson | Manufacturing | -- | -- | -- | -- | -- | -- | -- | -- | -- | 37,838 |
| Totals | | \$ 420,122 | \$ 406,432 | \$ 488,353 | \$ 390,619 | \$ 379,910 | \$ 332,231 | \$ 337,991 | \$ 304,616 | \$ 296,659 | \$ 334,030 |
| Total Taxable Assessed Value | | \$ 7,071,613 | \$ 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 |

| Taxpayer | Type of Business | % of Taxable Assessed Value (TAV) by Tax Year | | | | | | | | | |
|------------------------------|------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Oncor Electric | Utility | 0.96% | 0.92% | 0.99% | 1.09% | 1.28% | 1.30% | 1.49% | 1.49% | 1.52% | 1.47% |
| UHS of Texoma, Inc | Hospital | 0.43% | 0.42% | 1.45% | 0.97% | 0.54% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Gulf Crossing Pipeline Co | Energy | 0.66% | 0.73% | 0.85% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Sherman Town Center LP | Retail | 0.64% | 0.62% | 0.63% | 0.68% | 0.84% | 0.92% | 1.01% | 0.00% | 0.00% | 0.00% |
| Texas Instruments | Manufacturing | 0.00% | 0.00% | 0.41% | 0.62% | 0.00% | 0.00% | 0.40% | 0.82% | 1.00% | 1.36% |
| Universal Health Services | Medical | 0.00% | 0.56% | 0.64% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Jetta Operating Co. Inc | Energy | 0.45% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| XTO Energy, Inc. | Utility | 0.62% | 0.58% | 0.77% | 0.56% | 0.80% | 0.63% | 0.77% | 0.60% | 0.00% | 0.00% |
| Kwikset Corporation | Manufacturing | 0.41% | 0.41% | 0.45% | 0.53% | 0.70% | 0.54% | 0.55% | 0.68% | 0.71% | 1.00% |
| Union Pacific Railroad | Transportation | 0.48% | 0.47% | 0.50% | 0.53% | 0.52% | 0.00% | 0.00% | 0.35% | 0.49% | 0.44% |
| Energy Transfer Fuel LP | Energy | 0.00% | 0.39% | 0.00% | 0.44% | 0.49% | 0.65% | 0.43% | 0.00% | 0.00% | 0.00% |
| Verizon Southwest | Utility | 0.00% | 0.00% | 0.00% | 0.36% | 0.52% | 0.49% | 0.51% | 0.55% | 0.87% | 0.90% |
| Sherman Grayson Hospital LLC | Hospital | 0.60% | 0.59% | 0.40% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| MEMC Southwest, Inc. | Manufacturing | 0.00% | 0.00% | 0.00% | 0.34% | 0.40% | 0.42% | 0.38% | 0.41% | 0.44% | 0.48% |
| Globitech Incorporated | Manufacturing | 0.70% | 0.00% | 0.00% | 0.00% | 0.37% | 0.38% | 0.00% | 0.00% | 0.00% | 0.00% |
| Woodmont Sherman LP | Retail | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.32% | 0.00% | 0.00% | 0.00% | 0.00% |
| Walmart Stores, Inc. | Retail | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.34% | 0.37% | 0.41% | 0.44% | 0.48% |
| Tyson Fresh Meats, Inc. | Food | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.82% | 0.00% | 0.00% | 0.00% |
| Venoco, Inc. | Energy | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.34% | 0.00% | 0.00% |
| A-S 71 Sherman | Retail | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.92% | 0.00% | 0.00% |
| Southwestern Bell Telephone | Utility | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.35% | 0.00% |
| Folger Coffee Company | Manufacturing | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.53% | 0.54% |
| Chevron USA, Inc. | Energy | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.59% | 0.53% |
| Johnson & Johnson | Manufacturing | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.92% |
| | | 5.95% | 5.69% | 7.09% | 6.12% | 6.46% | 5.99% | 6.73% | 6.57% | 6.94% | 8.12% |

Source: County Appraisal District

**Grayson 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 |
|-----------------------------------|-------------|-----------------------------------|-----------------------------|--------------------------------------|------------|--|--|-------------------------------------|---|
| 2012 | \$ 12,384 | \$ (63) | \$ 12,321 | \$ 11,973 | 97.18% | \$ -- | \$ -- | \$ 11,973 | 97.18% |
| 2011 | 12,350 | (92) | 12,258 | 11,903 | 97.10% | -- | 139 | 12,042 | 98.24% |
| 2010 | 12,064 | (86) | 11,978 | 11,535 | 96.30% | 201 | 64 | 11,800 | 98.51% |
| 2009 | 11,414 | 81 | 11,495 | 11,108 | 96.63% | 357 | 33 | 11,498 | 100.03% |
| 2008 | 8,261 | 122 | 8,383 | 8,126 | 96.93% | 180 | 8 | 8,314 | 99.18% |
| 2007 | 8,314 | (28) | 8,286 | 8,038 | 97.01% | 225 | 5 | 8,268 | 99.78% |
| 2006 | 7,102 | 133 | 7,235 | 6,995 | 96.68% | 213 | 2 | 7,210 | 99.65% |
| 2005 | 6,426 | (35) | 6,391 | 6,167 | 96.50% | 217 | 1 | 6,385 | 99.91% |
| 2004 | 5,657 | 7 | 5,664 | 5,452 | 96.26% | 198 | 1 | 5,651 | 99.77% |
| 2003 | 5,042 | 4 | 5,046 | 4,850 | 96.12% | 181 | -- | 5,031 | 99.70% |

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

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

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| General Bonded Debt | | | | | | | | | | |
| General Obligation Bonds | \$ 40,720 | \$ 42,155 | \$ 43,465 | \$ 44,665 | \$ 44,765 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Notes and Capital Leases | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Less: Funds Restricted for Debt Service | (794) | (784) | (800) | (471) | -- | -- | -- | -- | -- | -- |
| Net General Bonded Debt | 39,926 | 41,371 | 42,665 | 44,194 | 44,765 | -- | -- | -- | -- | -- |
| Other Debt | | | | | | | | | | |
| Revenue Bonds | 12,995 | 14,065 | 15,560 | 16,525 | 17,460 | 18,360 | 19,239 | 19,991 | 20,734 | 11,162 |
| Notes and Capital Leases | 180 | 217 | 67 | 93 | 119 | 142 | 60 | 82 | 405 | 520 |
| Total Outstanding Debt | \$ 53,101 | \$ 55,653 | \$ 58,292 | \$ 60,812 | \$ 62,344 | \$ 18,502 | \$ 19,299 | \$ 20,073 | \$ 21,139 | \$ 11,682 |
| General Bonded Debt Ratios | | | | | | | | | | |
| Per Capita | \$ 328.83 | \$ 342.26 | \$ 355.45 | \$ 371.99 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Per FTSE | 8,475 | 8,331 | 9,396 | 11,254 | 12,827 | -- | -- | -- | -- | -- |
| As a percentage of Taxable Assessed Value | 0.56% | 0.58% | 0.62% | 0.69% | 0.76% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Outstanding Debt Ratios | | | | | | | | | | |
| Per Capita | \$ 437.34 | \$ 460.41 | \$ 485.65 | \$ 511.87 | \$ 525.48 | \$ 156.16 | \$ 165.28 | \$ 173.26 | \$ 183.84 | \$ 102.80 |
| Per FTSE | 11,272 | 11,207 | 12,837 | 15,486 | 17,864 | 5,306 | 5,730 | 5,735 | 5,992 | 3,533 |
| As a Percentage of Taxable Assessed Value | 0.75% | 0.78% | 0.84% | 0.95% | 1.06% | 0.33% | 0.38% | 0.43% | 0.49% | 0.28% |

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

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

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Taxable Assessed Value | <u>\$7,071,613</u> | <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> |
| General Obligations Bonds | | | | | | | | | | |
| Statutory Tax Levy Limit for Debt Service | \$ 35,358 | \$ 35,675 | \$ 34,499 | \$ 31,874 | \$ 29,328 | \$ 27,716 | \$ 25,102 | \$ 23,158 | \$ 21,379 | \$ 20,556 |
| Less Funds Restricted for Repayment of General Obligation Bonds | 794 | 784 | 800 | 471 | -- | -- | -- | -- | -- | -- |
| Total Net General Obligation Debt | 34,564 | 34,891 | 33,699 | 31,403 | 29,328 | 27,716 | 25,102 | 23,158 | 21,379 | 20,556 |
| Current Year Debt Service Requirements | 3,148 | 3,078 | 3,011 | 1,916 | 1,007 | -- | -- | -- | -- | -- |
| Excess of Statutory Limit for Debt Service over Current Requirements | <u>\$ 31,416</u> | <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> |
| Net Current Requirements as a % of Statutory Limit | <u>6.66%</u> | <u>6.43%</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 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 | |
| 2012 | \$ 1,781 | \$ 915 | \$ 529 | \$ 309 | \$ 311 | \$ 107 | \$ 72 | \$ 3,315 | \$ 7,339 | \$ 1,070 | \$ 401 | \$ 1,471 | 4.99 |
| 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 |

**Grayson 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> |
|----------------------|--------------------------------|-------------------------------------|--|---|
| 2011 | 121,419 | (a) | (a) | 8.3% |
| 2010 | 120,877 | 3,848,851,000 | 32,066 | 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% |

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

Current Fiscal Year

| <u>Employer</u> | <u>Number of Employees</u> | <u>Percentage of Total County Employment</u> |
|---|--------------------------------|--|
| Tyson Fresh Meats | 1,250 - 1,499 | 2.60% |
| Texoma Health Care Systems | 1,250 - 1,499 | 2.55% |
| CIGNA Company | 1,000 - 1,249 | 2.25% |
| Texas Instruments | 1,000 - 1,249 | 2.23% |
| Wilson N. Jones Regional Health Systems | 1,000 - 1,249 | 1.86% |
| Sherman ISD | 750 - 999 | 1.76% |
| Ruiz Foods | 500 - 749 | 1.31% |
| Denison ISD | 500 - 749 | 1.16% |
| Grayson County | 500 - 749 | 0.98% |
| Trailblazer Health Enterprises | 500 - 749 | 0.97% |
| Total | <u>8,250 - 10,740</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 College
Faculty, Staff and Administrative Statistics
Last Ten Fiscal Years
(Unaudited)

| | For the Year Ended August 31, | | | | | | | | | |
|---------------------------------|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Faculty | | | | | | | | | | |
| Full-Time | 97 | 97 | 95 | 90 | 86 | 88 | 87 | 93 | 83 | 94 |
| Part-Time | 232 | 183 | 152 | 153 | 145 | 142 | 137 | 122 | 122 | 116 |
| Total | <u>329</u> | <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> |
| Percent | | | | | | | | | | |
| Full-Time | 29.5% | 34.6% | 38.5% | 37.0% | 37.2% | 38.3% | 38.8% | 43.3% | 40.5% | 44.8% |
| Part-Time | 70.5% | 65.4% | 61.5% | 63.0% | 62.8% | 61.7% | 61.2% | 56.7% | 59.5% | 55.2% |
| Staff and Administrators | | | | | | | | | | |
| Full-Time | 129 | 136 | 135 | 134 | 130 | 116 | 119 | 118 | 113 | 111 |
| Part-Time | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total | <u>129</u> | <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> |
| 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 | 48.6 | 51.2 | 47.8 | 43.6 | 40.6 | 39.6 | 38.7 | 37.6 | 42.5 | 35.2 |
| FTSE per Full-Time Staff Member | 36.5 | 36.5 | 33.6 | 29.3 | 26.8 | 30.1 | 28.3 | 29.7 | 31.2 | 29.8 |
| Average Annual Faculty Salary | \$ 53,695 | \$ 54,762 | \$ 53,734 | \$ 53,058 | \$ 47,740 | \$ 46,836 | \$ 46,500 | \$ 45,600 | \$ 44,700 | \$ 43,600 |

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

| <u>Student Classification</u> | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|-------------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 00-30 hours | 4,171 | 80.74% | 4,152 | 82.48% | 3,968 | 84.21% | 3,382 | 82.05% | 3,015 | 81.12% |
| 31-60 hours | 862 | 16.69% | 882 | 17.52% | 538 | 11.42% | 594 | 14.41% | 655 | 17.62% |
| > 60 hours | 133 | 2.57% | 0 | 0.00% | 206 | 4.37% | 146 | 3.54% | 47 | 1.26% |
| Total | 5,166 | 100.00% | 5,034 | 100.00% | 4,712 | 100.00% | 4,122 | 100.00% | 3,717 | 100.00% |

| <u>Semester Hour Load</u> | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|---------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Less than 3 | 8 | 0.15% | 9 | 0.18% | 13 | 0.28% | 13 | 0.32% | 18 | 0.48% |
| 3-5 semester hours | 704 | 13.63% | 690 | 13.71% | 714 | 15.15% | 663 | 16.08% | 541 | 14.55% |
| 6-8 semester hours | 1,141 | 22.09% | 1,116 | 22.17% | 1,055 | 22.39% | 809 | 19.63% | 775 | 20.85% |
| 9-11 semester hours | 933 | 18.06% | 940 | 18.67% | 456 | 9.68% | 648 | 15.72% | 640 | 17.22% |
| 12-14 semester hours | 1,919 | 37.15% | 1,836 | 36.47% | 1,876 | 39.81% | 1,473 | 35.73% | 1,206 | 32.46% |
| 15-17 semester hours | 398 | 7.70% | 375 | 7.45% | 499 | 10.59% | 462 | 11.21% | 474 | 12.75% |
| 18 & over | 63 | 1.22% | 68 | 1.35% | 99 | 2.10% | 54 | 1.31% | 63 | 1.69% |
| Total | 5,166 | 100.00% | 5,034 | 100.00% | 4,712 | 100.00% | 4,122 | 100.00% | 3,717 | 100.00% |

| <u>Tuition Status</u> | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|----------------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Texas Resident (In-District) | 3,678 | 71.20% | 3,555 | 70.62% | 3,328 | 70.63% | 2,817 | 68.34% | 2,552 | 68.65% |
| Texas Resident (Out-of-District) | 1,135 | 21.97% | 1,111 | 22.07% | 1,046 | 22.20% | 944 | 22.90% | 825 | 22.20% |
| Non-Resident Tuition | 353 | 6.83% | 368 | 7.31% | 338 | 7.17% | 361 | 8.76% | 340 | 9.15% |
| Total | 5,166 | 100.00% | 5,034 | 100.00% | 4,712 | 100.00% | 4,122 | 100.00% | 3,717 | 100.00% |

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

| | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|--------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Gender | | | | | | | | | | |
| Female | 3,178 | 61.52% | 3,072 | 61.03% | 2,881 | 61.14% | 2,508 | 60.84% | 2,296 | 61.77% |
| Male | 1,988 | 38.48% | 1,962 | 38.97% | 1,831 | 38.86% | 1,614 | 39.16% | 1,421 | 38.23% |
| Total | <u>5,166</u> | <u>100.00%</u> | <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> |

| | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Ethnic Origin | | | | | | | | | | |
| White | 3,704 | 71.70% | 4,073 | 80.92% | 3,583 | 76.04% | 3,208 | 77.82% | 2,908 | 78.24% |
| African American | 343 | 6.64% | 377 | 7.49% | 329 | 6.98% | 240 | 5.82% | 222 | 5.97% |
| Hispanic | 542 | 10.49% | 280 | 5.56% | 318 | 6.75% | 260 | 6.31% | 218 | 5.86% |
| Native American | 144 | 2.79% | 191 | 3.79% | 286 | 6.07% | 207 | 5.02% | 169 | 4.55% |
| International | 164 | 3.17% | 61 | 1.21% | 135 | 2.87% | 161 | 3.91% | 154 | 4.14% |
| Asian | 44 | 0.85% | 52 | 1.03% | 61 | 1.29% | 46 | 1.12% | 46 | 1.24% |
| Multi-Racial | 225 | 4.36% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Total | <u>5,166</u> | <u>100.00%</u> | <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> |

| | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|-----------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Age | | | | | | | | | | |
| Under 18 | 773 | 14.96% | 658 | 13.07% | 602 | 12.77% | 575 | 13.95% | 483 | 12.99% |
| 18-21 | 1,811 | 35.06% | 1,849 | 36.73% | 1,759 | 37.33% | 1,660 | 40.27% | 1,530 | 41.16% |
| 22-24 | 559 | 10.82% | 574 | 11.40% | 596 | 12.65% | 523 | 12.69% | 410 | 11.03% |
| 25-30 | 737 | 14.27% | 758 | 15.06% | 738 | 15.66% | 562 | 13.63% | 528 | 14.21% |
| 31-35 | 440 | 8.52% | 397 | 7.89% | 299 | 6.35% | 244 | 5.92% | 246 | 6.62% |
| 36-50 | 668 | 12.93% | 652 | 12.95% | 568 | 12.05% | 446 | 10.82% | 437 | 11.76% |
| 51-64 | 173 | 3.35% | 139 | 2.76% | 135 | 2.87% | 98 | 2.38% | 76 | 2.04% |
| 61 & over | 5 | 0.10% | 7 | 0.14% | 15 | 0.32% | 14 | 0.34% | 7 | 0.19% |
| Total | <u>5,166</u> | <u>100.01%</u> | <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> |

Grayson College
Transfers to Senior Texas Institutions
2010 - 2011 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 | 6 | | 1 | 7 | 1.29% |
| Lamar University | 2 | | | 2 | 0.37% |
| Midwestern State University | 16 | 1 | | 17 | 3.13% |
| Prairie View A & M University | | 1 | | 1 | 0.18% |
| Sam Houston State University | 2 | | | 2 | 0.37% |
| Stephen F. Austin State University | 24 | | | 24 | 4.41% |
| Tarletan State University | 11 | 1 | 3 | 15 | 2.76% |
| Texas A & M University | 47 | 5 | 2 | 54 | 9.93% |
| Texas A & M University at Commerce | 66 | 16 | 5 | 87 | 15.99% |
| Texas A & M University at Corpus Christi | 4 | | | 4 | 0.74% |
| Texas A & M University at Galveston | 1 | 1 | | 2 | 0.37% |
| Texas A & M University System Health Science Center | 2 | | | 2 | 0.37% |
| Texas State University | 12 | 2 | 3 | 17 | 3.13% |
| Texas Tech University | 42 | 4 | 2 | 48 | 8.82% |
| Texas Woman's University | 43 | | 8 | 51 | 9.38% |
| The University of Texas at Arlington | 25 | 2 | 7 | 34 | 6.25% |
| The University of Texas at Austin | 23 | 3 | | 26 | 4.78% |
| The University of Texas at Dallas | 22 | 5 | | 27 | 4.96% |
| The University of Texas at El Paso | 1 | | | 1 | 0.18% |
| The University of Texas at Pan American | 1 | | | 1 | 0.18% |
| The University of Texas at the Permian Basin | 1 | | | 1 | 0.18% |
| The University of Texas at San Antonio | 4 | 1 | | 5 | 0.92% |
| The University of Texas at Tyler | 4 | | 2 | 6 | 1.10% |
| The University of Texas Health Center at San Antonio | 1 | | | 1 | 0.18% |
| The University of Texas Medical Branch at Galveston | 1 | | | 1 | 0.18% |
| University of Houston | 2 | | | 2 | 0.37% |
| University of North Texas | 86 | 12 | 3 | 101 | 18.56% |
| West Texas A & M University | 5 | | | 5 | 0.92% |
| Totals | 454 | 54 | 36 | 544 | 100.00% |

**Grayson College
Capital Asset Information
Fiscal Years 2008 to 2012
(Unaudited)**

| | Fiscal Year | | | | |
|--------------------------------------|-------------|---------|---------|---------|---------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Academic Buildings | 20 | 19 | 18 | 18 | 18 |
| Square Footage | 407,848 | 399,848 | 337,500 | 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 | 39,953 | 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 | 4 | 3 |
| Square Footage | 30,003 | 29,753 | 29,753 | 29,753 | 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 | 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 | 3 | 2 |
| Light Trucks/Vans | 24 | 24 | 24 | 24 | 24 |
| Buses | 3 | 3 | 3 | 3 | 2 |