

Grayson College
Annual Financial Report
August 31, 2013

**Grayson College
Annual Financial Report
Year Ended August 31, 2013**

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Grayson College
Organizational Data
For the Fiscal Year 2012 - 2013

Board of Trustees

Officers

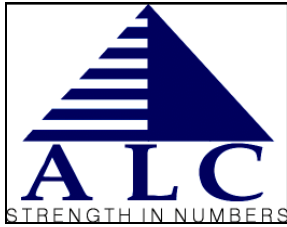
		<u>Term Expires</u>
Mr. Bill McFatridge	President	2016
Mr. Ralph Jones	Vice-President	2014
Mrs. Ruby Jo Williams	Secretary	2014

Members

Dr. Debbie Barnes-Plyler	2018
Dr. Mack Broiles	2018
Mrs. Jackie Butler	2016
Mr. Ronnie Cole	2018

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
Dr. Regina Organ	Vice President for Student Services



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

Independent Auditor's Report

Board of Trustees
Grayson College
6101 Grayson Drive
Denison, Texas

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Grayson College (College) as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Grayson College as of August 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

Sherman, Texas
November 27, 2013

**GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

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, 2013. 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 position. For fiscal year 2012-2013, total net position increased \$3,565,517, or 8.3%. In fiscal year 2011-2012 total net position increased \$4,348,747, and in fiscal year 2010-2011 the increase was \$2,233,651.
- Unrestricted net position also increased in fiscal year 2012-2013, growing from \$25,106,839 to \$25,653,069, for a 2.2% increase.
- Total assets grew from \$100,874,207 at August 31, 2012 to \$102,098,394 at August 31, 2013.
- Total liabilities were \$55,414,963 at August 31, 2013, down from \$57,756,293 at August 31, 2012.
- Operating revenue decreased 7.6% to \$9,514,847.
- Operating expenses for fiscal year 2012-2013 were \$36,487,076, down slightly from the prior fiscal year, in which the operating expenses were \$36,596,414.
- Net non-operating revenues decreased \$1,216,225 or 4.0%, in fiscal year 2012-2013, as compared with the prior fiscal year.

EXPLANATION OF FINANCIAL STATEMENTS

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

As discussed in the Notes to the Financial Statements, the College has adopted Statement 63 of the Government Accounting Standards Board (GASB). This statement was issued to address deferred outflows of resources and deferred inflows of resources, which do not affect Grayson College. However, in addressing these issues GASB changed the names of the financial statements. The most noticeable name change is that the term "net position" replaces the earlier term "net assets." Each of these terms basically refer to the equity in the organization.

The *Statement of Net Position* reflects assets, liabilities and net position at a particular date of measurement, in this case August 31, 2013. 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 position. The term "net position" replaces the earlier terms of "net assets and "fund balance." Net position is further broken down as invested in capital assets, net of related debt, restricted, and unrestricted.

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

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

CONDENSED COMPARATIVE FINANCIAL INFORMATION

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

Condensed Statement of Net Position August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Capital assets (net accumulated depreciation)	\$ 69,644,728	\$ 68,964,140
All other assets	32,453,666	31,910,067
Total assets	<u>102,098,394</u>	<u>100,874,207</u>
<u>Liabilities</u>		
Non-current liabilities	49,396,515	52,292,895
All other liabilities	6,018,448	5,463,398
Total liabilities	<u>55,414,963</u>	<u>57,756,293</u>
<u>Net Position</u>		
Invested in capital assets (net of related debt)	18,669,846	15,297,786
Restricted	2,360,516	2,713,289
Unrestricted	25,653,069	25,106,839
Total Net Position	<u>\$ 46,683,431</u>	<u>\$ 43,117,914</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position for Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Operating Revenue</u>		
Tuition and fees (net of discounts)	\$ 4,877,086	\$ 4,923,045
Operating grants and contracts	2,526,858	3,445,770
Auxiliary enterprises (net of discounts)	1,859,497	1,700,829
Other operating revenues	251,406	230,300
Total Operating Revenues	<u>9,514,847</u>	<u>10,299,944</u>
<u>Operating Expenses</u>		
Instruction	12,660,386	13,235,594
Public service	596,817	630,664
Academic support	1,618,817	1,512,159
Student services	2,217,698	2,155,275
Institutional support	3,805,382	3,898,636
Operation and maintenance of plant	4,374,472	3,073,430
Scholarships and fellowships	5,450,594	6,510,510
Auxiliary enterprises	3,715,719	3,589,818
Depreciation	2,047,191	1,990,328
Total Operating Expenses	<u>36,487,076</u>	<u>36,596,414</u>
<u>Operating Income (Loss)</u>	(26,972,229)	(26,296,470)
<u>Non-Operating Revenues (Expenses)</u>		
State appropriations	8,966,973	9,002,532
Ad valorem taxes	12,822,687	12,578,742
Net other non-operating revenues (expenses)	7,629,332	9,053,943
Net Non-Operating revenues (expenses)	<u>29,418,992</u>	<u>30,635,217</u>

<u>Income before Contributions and Transfers</u>	2,446,763	4,338,747
Capital Contributions	1,108,754	-
Transfers	10,000	10,000
<u>Increase in Net Position</u>	3,565,517	4,348,747
<u>Net Position - Beginning of Year</u>	43,117,914	38,769,167
<u>Net Position - End of Year</u>	\$ 46,683,431	\$ 43,117,914

DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted above, Grayson College had a successful fiscal year in 2012-2013, continuing the pattern of good financial results.

The chief measure of the financial success is a solid increase in net position, which can be viewed as a measure of wealth for the school. In fiscal year 2012-2013, net position for Grayson College increased \$3,565,517, or 8.3%, 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).

	Grayson College			Texas Community College Average
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Return on Net Position	8.3%	11.2%	6.1%	7.4%
Financial Vulnerability	0.70	0.69	0.56	0.29
Primary Reserve Ratio	0.72	0.72	0.60	0.39
Viability Ratio	0.57	0.53	0.46	1.75
Debt Burden Ratio	6.3%	6.4%	6.3%	3.2%
Net Operating Revenue Ratio	6.3%	10.6%	5.4%	6.5%

Return on Net Position: Calculated by dividing the change in net position by net position 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 2012-2013 were solid at 8.3%, in line with prior fiscal years and the state-wide average for fiscal year 2011-2012.

Financial Vulnerability Ratio: Calculated by dividing unrestricted net position by total operating expenses, this ratio measures an organization's ability to cover its expenditures from existing resources. Grayson College's results were steady for 2012-2013 and are well over the state average.

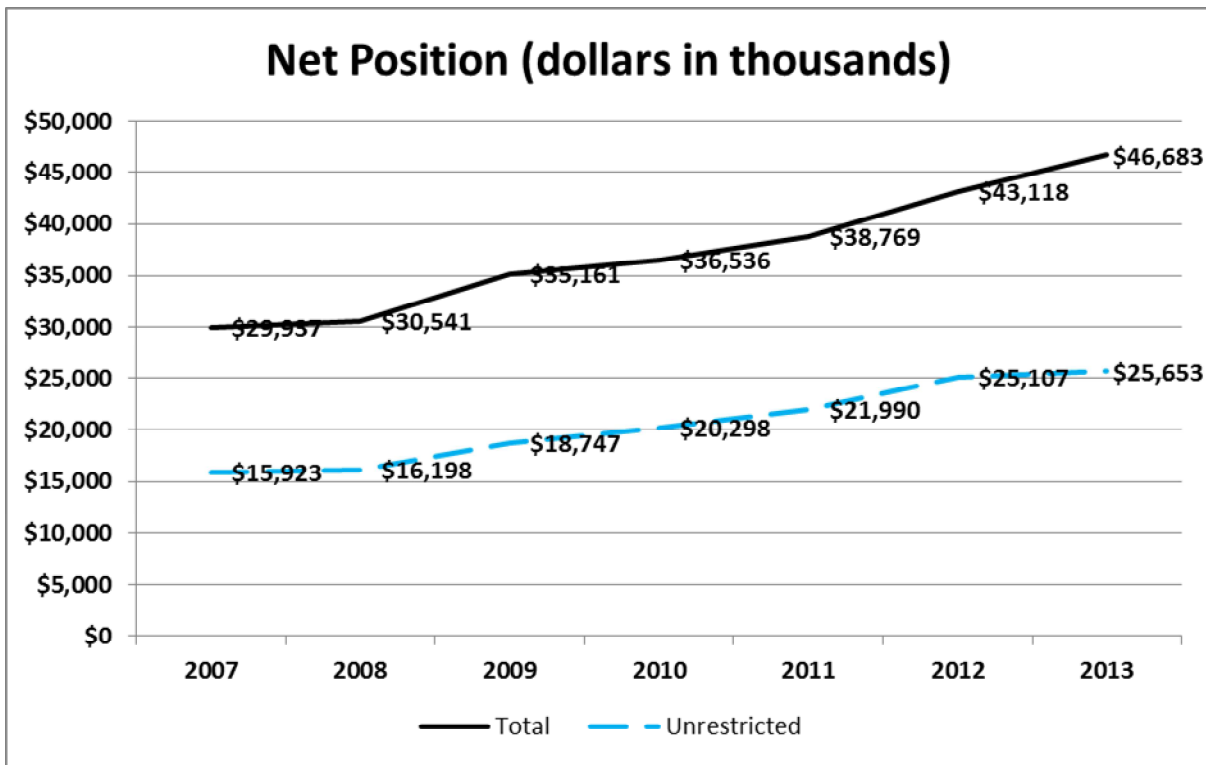
Primary Reserve Ratio: Dividing expendable net position by total expenses produces this ratio which is a gauge of financial strength and flexibility. It is similar to the financial vulnerability ratio, but it takes into account expendable restricted net position and non-operating expenses. Again, Grayson's results are steady 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. The fact that Grayson College has a high debt load relative to other Texas community colleges is reflected in this ratio.

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 has remained stable but at a level higher than the average community college.

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 2012-2013, Grayson College’s results were comparable to the average results for community colleges in fiscal year 2011-2012.

The following chart shows the net position at the end of recent fiscal years. The net position indicates the wealth of a school. The unrestricted segment 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 2012-2013 the net position of the foundation increased \$ 1,528,016, to \$11,381,136.

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. Currently the college is considering using these funds to expand its capability for instruction in developmental math.

Two other capital projects are also significant. 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 construction on the sewer main to the campus. 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 project was substantially complete by October 31, 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. Construction is nearing completion, and instruction will 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 Position
August 31, 2013 and 2012

Exhibit 1

	2013	2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 13,301,538	\$ 11,585,358
Short-Term Investments	8,265,949	15,864,622
Receivables (net of allowance for doubtful / uncollectible accounts)	1,756,184	1,268,545
Prepaid Expenses	105,085	109,144
Inventories for Resale	896,081	888,924
Total Current Assets	24,324,837	29,716,593
Noncurrent Assets		
Other Long-Term Investments	6,908,091	250,501
Escrow Deposit for Sewer Line	159,529	806,200
Capital Assets (net of accumulated depreciation)	69,644,728	68,964,140
Bond Issuance Costs (net of accumulated amortization)	1,061,209	1,136,773
Total Noncurrent Assets	77,773,557	71,157,614
Total Assets	102,098,394	100,874,207
LIABILITIES		
Current Liabilities		
Accounts Payable	1,559,236	1,189,252
Accrued Liabilities	209,574	228,180
Funds Held for Others	471,364	549,243
Deferred Revenues	938,604	795,214
Deposits Payable	42,980	44,780
Notes and Leases Payable (current portion)	40,782	38,638
Bonds Payable (current portion)	2,755,908	2,618,091
Total Current Liabilities	6,018,448	5,463,398
Noncurrent Liabilities		
Accrued Compensated Absences	157,114	146,497
Notes and Leases Payable (net of current portion)	100,560	141,342
Bonds Payable (net of current portion)	49,138,841	52,005,056
Total Noncurrent Liabilities	49,396,515	52,292,895
Total Liabilities	55,414,963	57,756,293
NET POSITION		
Invested in Capital Assets, Net of Related Debt	18,669,846	15,297,786
Restricted for:		
Expendable:		
Student Financial Aid Programs	517,667	504,820
Instructional Programs	47,580	53,062
Loans	46,537	46,471
Capital Projects	662,202	1,307,420
Debt Service	1,079,651	794,084
Other	6,879	7,432
Unrestricted	25,653,069	25,106,839
Total Net Position (Schedule D)	\$ 46,683,431	\$ 43,117,914

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

**Grayson College
Affiliated Organizations
Statement of Financial Position
August 31, 2013 and 2012**

	Grayson College Foundation, Inc.	
	2013	2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 968,354	\$ 750,293
Short-Term Investments	306,898	325,398
Accrued Interest Receivable	478	633
Total Current Assets	1,275,730	1,076,324
Noncurrent Assets		
Long-Term Investments	9,070,573	7,715,762
Capital Assets (net of accumulated depreciation)	1,035,828	1,065,030
Total Noncurrent Assets	10,106,401	8,780,792
Total Assets	11,382,131	9,857,116
LIABILITIES		
Accounts Payable	995	3,996
Total Liabilities	995	3,996
NET POSITION		
Unrestricted	535,828	565,030
Temporarily Restricted	3,302,911	2,476,719
Permanently Restricted	7,542,397	6,811,371
Total Net Position	\$ 11,381,136	\$ 9,853,120

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

Grayson College
Statement of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2013 and 2012

Exhibit 2

	2013	2012
Operating Revenues		
Tuition and Fees (net of discounts of \$4,036,039 and \$4,527,144)	\$ 4,877,086	\$ 4,923,045
Federal Grants and Contracts	1,245,439	1,833,206
State Grants and Contracts	999,128	1,365,458
Non-Governmental Grants and Contracts	282,291	247,106
Sales and Services of Educational Activities	51,123	49,346
Auxiliary Enterprises (net of discounts of \$1,804,167 and \$1,936,437)	1,859,497	1,700,829
Other Operating Revenues	200,283	180,954
Total Operating Revenues (Schedule A)	9,514,847	10,299,944
Operating Expenses		
Instruction	12,660,386	13,235,594
Public Service	596,817	630,664
Academic Support	1,618,817	1,512,159
Student Services	2,217,698	2,155,275
Institutional Support	3,805,382	3,898,636
Operation and Maintenance of Plant	4,374,472	3,073,430
Scholarships and Fellowships	5,450,594	6,510,510
Auxiliary Enterprises	3,715,719	3,589,818
Depreciation	2,047,191	1,990,328
Total Operating Expenses (Schedule B)	36,487,076	36,596,414
Operating Income (Loss)	(26,972,229)	(26,296,470)
Non-Operating Revenues (Expenses)		
State Appropriations	8,966,973	9,002,532
Ad-Valorem Taxes for Maintenance and Operations	9,244,001	9,445,550
Ad-Valorem Taxes for General Obligation Bonds	3,578,686	3,133,192
Federal Grants and Contracts, Non-Operating	9,745,101	11,187,966
Investment Income (Net of Investment Expenses)	64,590	92,886
Interest on Capital Related Debt	(2,159,643)	(2,226,909)
Gain (Loss) of Disposition of Property	(20,782)	-
Other Non-Operating Revenues (Expenses)	66	-
Net Non-Operating Revenues (Expenses) (Schedule C)	29,418,992	30,635,217
Income Before Contributions and Transfers	2,446,763	4,338,747
Federal Grants and Contracts (Capital Contributions)	1,108,754	-
Transfer from GC Foundation (Component Unit)	10,000	10,000
Increase in Net Position	3,565,517	4,348,747
Net Position - Beginning of Year	43,117,914	38,769,167
Net Position - End of Year	\$ 46,683,431	\$ 43,117,914

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

**Grayson College
Affiliated Organizations
Statement of Activities
Years Ended August 31, 2013 and 2012**

	Grayson College Foundation, Inc.	
	2013	2012
Revenues		
Gifts and Contributions	\$ 1,425,563	\$ 1,025,085
Gifts in Kind - Grayson College	220,237	206,929
Federal Grants	10,000	10,000
Building Rentals	17,634	16,976
Other Income	-	1,300
Interest / Investment Income	48,836	131,449
Unrealized Investment Income	469,929	408,595
Total Revenues	2,192,199	1,800,334
Expenses		
Salary and Wages	177,174	173,735
Services and Supplies	105,016	107,190
Scholarships	342,791	269,666
Depreciation	29,202	29,202
Total Expenses	654,183	579,793
Income Before Transfers	1,538,016	1,220,541
Transfer to Grayson College	(10,000)	(10,000)
Change in Net Position	1,528,016	1,210,541
Net Position - Beginning of Year	9,853,120	8,642,579
Net Position - End of Year	\$ 11,381,136	\$ 9,853,120

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

Grayson College
Statement of Cash Flows
Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Receipts from Students and Other Customers	\$ 7,012,800	\$ 7,179,826
Receipts of Grants and Contracts	2,594,979	4,074,069
Payments to or on Behalf of Employees	(17,389,048)	(17,090,315)
Payments to Suppliers for Goods and Services	(9,724,891)	(9,776,181)
Payments of Scholarships	(5,450,594)	(6,510,510)
Net Cash Flows from Operating Activities	<u>(22,956,754)</u>	<u>(22,123,111)</u>
Cash Flows from Noncapital Financing Activities		
Ad-Valorem Tax Revenues	12,836,883	12,603,956
Receipts of State Appropriations	7,499,167	7,575,517
Receipts of Grants and Contracts (Nonoperating)	9,746,314	11,188,914
Receipts from Student Organizations and Other Agency Transactions	1,209,306	1,697,890
Payments to Student Organizations and Other Agency Transactions	(1,280,287)	(1,687,179)
Transfer from GC Foundation (Component Unit)	10,000	10,000
Other	66	-
Net Cash Flows from Noncapital Financing Activities	<u>30,021,449</u>	<u>31,389,098</u>
Cash Flows from Capital and Related Financing Activities		
Capital Contracts, Gifts and Grants	622,781	-
Proceeds from Sale of Capital Assets	6,750	-
Purchases of Capital Assets	(2,126,688)	(2,782,253)
Payment on Capital Debt and Leases	(4,854,989)	(4,771,480)
Net Cash Flows from Capital and Related Financing Activities	<u>(6,352,146)</u>	<u>(7,553,733)</u>
Cash Flows from Investing Activities		
Proceeds from Sale and Maturity of Investments	9,441,083	14,711,017
Investment Earnings	62,548	105,005
Purchase of Investments	(8,500,000)	(9,611,460)
Net Cash Flows from Investing Activities	<u>1,003,631</u>	<u>5,204,562</u>
Increase in Cash and Cash Equivalents	1,716,180	6,916,816
Cash and Cash Equivalents - Beginning of Year	<u>11,585,358</u>	<u>4,668,542</u>
Cash and Cash Equivalents - End of Year	<u>\$ 13,301,538</u>	<u>\$ 11,585,358</u>

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

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Flows from Operating Activities		
Operating Income (Loss)	\$ (26,972,229)	\$ (26,296,470)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Flows from Operating Activities		
Depreciation	2,047,191	1,990,328
State-Paid Employee Benefits	1,467,806	1,427,015
Change in Assets and Liabilities		
Receivables (net)	(18,482)	381,900
Prepaid Expenses	4,059	(11,370)
Inventories for Resale	(7,157)	(38,553)
Escrow Deposit for Sewer Line	646,671	-
Accounts Payable	(262,089)	(96,415)
Accrued Liabilities	(4,114)	(34,200)
Deferred Revenues	143,390	557,979
Deposits Payable	(1,800)	(3,325)
Total Adjustments	<u>4,015,475</u>	<u>4,173,359</u>
Net Cash Flows from Operating Activities	<u><u>\$ (22,956,754)</u></u>	<u><u>\$ (22,123,111)</u></u>

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

**Grayson College
Affiliated Organizations
Statement of Cash Flows
Years Ended August 31, 2013 and 2012**

	Grayson College Foundation, Inc.	
	2013	2012
Cash Flows from Operating Activities		
Change in Net Position	\$ 1,528,016	\$ 1,210,541
Adjustments to Reconcile Change in Net Position to Net Cash		
Flows from Operating Activities:		
Depreciation	29,202	29,202
Net (Gains) Losses on Investments	(333,666)	(373,762)
Non-Cash Gifts Received	(800,000)	-
Change in Operating Assets and Liabilities:		
Accrued Interest Receivable	154	242
Accounts Payable	(3,001)	(5,454)
Net Cash Flows from Operating Activities	<u>420,705</u>	<u>860,769</u>
Cash Flows from Investing Activities		
Purchases of Investments	(1,382,884)	(3,419,612)
Proceeds from Sale of Investments	1,180,240	2,690,425
Net Cash Flows from Investing Activities	<u>(202,644)</u>	<u>(729,187)</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
Net Increase in Cash	218,061	131,582
Cash - Beginning of Year	<u>750,293</u>	<u>618,711</u>
Cash - End of Year	<u>\$ 968,354</u>	<u>\$ 750,293</u>

SUPPLEMENTARY SCHEDULE TO STATEMENT OF CASH FLOWS

Noncash Investing and Financing Activities		
Gift of Investment Property	<u>\$ 800,000</u>	<u>\$ -</u>

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

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

NOTE 1 - REPORTING ENTITY

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

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

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

The College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Deferred outflows of resources are defined as a consumption of net assets by a government that is applicable to a future reporting period and deferred inflows of resources are defined as an acquisition of net assets by a government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in a statement of financial position, being measured as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The College has no items that qualify for reporting as deferred outflows of resources or deferred inflows of resources; accordingly, those captions are not included on the Statement of Net Position in these financial statements.

The College presents its net position (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 position that is available for use to fulfill the educational purposes of the College. It includes all net position that are not classified as “invested in capital assets, net of related debt” or “restricted.”

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

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, 2013 and 2012

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, 2012, was \$10,359,392,000. Exemptions and abatements of \$3,175,512,000 are allowed, resulting in a taxable value of \$7,183,880,000. The tax levy of \$12,557,458 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, 2013 to finance Unrestricted Current Fund operations and debt service for general obligation bonds were \$0.130600 and \$0.051200 per \$100 valuation, respectively.

Property tax collections during the year ended August 31, 2013 were \$12,216,152 for current taxes, \$285,893 for delinquent taxes, and \$249,701 for penalties, interest and attorney fees. Tax collections for the year ended August 31, 2013 were 100% of the current tax levy. Other taxes (from non-property sources) collected during the year ended August 31, 2013 totaled \$85,588.

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, 2013 and 2012 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, 2013 and 2012

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, 2013.

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, 2013 and 2012, as reported on the Statement of Net Position (Exhibit 1), consist of the following items:

	2013	2012
Petty Cash	\$ 4,220	\$ 4,220
Bank Deposits:		
Demand Accounts	13,297,318	11,581,138
Time and Savings Accounts	8,745,798	492,689
Total Cash and Deposits	\$ 22,047,336	\$ 12,078,047

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, 2013 and 2012, the College's deposits are not exposed to custodial credit risk.

Investments

The following schedule summarizes the College's investments as of August 31, 2013:

Type of Security	Fair Value	Credit Rating	Investment Maturities (in Years)		
			Less than 1	1 to 2 Years	More than 2
Investment Pools	\$ 6,428,242	AAA	\$ 6,428,242	\$ -	\$ -
Total Investments	\$ 6,428,242		\$ 6,428,242	\$ -	\$ -

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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	\$ -	\$ -

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, 2013 and 2012, 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 Position (Exhibit 1):

	2013	2012
Cash and Deposits	\$ 22,047,336	\$ 12,078,047
Investments	6,428,242	15,622,434
Total Deposits and Investments	<u>\$ 28,475,578</u>	<u>\$ 27,700,481</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 13,301,538	\$ 11,585,358
Short-Term Investments (Exhibit 1)	8,265,949	15,864,622
Other Long-Term Investments (Exhibit 1)	6,908,091	250,501
Total Deposits and Investments	<u>\$ 28,475,578</u>	<u>\$ 27,700,481</u>

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

NOTE 5 - CAPITAL ASSETS

A summary of the changes in the College's capital assets during the year ended August 31, 2013 is shown below:

	Balance Sept. 1, 2012	Additions	Retirements	Balance August 31, 2013
Not Depreciated				
Land	\$ 1,251,740	\$ -	\$ -	\$ 1,251,740
Construction in Progress	178,045	2,383,692	-	2,561,737
Total - Not Depreciated	<u>1,429,785</u>	<u>2,383,692</u>	<u>-</u>	<u>3,813,477</u>
Other Capital Assets				
Buildings and Improvements	67,175,885	-	71,900	67,103,985
Facilities and Other Improvements	6,829,202	35,650	20,000	6,844,852
Furniture, Vehicles and Other Equipment	6,682,351	307,488	67,391	6,922,448
Library Books	1,094,211	28,481	-	1,122,692
Subtotal	<u>81,781,649</u>	<u>371,619</u>	<u>159,291</u>	<u>81,993,977</u>
Accumulated Depreciation				
Buildings and Improvements	7,364,057	1,208,518	51,768	8,520,807
Facilities and Other Improvements	1,993,788	281,879	12,600	2,263,067
Furniture, Vehicles and Other Equipment	4,090,387	516,323	67,391	4,539,319
Library Books	799,062	40,471	-	839,533
Subtotal	<u>14,247,294</u>	<u>2,047,191</u>	<u>131,759</u>	<u>16,162,726</u>
Net - Other Capital Assets	<u>67,534,355</u>	<u>(1,675,572)</u>	<u>27,532</u>	<u>65,831,251</u>
Totals	<u>\$ 68,964,140</u>	<u>\$ 708,120</u>	<u>\$ 27,532</u>	<u>\$ 69,644,728</u>

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>

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

NOTE 5 - CAPITAL ASSETS (Continued)

Construction in Progress

As of August 31, 2013, 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. Contracts for construction and architectural services have been executed totaling approximately \$3,942,000, of which approximately \$2,297,000 was incurred through August 31, 2013. The College expects the remainder of the costs of this project to be incurred by August 31, 2014.

NOTE 6 - RECEIVABLES

Details of the College's receivables, including the allowance for uncollectible amounts, as of August 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Accounts Receivable	\$ 64,337	\$ 51,297
Tuition and Fees Receivable	1,226,751	978,233
Property Taxes Receivable	827,139	843,840
Interest Receivable	2,493	451
Loans Receivable	30,743	30,743
Federal Receivables	680,811	224,587
State Receivables	99,162	168,530
Total Receivables	<u>2,931,436</u>	<u>2,297,681</u>
Allowance for Uncollectible Accounts	<u>(1,175,252)</u>	<u>(1,029,136)</u>
Totals	<u>\$ 1,756,184</u>	<u>\$ 1,268,545</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, 2013:

	<u>Balance</u> <u>Sept. 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>August 31, 2013</u>	<u>Due Within</u> <u>One Year</u>
General Obligations Bonds	\$ 40,720,000	\$ -	\$ 1,575,000	\$ 39,145,000	\$ 1,690,000
Revenue Bonds	12,995,000	-	1,095,000	11,900,000	1,120,000
Unamortized Premium on Bonds	1,564,523	-	110,307	1,454,216	-
Deferred Bonds Payable	(656,376)	-	(51,909)	(604,467)	(54,092)
Total Bonds Payable	<u>54,623,147</u>	<u>-</u>	<u>2,728,398</u>	<u>51,894,749</u>	<u>2,755,908</u>
Notes and Capital Leases Payable	179,980	-	38,638	141,342	40,782
Total Bonds and Notes Payable	<u>54,803,127</u>	<u>-</u>	<u>2,767,036</u>	<u>52,036,091</u>	<u>2,796,690</u>
Compensated Absences	182,546	216,267	202,421	196,392	39,278
Totals	<u>\$ 54,985,673</u>	<u>\$ 216,267</u>	<u>\$ 2,969,457</u>	<u>\$ 52,232,483</u>	<u>\$ 2,835,968</u>

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

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, 2012:

	Balance Sept. 1, 2011	Additions	Retirements	Balance August 31, 2012	Due Within One Year
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	57,188,486	-	2,565,339	54,623,147	2,618,091
Notes and Capital Leases Payable	216,505	-	36,525	179,980	38,638
Total Bonds and Notes Payable	57,404,991	-	2,601,864	54,803,127	2,656,729
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>

Bonds Payable

The College has the following bond issues outstanding as of August 31, 2013:

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, 2013 is \$8,330,000.

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, 2013 is \$30,815,000.

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, 2013 is \$11,900,000.

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

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
2014	\$ 1,690,000	\$ 1,637,105	\$ 1,120,000	\$ 421,200	\$ 2,810,000	\$ 2,058,305
2015	1,885,000	1,574,136	1,140,000	398,800	3,025,000	1,972,936
2016	1,955,000	1,504,261	1,035,000	364,600	2,990,000	1,868,861
2017	2,030,000	1,429,761	1,065,000	333,550	3,095,000	1,763,311
2018	2,105,000	1,352,336	1,100,000	301,600	3,205,000	1,653,936
2019 - 2023	11,775,000	5,513,631	5,835,000	808,000	17,610,000	6,321,631
2024 - 2028	14,410,000	2,883,989	605,000	24,200	15,015,000	2,908,189
2029 - 2033	3,295,000	159,190	--	--	3,295,000	159,190
Total	<u>\$ 39,145,000</u>	<u>\$ 16,054,410</u>	<u>\$ 11,900,000</u>	<u>\$ 2,651,950</u>	<u>\$ 51,045,000</u>	<u>\$ 18,706,360</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>	
2014	\$ 54,092
2015	56,032
2016	51,423
2017	53,606
2018	55,790
2019 - 2023	299,566
2024 - 2028	<u>33,958</u>
Total	<u>\$ 604,467</u>

As of August 31, 2013, 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, 2013 and 2012

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>
2014	\$ 32,532	\$ 15,285	\$ 47,817
2015	77,110	15,285	92,395
2016	-	12,737	12,737
Thereafter	-	-	-
Total Debt Service	109,642	43,307	152,949
Less Interest Portion	(8,374)	(3,233)	(11,607)
Notes and Leases Payable	<u>\$ 101,268</u>	<u>\$ 40,074</u>	<u>\$ 141,342</u>

Interest Expense

During the year ended August 31, 2013, the College incurred interest costs of \$2,159,643 on its bonds, notes and capital leases payable. This entire amount was charged to 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.

Compensated Absences

The sole component of the compensated absences liability as of August 31, 2013 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, 2013, \$189,501 is expected to be paid by the Current Unrestricted Fund and \$6,891 is expected to be paid by the College's auxiliary enterprises. The College believes that approximately \$39,278 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 (\$157,114) 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, 2013 and 2012

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 2013 and 2012 and a state contribution rate of 6.4% and 6.0% for the 2013 and 2012 fiscal years, respectively. In certain instances, the College is required to make all or a portion of the state's contribution for fiscal years 2013 and 2012.

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 6.4% 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 \$600,847 and \$604,378 for the fiscal years ended August 31, 2013 and 2012, 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 \$14,207,878 and \$14,097,261 for the years ended August 31, 2013 and 2012, respectively. The total payroll for employees covered by the TRS was \$7,810,279 and \$7,332,192 and the total payroll for employees covered by the optional retirement program was \$3,764,052 and \$4,168,691 for the fiscal years ended August 31, 2013 and 2012, 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 \$196,392 and \$182,546 is recorded in the financial statements as of August 31, 2013 and 2012, respectively. These amounts are payable to the employees (or their beneficiaries) upon termination or death.

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

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, 2013, 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, 2013 and 2012 for which monies have not been received nor funds expended totaled \$1,374,866 and \$885,118, respectively. Of these amounts, \$1,052,633 and \$522,039 were from Federal Contract and Grant Awards; \$277,415 and \$363,079 were from State Contract and Grant Awards; and \$44,818 and \$0 were from Other Contract and Grant Awards for the fiscal years ended August 31, 2013 and 2012, 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, 2013 and 2012

NOTE 13 - RISK MANAGEMENT

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

The College participates in the Workers' Compensation Fund of the Texas Public Junior and Community College Employee Benefits Consortium (Fund) administered by Claims Administrative Services, Inc. The College is responsible for the payment of all claims until a certain threshold is reached. Whenever the claims exceed the threshold, a commercial insurance policy pays the excess claims. The Fund's specific retention of loss is \$200,000, with an aggregate limit of \$5,000,000; the College's maximum fund loss is \$109,450. Premiums of \$30,707 and \$31,531 for this insurance were allocated to the College for the years ended August 31, 2013 and 2012, respectively.

The following schedule summarizes the changes in claims liabilities for the years ended August 31, 2013 and 2012:

	2013	2012
Claims Liabilities - Beginning of Year	\$ 98,030	\$ 136,053
Incurred Claims	22,358	33,631
Change in Prior Year Claim Estimates	(20,484)	(27,412)
Payment on Claims	(19,834)	(44,242)
Claims Liabilities - End of Year	\$ 80,070	\$ 98,030

The claims liability is reported in accrued liabilities in the financial statements and includes \$36,788 and \$45,697 of estimated claims incurred but not reported, as determined actuarially by the administrator at August 31, 2013 and 2012, respectively.

NOTE 14 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

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

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

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, 2013, 2012 and 2011 were \$120,664, \$77,520 and \$79,289, respectively, which equaled the required contributions each year.

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENT

GASB has issued its Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting guidance that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations. Additionally, the statement also eliminated the presentation of certain items that were previously reported as assets or liabilities. The College will adopt this statement in its fiscal year beginning September 1, 2013. The College believes the adoption of this statement will reduce its net position (or equity) by approximately \$1,060,000 with the elimination of bond issuance costs as a recognized asset in the College’s financial statements.

NOTE 16 - SUBSEQUENT EVENTS

No events have occurred subsequent to August 31, 2013 that would require adjustment to, or disclosure in, these financial statements.

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

The Foundation was established as a separate nonprofit organization in 1991 to raise funds to provide student scholarships and assistance in the development and growth of the College. Under GASB standards, the Foundation is a component unit of the College because: 1) the College provides financial resources to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College; 2) the College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation; and 3) the economic resources held by the Foundation that the College is entitled 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 position and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified and reported as follows:

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

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

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

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

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 position to unrestricted net position at that time.

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

Contributions

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

Contributed Services

The services of the Foundation employees and certain operating costs have been donated by the College. The estimated value of these contributed services is \$220,237 and \$206,929 for the years ended August 31, 2013 and 2012, 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, 2013 and 2012.

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, 2013 and 2012:

Type of Security	2013		2012	
	Cost	Fair Value	Cost	Fair Value
U.S. Government Securities	\$ 363,520	\$ 361,285	\$ 371,853	\$ 385,614
U.S. Government Agency Securities	144,403	142,351	165,629	168,634
Equity Securities	3,943,430	4,911,444	3,826,913	4,333,321
Corporate Obligations	1,813,703	1,737,411	1,631,446	1,699,898
Municipal Bonds	215,693	227,553	215,675	243,392
Real Estate	800,000	800,000	-	-
Money Market and Investment Pools	1,199,690	1,197,427	1,214,062	1,210,301
Total Investments	<u>\$ 8,480,439</u>	<u>\$ 9,377,471</u>	<u>\$ 7,425,578</u>	<u>\$ 8,041,160</u>

Grayson College
Notes to the Financial Statements
August 31, 2013 and 2012

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

CAPITAL ASSETS

The following schedule summarizes the Foundation's capital assets as of August 31, 2013 and 2012:

	2013	2012
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	(187,760)	(158,558)
Net Capital Assets	\$ 1,035,828	\$ 1,065,030

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. The Foundation anticipates that the ownership of the land will revert to the donor on January 1, 2014.

Supplementary Schedules and Reports

Grayson College
Schedule of Operating Revenues
Year Ended August 31, 2013
With Memorandum Totals for Year Ended August 31, 2012

Schedule A

	Unrestricted	Restricted	Total		Totals	
			Educational Activities	Auxiliary Enterprises	2013	2012
Tuition						
State Funded Courses						
In-District Resident Tuition	\$3,682,855	\$ -	\$ 3,682,855	\$ -	\$ 3,682,855	\$ 4,237,878
Out-of-District Resident Tuition	2,136,197	-	2,136,197	-	2,136,197	2,155,096
Non-Resident Tuition	292,061	-	292,061	-	292,061	317,534
TPEG *	375,042	-	375,042	-	375,042	412,197
Non-State Funded Educational Programs	74,079	-	74,079	-	74,079	106,765
Total Tuition	6,560,234	-	6,560,234	-	6,560,234	7,229,470
Fees						
General Fee	845,190	-	845,190	-	845,190	915,186
Student Service Fee	-	-	-	739,638	739,638	528,885
Laboratory Fee	328,152	-	328,152	-	328,152	310,813
Other	439,911	-	439,911	-	439,911	465,835
Total Fees	1,613,253	-	1,613,253	739,638	2,352,891	2,220,719
Scholarship Allowances and Discounts						
Scholarship Allowances	(287,411)	-	(287,411)	(20,070)	(307,481)	(295,766)
Remissions and Exemptions	(257,090)	-	(257,090)	(4,342)	(261,432)	(173,284)
TPEG Allowances	(291,821)	-	(291,821)	(7,381)	(299,202)	(282,711)
Federal Grants to Students	(2,528,440)	-	(2,528,440)	(287,657)	(2,816,097)	(3,109,534)
Other Federal Grants	(14,419)	-	(14,419)	(1,303)	(15,722)	(2,949)
State Grants to Students	(111,461)	(211,336)	(322,797)	(13,308)	(336,105)	(662,900)
Total Scholarship Allowances and Discounts	(3,490,642)	(211,336)	(3,701,978)	(334,061)	(4,036,039)	(4,527,144)
Total Net Tuition and Fees	4,682,845	(211,336)	4,471,509	405,577	4,877,086	4,923,045
Other Operating Revenues						
Federal Grants and Contracts	47,230	1,198,209	1,245,439	-	1,245,439	1,833,206
State Grants and Contracts	-	999,128	999,128	-	999,128	1,365,458
Non-Governmental Grants and Contracts	-	282,291	282,291	-	282,291	247,106
Sales and Services of Educational Activities	51,123	-	51,123	-	51,123	49,346
Other Operating Revenues	198,261	630	198,891	1,392	200,283	180,954
Total Other Operating Revenues	296,614	2,480,258	2,776,872	1,392	2,778,264	3,676,070
Auxiliary Enterprises						
Residential Life (Net of Discounts of \$234,075)	-	-	-	364,372	364,372	246,988
Bookstore (Net of Discounts of \$1,570,092)	-	-	-	1,162,976	1,162,976	1,121,704
Golf Course	-	-	-	332,149	332,149	332,137
Total Net Auxiliary Enterprises	-	-	-	1,859,497	1,859,497	1,700,829
Total Operating Revenues	\$4,979,459	\$2,268,922	\$ 7,248,381	\$2,266,466	\$ 9,514,847	\$10,299,944
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$375,042 of tuition was set aside for Texas Public Education Grants (TPEG).

Grayson College
Schedule of Operating Expenses by Object
Year Ended August 31, 2013
With Memorandum Totals for Year Ended August 31, 2012

Schedule B

	Operating Expenses				Totals	
	Salaries and Wages	Benefits		Other Expenses	2013	2012
		State Benefits	Local Benefits			
EDUCATIONAL ACTIVITIES						
Unrestricted						
Instruction	\$ 7,757,455	\$ -	\$1,746,859	\$ 836,781	\$10,341,095	\$10,449,753
Public Service	249,617	-	77,251	37,549	364,417	433,858
Academic Support	854,076	-	170,875	499,861	1,524,812	1,411,174
Student Services	1,277,890	-	285,868	264,750	1,828,508	1,797,097
Institutional Support	1,626,100	-	325,190	1,675,062	3,626,352	3,720,581
Operation and Maintenance of Plant	700,897	-	254,165	3,299,924	4,254,986	3,046,958
Total Unrestricted	12,466,035	-	2,860,208	6,613,927	21,940,170	20,859,421
Restricted						
Instruction	981,973	961,864	182,653	192,801	2,319,291	2,785,841
Public Service	113,572	39,990	28,619	50,219	232,400	196,806
Academic Support	-	94,005	-	-	94,005	100,985
Student Services	151,902	157,407	-	79,881	389,190	358,178
Institutional Support	-	179,030	-	-	179,030	178,055
Operation and Maintenance of Plant	-	30,463	-	89,023	119,486	26,472
Scholarships and Fellowships	-	-	-	5,450,594	5,450,594	6,510,510
Total Restricted	1,247,447	1,462,759	211,272	5,862,518	8,783,996	10,156,847
Total Educational Activities	13,713,482	1,462,759	3,071,480	12,476,445	30,724,166	31,016,268
Auxiliary Enterprises	462,558	5,047	157,132	3,090,982	3,715,719	3,589,818
Depreciation Expense						
Buildings and Other Improvements	-	-	-	1,490,397	1,490,397	1,453,779
Equipment and Furniture	-	-	-	556,794	556,794	536,549
Total	\$14,176,040	\$1,467,806	\$3,228,612	\$17,614,618	\$36,487,076	\$36,596,414
				(Exhibit 2)	(Exhibit 2)	

Grayson College
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2013
With Memorandum Totals for Year Ended August 31, 2012

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				2013	2012
Non-Operating Revenues					
State Appropriations					
Education and General State Support	\$ 7,472,050	\$ -	\$ -	\$ 7,472,050	\$ 7,548,400
Dramatic Enrollment Growth	27,117	-	-	27,117	27,117
State Group Insurance	-	866,959	-	866,959	822,637
State Retirement Matching	-	600,847	-	600,847	604,378
Total State Appropriations	7,499,167	1,467,806	-	8,966,973	9,002,532
Ad-Valorem Taxes for Maintenance and Operations	9,244,001	-	-	9,244,001	9,445,550
Ad-Valorem Taxes for General Obligation Bonds	3,578,686	-	-	3,578,686	3,133,192
Federal Grants and Contracts, Non-Operating	-	9,745,101	-	9,745,101	11,187,966
Investment Income (net of Investment Expenses)	63,343	1,247	-	64,590	92,886
Other	-	66	-	66	-
Total Non-Operating Revenues	20,385,197	11,214,220	-	31,599,417	32,862,126
Non-Operating Expenses					
Interest on Capital-Related Debt	2,159,643	-	-	2,159,643	2,226,909
Loss of Disposition of Property	20,782	-	-	20,782	-
Total Non-Operating Expenses	2,180,425	-	-	2,180,425	2,226,909
Net Non-Operating Revenues	\$18,204,772	\$ 11,214,220	\$ -	\$29,418,992	\$30,635,217
				(Exhibit 2)	(Exhibit 2)

Grayson College
Schedule of Net Position by Source and Availability
Year Ended August 31, 2013
With Memorandum Totals for Year Ended August 31, 2012

Schedule D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted Expendable	Non- Expendable	Capital Assets, Net of Depreciation & Related Debt	Total	Yes	No
Current Funds:							
Unrestricted	\$ 16,108,549	\$ -	\$ -	\$ -	\$ 16,108,549	\$ 16,108,549	\$ -
Restricted	-	572,126	-	-	572,126	-	572,126
Auxiliary Enterprises	1,981,859	-	-	-	1,981,859	1,981,859	-
Loan Funds	-	46,537	-	-	46,537	-	46,537
Plant Funds:							
Unexpended	5,747,705	-	-	-	5,747,705	5,747,705	-
Renewals and Replacements	1,814,956	-	-	-	1,814,956	1,814,956	-
Unexpended Bond Proceeds	-	662,202	-	-	662,202	-	662,202
Debt Service	-	1,079,651	-	-	1,079,651	-	1,079,651
Investment in Plant	-	-	-	18,669,846	18,669,846	-	18,669,846
Total Net Position - August 31, 2013	25,653,069	2,360,516	-	18,669,846	46,683,431	25,653,069	21,030,362
					(Exhibit 1)		
Total Net Position - August 31, 2012	25,106,840	2,713,288	-	15,297,786	43,117,914	25,106,840	18,011,074
					(Exhibit 1)		
Net Increase (Decrease) in Net Position	<u>\$ 546,229</u>	<u>\$ (352,772)</u>	<u>\$ -</u>	<u>\$ 3,372,060</u>	<u>\$ 3,565,517</u>	<u>\$ 546,229</u>	<u>\$ 3,019,288</u>
					(Exhibit 2)		

Grayson College
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2013

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	\$ 187,578
Passed through Texas Workforce Commission:			
WIA Title V Incentive Grant	17.267	2913WSW006	30,337
Total U.S. Department of Labor			<u>217,915</u>
U.S. Small Business Administration			
Passed through Dallas County Community College District:			
Small Business Development Center (SBDC)	59.037	HQ-13-B-007	45,528
Small Business Development Center (SBDC)	59.037	1-603001-Z-0152	32,404
Small Business Development Center (SBDC)	59.037	HQ-13-B-007	21,454
Subtotal - Small Business Development Center (SBDC)			<u>99,386</u>
Total U.S. Small Business Administration			<u>99,386</u>
National Endowment for the Humanities			
Direct Programs:			
Arts Education in American Communities	45.024	12-5900-7001	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		60,993
Federal Workstudy Program *	84.033		104,855
Federal Pell Grant Program *	84.063		9,604,068
Direct Student Loans *	84.268		8,664,605
Passed through Texas Education Agency:			
Adult Basic Education (Section 231) 2012-2013	84.002	134100017110461	279,065
English Literacy and Civics Education (Section 231) 2012-2013	84.002	134100087110473	125,144
Subtotal - Adult Basic Education			<u>404,209</u>
Passed through Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education - Annual Application	84.048	134233	470,722
Total U.S. Department of Education			<u>19,309,452</u>
U.S. Department of Commerce			
Direct Programs:			
Public Works and Economic Development	11.300	08-01-04362	1,108,754
Total U.S. Department of Health and Human Services			<u>1,108,754</u>
U.S. Department of Health and Human Services			
Passed through Texas Education Agency:			
Temporary Assistance for Needy Families (TANF) 2012-2013	93.558	123625017110372	28,392
Total U.S. Department of Health and Human Services			<u>28,392</u>
Total Federal Financial Assistance			<u>\$ 20,773,899</u>

* Indicates clustered programs.

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts per Schedule A	\$ 1,245,439
Federal Grants and Contracts, Non-operating per Schedule C	9,745,101
Federal Grants and Contracts (Capital Grants)	1,108,754
Reconciling Items:	
Federal Grants Revenue of Discrete Component Unit (CFDA #45.024)	10,000
Direct Student Loans	<u>8,664,605</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 20,773,899</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

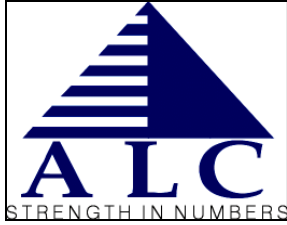
Grayson College
Schedule of Expenditures of State Awards
Year Ended August 31, 2013

Schedule F

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
Passed through Texas Higher Education Coordinating Board		
College Work Study Program (2012-2013)		\$ 23,848
TopTen Percent		24,000
Student Financial Aid (Texas Grant)		298,357
Student Financial Aid (Texas Educational Opportunity Grant)		67,200
Nursing Shortage Reduction		91,721
Total Passed through Texas Higher Education Coordinating Board		<u>505,126</u>
Passed through Dallas County Community College District		
Small Business Development Center (SBDC) 2011-2012	9-603001-Z-0046-24	18,669
Small Business Development Center (SBDC) 2012-2013	HQ-13-B-007	47,981
Total Passed through Dallas County Community College District		<u>66,650</u>
Passed through Texas Education Agency		
Adult Basic Education	120100017110397	-
Adult Basic Education	130100017110461	126,478
Temporary Assistance for Needy Families - State	133625017110435	14,447
Total Passed through Texas Education Agency		<u>140,925</u>
Passed through Texas Workforce Commission		
Skills Development Fund	2511SDF000	63,031
Skills Development Fund	2513SSD000	4,016
Skills Development Fund	2512SDF000	90,620
Skills Development Fund	2512SDF001	74,134
Total Passed through Texas Workforce Commission		<u>231,801</u>
Passed through Texas Department of Agriculture		
Viticulture and Enology Certificate Agreement	EVER1011-15	41,071
Viticulture Outreach Education Team Agreement	EVER1011-17	13,555
Total Passed through Texas Department of Agriculture		<u>54,626</u>
Total State Financial Assistance		<u>\$ 999,128</u>
Note 1: State Assistance Reconciliation		
State Grants and Contracts per Exhibit 2		\$ 999,128
Reconciling Items:		
None		-
Total Expenditures per Schedule of State Financial Assistance		<u>\$ 999,128</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

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

Board of Trustees
Grayson College
6101 Grayson Drive
Denison, Texas

Members of the Board:

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

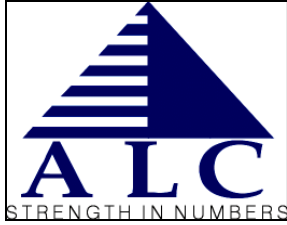
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Sherman, Texas
November 27, 2013



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:

Report on Compliance for Each Major Federal Program

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* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion of Each Major Federal Program

In our opinion, Grayson College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Sherman, Texas
November 27, 2013

Grayson College
Schedule of Findings and Questioned Costs
Year Ended August 31, 2013

Part I Summary of Auditor's Results

Financial Statements

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

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
 Unmodified

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
Carl Perkins Vocational Education	CFDA #84.048
Public Works and Economic Development	CFDA #11.300

Major Programs - State	
Texas Grants	
Towards Excellence, Access and Success	
Texas Educational Opportunity Grant	

Dollar Threshold Used to Distinguish Between Type A and Type B Programs	
Federal - \$356,289	
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, 2013**

None

Statistical Supplement

(Unaudited)

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

	For the Fiscal Year Ended August 31, (amounts expressed in thousands)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Invested in Capital Assets, Net of										
Related Debt	\$ 18,670	\$ 15,298	\$ 13,420	\$ 13,066	\$ 13,664	\$ 13,102	\$ 11,667	\$ 9,567	\$ 8,674	\$ 7,396
Restricted - Expendable	2,360	2,713	3,359	3,172	2,750	1,241	1,945	1,797	1,736	1,738
Restricted - Nonexpendable	-	-	-	-	-	-	398	389	386	388
Unrestricted	25,653	25,107	21,990	20,298	18,747	16,198	15,926	14,332	11,429	10,705
Total Primary Government Net Position	<u>\$ 46,683</u>	<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>

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

For the Fiscal Year Ended August 31,

(amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees (Net of Discounts)	\$ 4,877	\$ 4,923	\$ 4,591	\$ 4,435	\$ 4,394	\$ 4,022	\$ 3,832	\$ 3,288	\$ 3,074	\$ 3,003
Governmental Grants and Contracts										
Federal Grants and Contracts	1,246	1,833	1,223	1,112	1,017	946	2,216	1,258	1,305	1,138
State Grants and Contracts	999	1,365	1,671	1,618	952	1,640	1,326	1,265	423	570
Local Grants and Contracts	-	-	-	-	-	-	-	960	-	-
Non-Governmental Grants and Contracts	282	247	309	379	329	14	10	18	-	25
Sales & Services of Educational Activities	51	49	47	53	49	50	45	39	65	67
Investment Income (Program Restricted)	-	-	-	-	-	-	97	58	30	44
Auxiliary enterprises	1,860	1,701	2,082	2,027	2,518	2,552	2,199	2,046	1,988	1,927
Other Operating Revenue	200	181	240	190	161	153	179	139	135	128
Total Operating Revenues	<u>9,515</u>	<u>10,299</u>	<u>10,163</u>	<u>9,814</u>	<u>9,420</u>	<u>9,377</u>	<u>9,904</u>	<u>9,071</u>	<u>7,038</u>	<u>6,902</u>
State Appropriations	8,967	9,002	9,038	9,095	9,059	8,993	8,469	8,372	7,599	7,537
Ad Valorem Taxes	12,823	12,579	12,550	12,231	11,796	8,664	8,451	7,402	6,588	5,869
Federal Revenue, Non-Operating	9,745	11,188	11,802	9,092	4,963	3,180	3,183	3,141	3,740	3,564
Gifts	-	-	-	-	43	-	-	-	-	-
Investment Income	65	93	136	149	358	592	891	706	355	190
Gain on Disposition of Fixed Assets	-	-	-	-	-	-	-	-	-	-
Other non-operating revenues	-	-	-	1	-	-	-	-	-	-
Total Non-Operating Revenues	<u>31,600</u>	<u>32,862</u>	<u>33,526</u>	<u>30,568</u>	<u>26,219</u>	<u>21,429</u>	<u>20,994</u>	<u>19,621</u>	<u>18,282</u>	<u>17,160</u>
Total Revenues	<u>\$ 41,115</u>	<u>\$ 43,161</u>	<u>\$ 43,689</u>	<u>\$ 40,382</u>	<u>\$ 35,639</u>	<u>\$ 30,806</u>	<u>\$ 30,898</u>	<u>\$ 28,692</u>	<u>\$ 25,320</u>	<u>\$ 24,062</u>

For the Fiscal Year Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees (Net of Discounts)	11.86%	11.41%	10.51%	10.98%	12.33%	13.06%	12.40%	11.46%	12.14%	12.48%
Governmental Grants and Contracts										
Federal Grants and Contracts	3.03%	4.25%	2.80%	2.75%	2.85%	3.07%	7.17%	4.38%	5.15%	4.73%
State Grants and Contracts	2.43%	3.16%	3.82%	4.01%	2.67%	5.32%	4.29%	4.41%	1.67%	2.37%
Local Grants and Contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.35%	0.00%	0.00%
Non-Governmental Grants and Contracts	0.69%	0.57%	0.71%	0.94%	0.92%	0.05%	0.03%	0.06%	0.07%	0.10%
Sales & Services of Educational Activities	0.12%	0.11%	0.11%	0.13%	0.14%	0.16%	0.15%	0.14%	0.26%	0.28%
Investment Income (Program Restricted)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.31%	0.20%	0.12%	0.18%
Auxiliary enterprises	4.52%	3.94%	4.77%	5.02%	7.07%	8.28%	7.12%	7.13%	7.85%	8.01%
Other Operating Revenue	0.49%	0.42%	0.55%	0.47%	0.45%	0.50%	0.58%	0.48%	0.53%	0.53%
Total Operating Revenues	<u>23.14%</u>	<u>23.86%</u>	<u>23.26%</u>	<u>24.30%</u>	<u>26.43%</u>	<u>30.44%</u>	<u>32.05%</u>	<u>31.62%</u>	<u>27.80%</u>	<u>28.68%</u>
State Appropriations	21.81%	20.86%	20.69%	22.52%	25.42%	29.19%	27.41%	29.18%	30.01%	31.32%
Ad Valorem Taxes	31.19%	29.14%	28.73%	30.29%	33.10%	28.12%	27.35%	25.80%	26.02%	24.39%
Federal Revenue, Non-Operating	23.70%	25.92%	27.01%	22.51%	13.93%	10.32%	10.30%	10.95%	14.77%	14.81%
Gifts	0.00%	0.00%	0.00%	0.00%	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Income	0.16%	0.22%	0.31%	0.37%	1.00%	1.92%	2.88%	2.46%	1.40%	0.79%
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	<u>76.86%</u>	<u>76.14%</u>	<u>76.74%</u>	<u>75.70%</u>	<u>73.57%</u>	<u>69.56%</u>	<u>67.95%</u>	<u>68.38%</u>	<u>72.20%</u>	<u>71.32%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

For the Fiscal Year Ended August 31,

	(amounts expressed in thousands)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	\$ 12,660	\$ 13,236	\$ 13,088	\$ 12,498	\$ 11,237	\$ 10,379	\$ 11,242	\$ 9,864	\$ 9,045	\$ 8,563
Public Service	597	631	694	706	623	543	448	473	411	370
Academic Support	1,618	1,512	1,490	1,531	1,517	1,276	1,175	944	1,249	964
Student Services	2,218	2,155	2,264	2,098	1,972	2,013	1,660	1,509	1,425	1,527
Institutional Support	3,805	3,899	3,731	3,492	3,147	3,253	2,731	2,568	2,340	2,279
Operation and Maintenance of Plant	4,375	3,073	4,421	4,909	3,574	3,425	3,038	2,765	2,347	2,365
Scholarships and Fellowships	5,451	6,511	7,469	5,920	2,974	2,298	1,853	1,999	2,344	2,215
Auxiliary Enterprises	3,716	3,590	4,151	3,970	3,825	3,269	3,026	3,037	2,775	2,652
Depreciation Expense	2,047	1,990	1,790	1,405	1,085	988	887	742	638	519
Total Operating Expenses	<u>36,487</u>	<u>36,597</u>	<u>39,098</u>	<u>36,529</u>	<u>29,954</u>	<u>27,444</u>	<u>26,060</u>	<u>23,901</u>	<u>22,574</u>	<u>21,454</u>
Interest on Capital Related Debt	2,160	2,227	2,332	2,071	943	820	792	817	859	608
Loss on Disposal of Fixed Assets	21	-	36	417	132	67	205	123	152	99
Total Nonoperating Expenses	<u>2,181</u>	<u>2,227</u>	<u>2,368</u>	<u>2,488</u>	<u>1,075</u>	<u>887</u>	<u>997</u>	<u>940</u>	<u>1,011</u>	<u>707</u>
Total Expenses	<u>\$ 38,668</u>	<u>\$ 38,824</u>	<u>\$ 41,466</u>	<u>\$ 39,017</u>	<u>\$ 31,029</u>	<u>\$ 28,331</u>	<u>\$ 27,057</u>	<u>\$ 24,841</u>	<u>\$ 23,585</u>	<u>\$ 22,161</u>

For the Fiscal Year Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	32.73%	34.08%	31.55%	32.02%	36.20%	36.62%	41.54%	39.71%	38.35%	38.64%
Public Service	1.54%	1.63%	1.67%	1.81%	2.01%	1.92%	1.66%	1.90%	1.74%	1.67%
Academic Support	4.18%	3.89%	3.59%	3.92%	4.89%	4.50%	4.34%	3.80%	5.30%	4.35%
Student Services	5.74%	5.55%	5.46%	5.38%	6.36%	7.11%	6.14%	6.07%	6.04%	6.89%
Institutional Support	9.84%	10.04%	9.00%	8.95%	10.14%	11.48%	10.09%	10.34%	9.92%	10.28%
Operation and Maintenance of Plant	11.31%	7.92%	10.66%	12.58%	11.52%	12.09%	11.23%	11.13%	9.95%	10.67%
Scholarships and Fellowships	14.10%	16.77%	18.01%	15.17%	9.58%	8.11%	6.85%	8.05%	9.94%	10.00%
Auxiliary Enterprises	9.61%	9.25%	10.01%	10.18%	12.33%	11.54%	11.18%	12.23%	11.77%	11.97%
Depreciation Expense	5.29%	5.13%	4.32%	3.60%	3.50%	3.49%	3.28%	2.99%	2.71%	2.34%
Total Operating Expenses	<u>94.36%</u>	<u>94.26%</u>	<u>94.29%</u>	<u>93.62%</u>	<u>96.54%</u>	<u>96.87%</u>	<u>96.32%</u>	<u>96.22%</u>	<u>95.71%</u>	<u>96.81%</u>
Interest on Capital Related Debt	5.59%	5.74%	5.62%	5.31%	3.04%	2.89%	2.93%	3.29%	3.64%	2.74%
Loss on Disposal of Fixed Assets	0.05%	0.00%	0.09%	1.07%	0.43%	0.24%	0.76%	0.50%	0.64%	0.45%
Total Nonoperating Expenses	<u>5.64%</u>	<u>5.74%</u>	<u>5.71%</u>	<u>6.38%</u>	<u>3.46%</u>	<u>3.13%</u>	<u>3.68%</u>	<u>3.78%</u>	<u>4.29%</u>	<u>3.19%</u>
Total Expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**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								
2012	\$ 10	\$ 2	\$ -	\$ 45	\$ 80	\$ 8	\$ 7	\$ 732	\$ 1,152	15.09%	12.94%
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		

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								
2012	\$ 10	\$ 2	\$ 225	\$ 129	\$ 129	\$ 8	\$ 7	\$ 1,740	\$ 1,965	8.21%	7.20%
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		

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)
2012 - 2013	\$ 10,359,392	\$ 3,175,512	\$ 7,183,880	69.35%	\$0.13060	\$0.05120	\$0.18180
2011 - 2012	10,239,690	3,168,077	7,071,613	69.06%	0.13617	0.04563	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

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	
2012 - 2013	\$ 7,499	4,382	\$ 1,711	1,364	850	2,214	\$ 3.39
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

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)									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Oncor Electric	Utility	\$ 70,708	\$ 67,556	\$ 65,690	\$ 68,250	\$ 69,764	\$ 75,177	\$ 72,258	\$ 74,687	\$ 69,049	\$ 65,081
UHS of Texoma, Inc	Hospital	30,001	30,251	30,251	99,900	61,845	31,914	-	-	-	-
Gulf Crossing Pipeline Co	Energy	35,429	46,723	51,810	58,747	-	-	-	-	-	-
Sherman Town Center LP	Retail	46,291	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
Universal Health Services	Medical	-	-	40,080	44,400	-	-	-	-	-	-
Jetta Operating Co. Inc	Energy	47,525	31,638	-	-	-	-	-	-	-	-
XTO Energy, Inc.	Utility	39,835	43,979	41,227	53,261	35,486	46,631	34,646	38,453	27,928	-
Kwikset Corporation	Manufacturing	32,446	28,907	29,004	31,103	34,073	40,953	29,886	27,786	31,351	30,485
Union Pacific Railroad	Transportation	41,162	33,596	33,616	34,277	33,798	30,712	-	-	16,414	20,881
BNSF Railway Co	Transportation	29,067	-	-	-	-	-	-	-	-	-
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
Sherman Grayson Hospital LLC	Hospital	30,816	42,530	42,333	27,309	-	-	-	-	-	-
MEMC Southwest, Inc.	Manufacturing	-	-	-	-	21,693	23,722	23,450	18,995	18,990	18,990
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
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
Chevron USA, Inc.	Energy	-	-	-	-	-	-	-	-	-	25,239
Totals		<u>\$ 403,280</u>	<u>\$ 420,122</u>	<u>\$ 406,432</u>	<u>\$ 488,353</u>	<u>\$ 390,619</u>	<u>\$ 379,910</u>	<u>\$ 332,231</u>	<u>\$ 337,991</u>	<u>\$ 304,616</u>	<u>\$ 296,659</u>
Total Taxable Assessed Value		<u>\$ 7,183,880</u>	<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>

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Oncor Electric	Utility	0.98%	0.96%	0.92%	0.99%	1.09%	1.28%	1.30%	1.49%	1.49%	1.52%
UHS of Texoma, Inc	Hospital	0.42%	0.43%	0.42%	1.45%	0.97%	0.54%	0.00%	0.00%	0.00%	0.00%
Gulf Crossing Pipeline Co	Energy	0.49%	0.66%	0.73%	0.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherman Town Center LP	Retail	0.64%	0.64%	0.62%	0.63%	0.68%	0.84%	0.92%	1.01%	0.00%	0.00%
Texas Instruments	Manufacturing	0.00%	0.00%	0.00%	0.41%	0.62%	0.00%	0.00%	0.40%	0.82%	1.00%
Universal Health Services	Medical	0.00%	0.00%	0.56%	0.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Jetta Operating Co. Inc	Energy	0.66%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
XTO Energy, Inc.	Utility	0.55%	0.62%	0.58%	0.77%	0.56%	0.80%	0.63%	0.77%	0.60%	0.00%
Kwikset Corporation	Manufacturing	0.45%	0.41%	0.41%	0.45%	0.53%	0.70%	0.54%	0.55%	0.68%	0.71%
Union Pacific Railroad	Transportation	0.57%	0.48%	0.47%	0.50%	0.53%	0.52%	0.00%	0.00%	0.35%	0.49%
BNSF Railway Co	Transportation	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Energy Transfer Fuel LP	Energy	0.00%	0.00%	0.39%	0.00%	0.44%	0.49%	0.65%	0.43%	0.00%	0.00%
Verizon Southwest	Utility	0.00%	0.00%	0.00%	0.00%	0.36%	0.52%	0.49%	0.51%	0.55%	0.87%
Sherman Grayson Hospital LLC	Hospital	0.43%	0.60%	0.59%	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MEMC Southwest, Inc.	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.34%	0.40%	0.42%	0.38%	0.41%	0.44%
Globitech Incorporated	Manufacturing	0.00%	0.70%	0.00%	0.00%	0.00%	0.37%	0.38%	0.00%	0.00%	0.00%
Woodmont Sherman LP	Retail	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%	0.00%	0.00%	0.00%
Walmart Stores, Inc.	Retail	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.34%	0.37%	0.41%	0.44%
Tyson Fresh Meats, Inc.	Food	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Venoco, Inc.	Energy	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.34%	0.00%
A-S 71 Sherman	Retail	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.92%	0.00%
Southwestern Bell Telephone	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%
Folger Coffee Company	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.53%
Chevron USA, Inc.	Energy	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.59%
Totals		<u>5.59%</u>	<u>5.95%</u>	<u>5.69%</u>	<u>7.09%</u>	<u>6.12%</u>	<u>6.46%</u>	<u>5.99%</u>	<u>6.73%</u>	<u>6.57%</u>	<u>6.94%</u>

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
2013	\$ 12,566	\$ (49)	\$ 12,517	\$ 12,217	97.60%	\$ -	\$ -	\$ 12,217	97.60%
2012	12,384	(63)	12,321	11,973	97.18%	-	172	12,145	98.57%
2011	12,350	(92)	12,258	11,903	97.10%	139	54	12,096	98.68%
2010	12,064	(86)	11,978	11,535	96.30%	265	29	11,829	98.76%
2009	11,414	81	11,495	11,108	96.63%	312	13	11,433	99.46%
2008	8,261	122	8,383	8,126	96.93%	188	4	8,318	99.22%
2007	8,314	(28)	8,286	8,038	97.01%	230	3	8,271	99.82%
2006	7,102	133	7,235	6,995	96.68%	215	2	7,212	99.68%
2005	6,426	(35)	6,391	6,167	96.50%	218	1	6,386	99.92%
2004	5,657	7	5,664	5,452	96.26%	199	1	5,652	99.79%

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Bonded Debt										
General Obligation Bonds	\$ 39,145	\$ 40,720	\$ 42,155	\$ 43,465	\$ 44,665	\$ 44,765	\$ -	\$ -	\$ -	\$ -
Notes and Capital Leases	-	-	-	-	-	-	-	-	-	-
Less: Funds Restricted for Debt Service	(1,080)	(794)	(784)	(800)	(471)	-	-	-	-	-
Net General Bonded Debt	38,065	39,926	41,371	42,665	44,194	44,765	-	-	-	-
Other Debt										
Revenue Bonds	11,900	12,995	14,065	15,560	16,525	17,460	18,360	19,239	19,991	20,734
Notes and Capital Leases	141	180	217	67	93	119	142	60	82	405
Total Outstanding Debt	\$ 50,106	\$ 53,101	\$ 55,653	\$ 58,292	\$ 60,812	\$ 62,344	\$ 18,502	\$ 19,299	\$ 20,073	\$ 21,139
General Bonded Debt Ratios										
Per Capita	\$ 312.17	\$ 328.83	\$ 342.26	\$ 355.45	\$ 371.99	\$ -	\$ -	\$ -	\$ -	\$ -
Per FTSE	8,687	8,475	8,331	9,396	11,254	12,827	-	-	-	-
As a percentage of Taxable Assessed Value	0.53%	0.56%	0.58%	0.62%	0.69%	0.76%	0.00%	0.00%	0.00%	0.00%
Total Outstanding Debt Ratios										
Per Capita	\$ 410.92	\$ 437.34	\$ 460.41	\$ 485.65	\$ 511.87	\$ 525.48	\$ 156.16	\$ 165.28	\$ 173.26	\$ 183.84
Per FTSE	11,435	11,272	11,207	12,837	15,486	17,864	5,306	5,730	5,735	5,992
As a Percentage of Taxable Assessed Value	0.70%	0.75%	0.78%	0.84%	0.95%	1.06%	0.33%	0.38%	0.43%	0.49%

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Taxable Assessed Value	<u>\$7,183,880</u>	<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>
General Obligations Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 35,919	\$ 35,358	\$ 35,675	\$ 34,499	\$ 31,874	\$ 29,328	\$ 27,716	\$ 25,102	\$ 23,158	\$ 21,379
Less Funds Restricted for Repayment of General Obligation Bonds	1,080	794	784	800	471	-	-	-	-	-
Total Net General Obligation Debt	34,839	34,564	34,891	33,699	31,403	29,328	27,716	25,102	23,158	21,379
Current Year Debt Service Requirements	3,148	3,148	3,078	3,011	1,916	1,007	-	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	<u>\$ 31,691</u>	<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>
Net Current Requirements as a % of Statutory Limit	<u>5.76%</u>	<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>

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	
2013	\$ 1,622	\$ 845	\$ 740	\$ 288	\$ 328	\$ 74	\$ 57	\$ 3,298	\$ 7,252	\$ 1,095	\$ 380	\$ 1,475	4.92
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

**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>
2012	121,935	(a)	(a)	7.2%
2011	121,419	\$ 4,055,831,000	\$ 33,404	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%

(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

Employer	Number of Employees	Percentage of Total County Employment
Tyson Fresh Meats	1,250 - 1,499	2.61%
Texoma Health Care Systems	1,250 - 1,499	2.56%
CIGNA Company	1,000 - 1,249	2.26%
Texas Instruments	1,000 - 1,249	2.24%
Wilson N. Jones Regional Health Systems	1,000 - 1,249	1.87%
Sherman ISD	750 - 999	1.76%
Ruiz Foods	500 - 749	1.31%
Denison ISD	500 - 749	1.16%
Grayson County	500 - 749	0.99%
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
Enrollment Details
Last Five Fiscal Years
(Unaudited)**

	For the Year Ended August 31,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Faculty										
Full-Time	98	97	97	95	90	86	88	87	93	83
Part-Time	232	232	183	152	153	145	142	137	122	122
Total	<u>330</u>	<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>
Percent										
Full-Time	29.7%	29.5%	34.6%	38.5%	37.0%	37.2%	38.3%	38.8%	43.3%	40.5%
Part-Time	70.3%	70.5%	65.4%	61.5%	63.0%	62.8%	61.7%	61.2%	56.7%	59.5%
Staff and Administrators										
Full-Time	132	129	136	135	134	130	116	119	118	113
Part-Time	--	--	--	--	--	--	--	--	--	--
Total	<u>132</u>	<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>
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	44.7	48.6	51.2	47.8	43.6	40.6	39.6	38.7	37.6	42.5
FTSE per Full-Time Staff Member	33.2	36.5	36.5	33.6	29.3	26.8	30.1	28.3	29.7	31.2
Average Annual Faculty Salary	\$ 53,725	\$ 53,695	\$ 54,762	\$ 53,734	\$ 53,058	\$ 47,740	\$ 46,836	\$ 46,500	\$ 45,600	\$ 44,700

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

<u>Student Classification</u>	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	2,991	61.02%	4,171	80.74%	4,152	82.48%	3,968	84.21%	3,382	82.05%
31-60 hours	1,176	23.99%	862	16.69%	882	17.52%	538	11.42%	594	14.41%
> 60 hours	735	14.99%	133	2.57%	0	0.00%	206	4.37%	146	3.54%
Total	4,902	100.00%	5,166	100.00%	5,034	100.00%	4,712	100.00%	4,122	100.00%

<u>Semester Hour Load</u>	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	9	0.18%	8	0.15%	9	0.18%	13	0.28%	13	0.32%
3-5 semester hours	790	16.12%	704	13.63%	690	13.71%	714	15.15%	663	16.08%
6-8 semester hours	1,091	22.26%	1,141	22.09%	1,116	22.17%	1,055	22.39%	809	19.63%
9-11 semester hours	953	19.44%	933	18.06%	940	18.67%	456	9.68%	648	15.72%
12-14 semester hours	1,695	34.57%	1,919	37.15%	1,836	36.47%	1,876	39.81%	1,473	35.73%
15-17 semester hours	338	6.90%	398	7.70%	375	7.45%	499	10.59%	462	11.21%
18 & over	26	0.53%	63	1.22%	68	1.35%	99	2.10%	54	1.31%
Total	4,902	100.00%	5,166	100.00%	5,034	100.00%	4,712	100.00%	4,122	100.00%

<u>Tuition Status</u>	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	3,512	71.64%	3,678	71.20%	3,555	70.62%	3,328	70.63%	2,817	68.34%
Texas Resident (Out-of-District)	1,068	21.79%	1,135	21.97%	1,111	22.07%	1,046	22.20%	944	22.90%
Non-Resident Tuition	322	6.57%	353	6.83%	368	7.31%	338	7.17%	361	8.76%
Total	4,902	100.00%	5,166	100.00%	5,034	100.00%	4,712	100.00%	4,122	100.00%

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

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	3,039	62.00%	3,178	61.52%	3,072	61.03%	2,881	61.14%	2,508	60.84%
Male	1,863	38.00%	1,988	38.48%	1,962	38.97%	1,831	38.86%	1,614	39.16%
Total	<u>4,902</u>	<u>100.00%</u>	<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>

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	3,591	73.26%	3,704	71.70%	4,073	80.92%	3,583	76.04%	3,208	77.82%
African American	296	6.04%	343	6.64%	377	7.49%	329	6.98%	240	5.82%
Hispanic	532	10.85%	542	10.49%	280	5.56%	318	6.75%	260	6.31%
Native American	106	2.16%	144	2.79%	191	3.79%	286	6.07%	207	5.02%
International	126	2.57%	164	3.17%	61	1.21%	135	2.87%	161	3.91%
Asian	61	1.24%	44	0.85%	52	1.03%	61	1.29%	46	1.12%
Multi-Racial	190	3.88%	225	4.36%	0	0.00%	0	0.00%	0	0.00%
Total	<u>4,902</u>	<u>100.00%</u>	<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>

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age										
Under 18	812	16.56%	773	14.96%	658	13.07%	602	12.77%	575	13.95%
18-21	1,610	32.85%	1,811	35.06%	1,849	36.73%	1,759	37.33%	1,660	40.27%
22-24	537	10.95%	559	10.82%	574	11.40%	596	12.65%	523	12.69%
25-30	573	11.69%	737	14.27%	758	15.06%	738	15.66%	562	13.63%
31-35	439	8.96%	440	8.52%	397	7.89%	299	6.35%	244	5.92%
36-50	692	14.12%	668	12.93%	652	12.95%	568	12.05%	446	10.82%
51-64	230	4.69%	173	3.35%	139	2.76%	135	2.87%	98	2.38%
61 & over	9	0.18%	5	0.10%	7	0.14%	15	0.32%	14	0.34%
Total	<u>4,902</u>	<u>100.00%</u>	<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>

Grayson College
Transfers to Senior Texas Institutions
2011 - 2012 Graduates, Completers and Non-Returners
(Unaudited)

Institution	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
Angelo State University	1			1	0.21%
Lamar University	2			2	0.42%
Midwestern State University	10	3	3	16	3.35%
Prairie View A & M University	3			3	0.63%
Sam Houston State University	1			1	0.21%
Stephen F. Austin State University	15			15	3.14%
Tarletan State University	5	1	2	8	1.67%
Texas A & M University	40	1		41	8.58%
Texas A & M University at Commerce	53	14	5	72	15.06%
Texas A & M University at Corpus Christi	6		2	8	1.67%
Texas A & M University San Antonio		1		1	0.21%
Texas State University	15			15	3.14%
Texas Tech University	44	2	2	48	10.04%
Texas Tech University Health Sciences Center	2			2	0.42%
Texas Woman's University	40	1	4	45	9.41%
The University of Texas at Arlington	11	1	15	27	5.65%
The University of Texas at Austin	15	2	2	19	3.97%
The University of Texas at Dallas	12	2		14	2.93%
The University of Texas at El Paso		1		1	0.21%
The University of Texas at Pan American	1			1	0.21%
The University of Texas at the Permian Basin	3			3	0.63%
The University of Texas at San Antonio	6			6	1.26%
The University of Texas at Tyler	3		1	4	0.84%
The University of Texas Health Center at San Antonio	1			1	0.21%
University of Houston	2			2	0.42%
University of Houston-Victoria	1			1	0.21%
University of North Texas	93	18	5	116	24.26%
University of North Texas Health Science Center	1			1	0.20%
West Texas A & M University	3		1	4	0.84%
Totals	389	47	42	478	100.00%

**Grayson College
Capital Asset Information
Fiscal Years 2009 to 2013
(Unaudited)**

	Fiscal Year				
	2013	2012	2011	2010	2009
Academic Buildings	20	20	19	18	18
Square Footage	407,848	407,848	399,848	337,500	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	39,953	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	4
Square Footage	30,003	30,003	29,753	29,753	29,753
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	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	3
Light Trucks/Vans	24	24	24	24	24
Buses	3	3	3	3	3