

RANGER COLLEGE DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2012

RANGER COLLEGE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Organizational Data	1	
<u>Financial Section</u>		
Independent Auditor's Report	3	
Management's Discussion and Analysis	5	
Statements of Net Assets	12	1
Statements of Revenues, Expenses and Changes in Net Assets	14	2
Statements of Cash Flows	15	3
<u>Notes to the Financial Statements</u>	18	
<u>Supplemental Information</u>		
		<u>Schedule</u>
Schedule of Operating Revenues	32	A
Schedule of Operating Expenses by Object	33	B
Schedule of Non-Operating Revenues and Expenses	34	C
Schedule of Net Assets by Source and Availability	35	D
<u>Overall Compliance and Internal Controls Section</u>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37	
Summary Schedule of Prior Audit Findings	39	
Schedule of Findings and Questioned Costs	40	
Corrective Action Plan	44	

RANGER COLLEGE DISTRICT

TABLE OF CONTENTS

<u>Federal Awards Section</u>		<u>Schedule</u>
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	48	
Schedule of Expenditures of Federal Awards	50	E
<u>State Awards Section</u>		
Schedule of Expenditures of State Awards	52	F

**RANGER COLLEGE DISTRICT
ORGANIZATIONAL DATA
For the Year Ended August 31, 2012**

Board of Regents

Officers

Doug Crawley	Chairman
Waymond Greenwood	Vice Chairman
A.J. Ratliff	Secretary

Members

		<u>Term Expires</u>
Waymond Greenwood	Ranger, Texas	2014
Doug Crawley	Ranger, Texas	2014
A.J. Ratliff	Ranger, Texas	2014
Randy Fambro	Strawn, Texas	2016
Sandi Herod	Ranger, Texas	2016
Jackie Stephens	Ranger, Texas	2016
Ron Butler	Ranger, Texas	2018
Joe Walraven	Ranger, Texas	2018
Gay A. Wolford	Ranger, Texas	2018

Key Administrative Personnel

Dr. William Campion	President
Dr. Don Bostic	Executive Vice President
Mr. Billy Adams	Vice President of Instruction
Dr. Kerry Schindler	Vice President of Erath County
Mr. John Slaughter	Dean of Enrollment Management
Ms. Tammy Adams	Chief Financial Officer
Mr. Johnny Gann	Dean of Students
Dr. Dava Washburn	Dean of Administration
Mr. David Deaver	Athletic Director/Physical Plant Director
Ms. Laura Yeck	Assistant to the President, Human Resources

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Ranger College

We have audited the accompanying financial statements of the Ranger College District as of and for the years ended August 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ranger College District as of August 31, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the Ranger College District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ranger College District's financial statements as a whole. The accompanying financial information listed as supplemental information and the schedule of expenditures of state awards in the table of contents are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal awards is 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 is also not a required part of the financial statements. The supplemental information and the schedules of expenditures of federal and 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements 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 financial statements as a whole.

Snow Garrett Williams

Snow Garrett Williams
December 13, 2012

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2012 and 2011

This section of the Ranger College District's annual financial report presents management's discussion and analysis of the College's financial activity during the fiscal years ended August 31, 2012 and 2011. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's financial statements and the footnotes. Responsibility for the completeness and fairness of this information rests with the College.

FINANCIAL HIGHLIGHTS

The College's net assets increased from August 31, 2011 to August 31, 2012 by \$1,246,270, and increased from August 31, 2010 to August 31, 2011 by \$576,678. As of August 31, 2012 and 2011, the College's net assets were \$5,026,475 and \$3,780,205 which includes \$1,253,052 and \$1,271,344 in investment in capital assets, net of related debt, \$589,479 and \$559,086 in restricted net assets, and \$3,183,944 and \$1,949,775 in unrestricted net assets, respectively.

Operating expenses for fiscal years 2012 and 2011 were \$8,508,697 and \$7,714,756, of which \$3,181,717 and \$2,564,998 were expended for instruction, \$1,698,492 and \$1,519,891 were expended for auxiliary enterprises, and \$982,290 and \$1,027,166 were expended for institutional support, respectively. In fiscal years 2012 and 2011, depreciation expense was \$235,100 and \$235,466, respectively.

Operating revenues for fiscal years 2012 and 2011 were \$3,475,946 and \$2,929,882, which includes \$2,186,758 and \$1,478,986 in tuition and fees (net of discounts), \$508,652 and \$616,932 in auxiliary revenue (net of discounts), and \$265,670 and \$300,092 in local grants and contracts, respectively.

Net non-operating revenues for fiscal years 2012 and 2011 were \$6,279,021 and \$5,361,552, which includes \$2,558,994 and \$2,438,122 in state allocations, \$3,315,444 and \$2,528,332 in federal grants, and \$252,523 and \$237,348 in ad-valorem taxes for maintenance and operations, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements are comprised of three components: 1) basic financial statements, 2) notes to the financial statements, and 3) other supplementary information in addition to the basic financial statements.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2012 and 2011

The basic financial statements. The financial statements focus on the College as a whole. The statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the statement of net assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources with capital assets and related debt.

The statement of revenues, expenses, and changes in net assets focuses on both the gross costs and the net costs of the College's activities which are supported mainly by tuition and fees and by federal, state and other revenues. This approach is intended to summarize and simplify the user's analysis of the costs of various College services to students and the public.

The final required financial statement, the statement of cash flows, reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities.

The basic financial statements can be found on pages 12 through 16 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 18 through 30 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information included to supplement and provide more detail to the basic financial statements. The supplementary information can be found on pages 32 through 35 of this report.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

Statement of Net Assets

The statement of net assets presents current assets (non restricted assets expected to provide support within a year), non current assets (restricted assets expected to provide long term benefit), current liabilities (obligations which must be met within the current year), and non-current liabilities (obligations which are not settled in the current year.) All assets and liabilities are presented using the accrual basis of accounting, which is similar to the accounting by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial position of the College. As of August 31, 2012, net assets were \$5,026,475 which was an increase of \$1,246,270 from the period ended August 31, 2011. As of August 31, 2011, net assets were \$3,780,205, which was an increase of \$576,678 from the period ended August 31, 2010. The College's financial position remains strong with adequate liquid assets at a reasonable level of unrestricted net assets.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2012 and 2011

Net Assets		As of August 31,		Restated
		2012	2011	2010
Current Assets		\$ 5,464,952	\$ 3,925,250	\$ 2,936,316
Non-current Assets				
Capital Assets, Net of Depreciation		1,878,188	2,095,874	2,264,326
Other		603,902	577,355	485,893
Total Assets		<u>7,947,042</u>	<u>6,598,479</u>	<u>5,686,535</u>
Current Liabilities		2,426,428	2,169,305	1,657,368
Non-current Liabilities		494,139	648,969	825,640
Total Liabilities		<u>2,920,567</u>	<u>2,818,274</u>	<u>2,483,008</u>
Net Assets				
Net Investment in Capital Assets		1,253,052	1,271,344	1,306,497
Restricted for: Expendable		589,479	559,086	463,853
Unrestricted		3,183,944	1,949,775	1,433,177
Total Net Assets		<u>\$ 5,026,475</u>	<u>\$ 3,780,205</u>	<u>\$ 3,203,527</u>

Investment in capital assets (e.g., land, building and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was \$1,253,052 and \$1,271,344 at August 31, 2012 and 2011, respectively. The College uses these assets to provide services to the students; consequently, they are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At August 31, 2012 and 2011, an additional \$589,479 (or 12%) and \$559,086 (or 15%), respectively, of the College's net assets represents resources that are subject to external restrictions on how they may be used. All restricted net assets of the College are being held for future construction and scholarships. The remaining portion of the College's net assets at August 31, 2012 and 2011 (\$3,183,944 and \$1,949,775, respectively) may be used to meet the College's ongoing obligations.

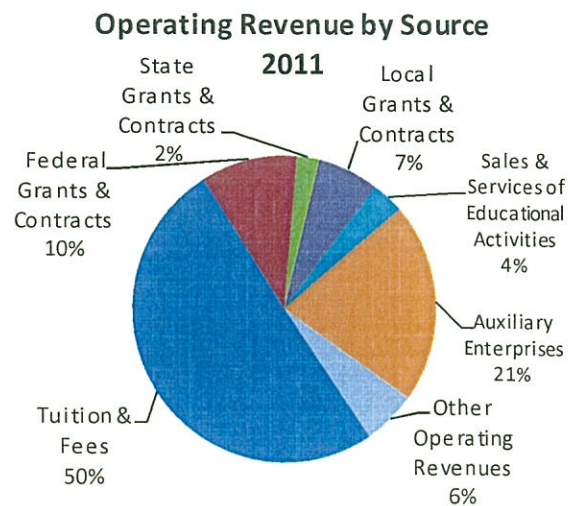
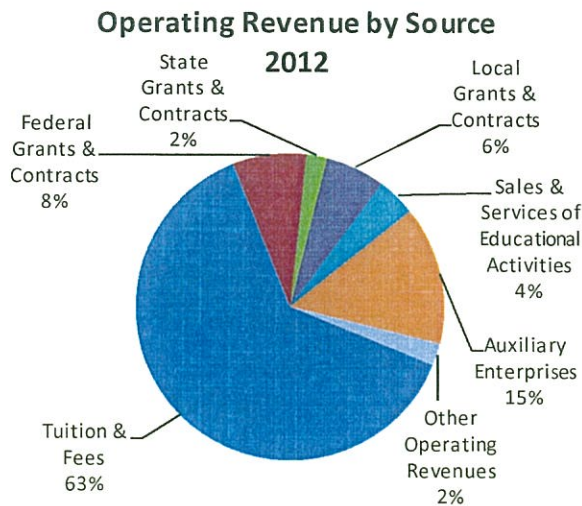
Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the operating results of the College, as well as the non-operating revenue and expenses. Operating revenues are primarily those that result directly from instruction, the operation of the College's auxiliary services (cafeteria, dormitories, bookstore, etc.) and Federal, State and local grants. State Allocations and property tax receipts, while budgeted for operations, are considered non operating revenues and depreciation is shown in operating expenses according to accounting principles generally accepted in the United States of America.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2012 and 2011

Operating Results for the Years Ended
August 31,

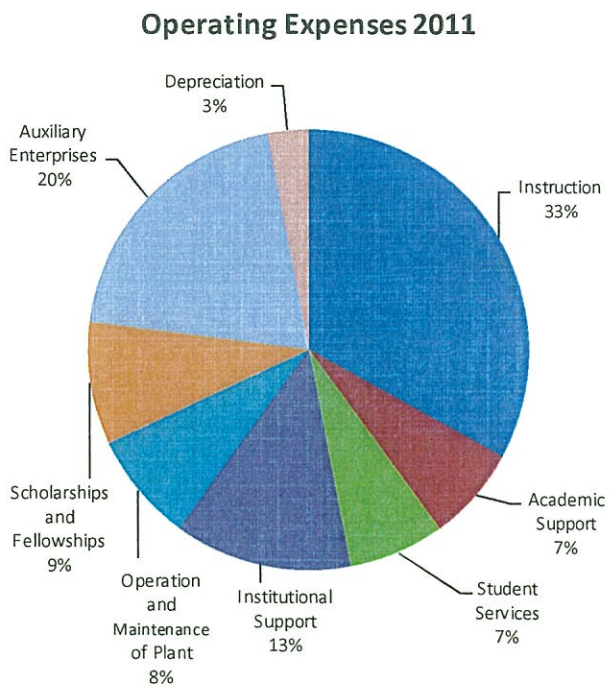
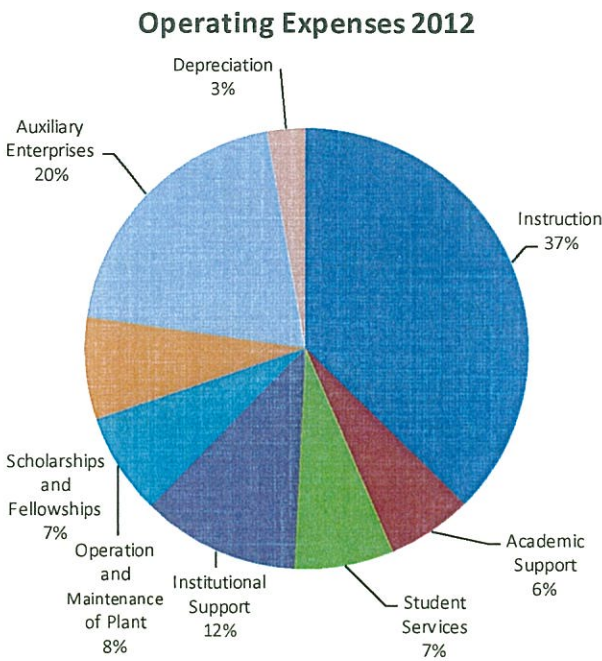
	2012	2011	2010
Operating Revenues			
Tuition and Fees (Less Discounts)	\$ 2,186,758	\$ 1,478,986	\$ 1,200,799
Federal Grants and Contracts	265,670	300,092	74,418
State Grants and Contracts	75,981	72,486	58,300
Local Grants and Contracts	216,550	190,100	234,907
Sales and Services of Educational Activities	142,864	102,837	69,393
Auxiliary Enterprises (Less Discounts)	508,652	616,932	397,536
Other Operating Revenues	79,471	168,449	72,037
Total Operating Revenues	3,475,946	2,929,882	2,107,390
Less Operating Expenses	8,508,697	7,714,756	6,346,803
Net Operating Loss	(5,032,751)	(4,784,874)	(4,239,413)
Non-Operating Revenues (Expenses)			
State Allocations	2,558,994	2,438,122	2,477,105
Ad-Valorem Taxes for Maintenance and Operations	252,523	237,348	225,184
Federal Revenue, Non-Operating	3,315,444	2,528,332	1,399,259
Gifts	1,086	-	30,304
Investment Income (Net of Investment Expense)	191,338	204,685	152,521
Interest on Capital Related Debt	(40,364)	(46,935)	(31,897)
Loss on Disposal of Capital Assets	-	-	(4,420)
Total Non-Operating Revenues (Expenses)	6,279,021	5,361,552	4,248,056
Change in Net Assets	1,246,270	576,678	8,643
Net Assets, Beginning of Year	3,780,205	3,203,527	3,223,609
Prior Period Adjustment	-	-	(3,050)
Net Assets, Beginning of Year, Restated	3,780,205	3,203,527	3,220,559
Net Assets, End of Year	\$ 5,026,475	\$ 3,780,205	\$ 3,229,202
Total Revenues	\$ 9,795,331	\$ 8,338,369	\$ 6,391,763



RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2012 and 2011

Operating Expenses
For the Years Ended August 31,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Expenses			
Instruction	\$ 3,181,717	\$ 2,564,998	\$ 2,241,683
Academic Support	527,891	569,998	558,300
Student Services	608,834	530,852	284,474
Institutional Support	982,290	1,027,166	855,540
Operation and Maintenance of Plant	637,384	575,727	552,649
Scholarships and Fellowships	636,989	690,658	272,496
Auxiliary Enterprises	1,698,492	1,519,891	1,447,579
Depreciation	235,100	235,466	134,082
Total	<u>\$ 8,508,697</u>	<u>\$ 7,714,756</u>	<u>\$ 6,346,803</u>
 Total Expenses (Including Interest Expense and Loss on Disposal of Capital Assets)	 <u>\$ 8,549,061</u>	 <u>\$ 7,761,691</u>	 <u>\$ 6,383,120</u>



**RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2012 and 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The College's investment in total capital assets as of August 31, 2012 and 2011 amounts to \$1,878,188 and \$2,095,874, respectively, (net of accumulated depreciation). Investments in capital assets include land, construction in progress, buildings and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment.

Major capital asset events during the current fiscal year include the following:

- Purchase of a Commercial Dishwasher; and
- Installation of bathrooms at the softball fields.

Major capital asset events during the prior fiscal year include the following:

- Purchase of a Hydraulic Simulator; and
- Improvements to a resident hall's roof.

**Capital Assets, Net
August 31,**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital Assets			
Land	\$ 60,366	\$ 60,366	\$ 60,366
Construction in Progress	10,264	50,413	-
Building and Improvements	3,287,106	3,269,918	3,269,918
Land Improvements	298,608	298,608	298,608
Leasehold Improvements	702,840	702,840	702,840
Library Books	150,185	150,185	150,185
Vehicles and Equipment	921,759	881,384	864,783
Total	<u>5,431,128</u>	<u>5,413,714</u>	<u>5,346,700</u>
Less Accumulated Depreciation	<u>(3,552,940)</u>	<u>(3,317,840)</u>	<u>(3,082,374)</u>
Net Capital Assets	<u>\$ 1,878,188</u>	<u>\$ 2,095,874</u>	<u>\$ 2,264,326</u>

Additional information on the College's capital assets can be found in Note 6 on page 24 of this report.

Long-term debt. At August 31, 2012 and 2011, the College had total debt outstanding of \$639,559 and \$842,799, respectively. Of this amount, \$602,090 and \$735,203, represents maintenance tax notes and \$37,469 and \$107,596 in notes payable at August 31, 2012 and 2011, respectively. The College's total debt decreased by a net amount of \$203,240 and \$137,145 during the fiscal years ending August 31, 2012 and 2011, respectively, due to regular scheduled payments.

Additional information on the College's long-term debt can be found in Notes 7 and 8 on pages 24 through 25 of this report.

**RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2012 and 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Regents adopted the College's 2012 – 2013 budget and tax rate on August 28, 2012. The annual budget is developed to provide efficient, effective and economic uses of the College's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the Board of Regents sets the direction of the College, allocates its resources and establishes its priorities.

In considering the College budget for fiscal year 2013, the Board of Regents and management considered the following factors:

- The biggest driver in budget decisions has been the rapid growth of the institution, primarily on the Brown County and Erath County campuses.
- Another budgetary concern has been the overall decrease in state appropriations and benefits accompanying the rapid enrollment increase.
- The College will open a new Licensed Vocational Nursing Program in Stephenville in 2013.
- The College will offer general academic courses in Olney, Texas, and seek to offer welding and machining programs for manufacturing and industry in Olney.
- In the early spring of 2013 the College will move into new and expanded facilities in Erath County.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Ranger College District's finances and to show the College's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Dean of Finance at 1100 College Circle, Ranger, Texas 76470.

RANGER COLLEGE DISTRICT
Statements of Net Assets
August 31, 2012 and August 31, 2011

EXHIBIT 1

	2012	2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,885,872	\$ 1,545,317
Short-Term Investments	266,835	266,835
Accounts Receivable (net)	1,891,381	1,102,683
Prepaid Expenses	40,793	145,839
Deferred Charges	379,321	863,826
Deposits	750	750
Total Current Assets	5,464,952	3,925,250
Non-Current Assets		
Restricted Cash and Cash Equivalents	289,974	288,506
Restricted Short-Term Investments	54,769	54,769
Other Long-Term Investments	244,736	215,811
Issuance Costs	14,423	18,269
Capital Assets, net of Accumulated Depreciation (See Note 6)	1,878,188	2,095,874
Total Non-Current Assets	2,482,090	2,673,229
Total Assets	\$ 7,947,042	\$ 6,598,479

RANGER COLLEGE DISTRICT
Statements of Net Assets
August 31, 2012 and August 31, 2011

EXHIBIT 1

	2012	2011
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 266,782	\$ 316,930
Accrued Compensable Absences - Current Portion	68,263	64,359
Deferred Revenues	1,933,990	1,583,714
Notes Payable - Current Portion	157,393	204,302
Total Current Liabilities	2,426,428	2,169,305
Non-Current Liabilities		
Accrued Compensable Absences	11,973	10,472
Notes Payable	482,166	638,497
Total Non-Current Liabilities	494,139	648,969
Total Liabilities	2,920,567	2,818,274
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,253,052	1,271,344
Restricted for:		
Expendable		
Student Aid	390,161	359,967
Other	199,318	199,119
Unrestricted	3,183,944	1,949,775
Total Net Assets (Schedule D)	\$ 5,026,475	\$ 3,780,205

RANGER COLLEGE DISTRICT
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended August 31, 2012 and August 31, 2011

EXHIBIT 2

	2012	2011
REVENUES		
Operating Revenues		
Tuition and Fees (Net of Discounts of \$2,290,423 and \$1,569,850, respectively)	\$ 2,186,758	\$ 1,478,986
Federal Grants and Contracts	265,670	300,092
State Grants and Contracts	75,981	72,486
Local Grants and Contracts	216,550	190,100
Sales and Services of Educational Activities	142,864	102,837
Auxiliary Enterprises (Net of Discounts of \$1,077,590 and \$782,759, respectively)	508,652	616,932
Other Operating Revenues	79,471	168,449
Total Operating Revenues (Schedule A)	3,475,946	2,929,882
EXPENSES		
Operating Expenses		
Instruction	3,181,717	2,564,998
Academic Support	527,891	569,998
Student Services	608,834	530,852
Institutional Support	982,290	1,027,166
Operation and Maintenance of Plant	637,384	575,727
Scholarships and Fellowships	636,989	690,658
Auxiliary Enterprises	1,698,492	1,519,891
Depreciation	235,100	235,466
Total Operating Expenses (Schedule B)	8,508,697	7,714,756
Operating Loss	(5,032,751)	(4,784,874)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	2,558,994	2,438,122
Maintenance Ad Valorem Taxes	252,523	237,348
Federal Revenue, Non-Operating	3,315,444	2,528,332
Gifts	1,086	-
Investment Income	191,338	204,685
Interest on Capital Related Debt	(40,364)	(46,935)
Net Non-Operating Revenues (Expenses) (Schedule C)	6,279,021	5,361,552
Change in Net Assets	1,246,270	576,678
NET ASSETS		
Net Assets - Beginning of Year	3,780,205	3,203,527
Net Assets - End of Year	\$ 5,026,475	\$ 3,780,205

The accompanying Notes to the Financial Statements are an integral part of this statement.

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2012 and August 31, 2011

EXHIBIT 3

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 2,813,664	\$ 2,078,442
Receipts from Grants and Contracts	645,390	594,657
Payments to or on Behalf of Employees	(4,219,937)	(3,322,129)
Payments to Suppliers for Goods or Services	(2,983,177)	(2,813,860)
Payments of Scholarships	(728,881)	(598,766)
Other receipts (payments)	79,471	168,449
	(4,393,470)	(3,893,207)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	2,208,261	1,946,918
Receipts from Ad Valorem Taxes	248,496	184,529
Receipts from Non-Operating Federal Revenue	3,372,409	2,434,031
Receipts from Gifts and Grants (Other Than Capital)	1,086	-
	5,830,252	4,565,478
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(17,414)	(67,014)
Proceeds from Maintenance Tax Notes	-	28,636
Payments on Capital Debt - Principal	(203,240)	(165,781)
Payments on Capital Debt - Interest	(36,518)	(43,089)
	(257,172)	(247,248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Investment Earnings	162,413	151,176
	162,413	151,176
Net Cash Provided by Investing Activities	162,413	151,176
Increase in Cash and Cash Equivalents	1,342,023	576,199
Cash and Cash Equivalents - September 1	1,833,823	1,257,624
Cash and Cash Equivalents - August 31	\$ 3,175,846	\$ 1,833,823
Reconciliation to Exhibit 1:		
Cash and Cash Equivalents	\$ 2,885,872	\$ 1,545,317
Restricted Cash and Cash Equivalents	289,974	288,506
	\$ 3,175,846	\$ 1,833,823
Non-Cash Investing Activities:		
Net Increase in Fair Value of Investments	\$ 28,925	\$ 53,509

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2012 and August 31, 2011

EXHIBIT 3

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Loss to Net Cash Used By		
Operating Activities:		
Operating Loss	\$ (5,032,751)	\$ (4,784,874)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating		
Activities:		
Depreciation Expense	235,100	235,466
Bad Debt Expense	69,434	-
Payments Made Directly by State for Benefits	350,733	491,204
Changes in Assets and Liabilities:		
Receivables, Net	(911,070)	(192,238)
Inventories	-	197,637
Deferred Charges	484,505	(322,237)
Other Assets	105,046	9,424
Accounts Payable	(50,148)	17,914
Deferred Revenue	350,276	426,141
Compensated Absences	5,405	28,356
	<u>5,405</u>	<u>28,356</u>
Net Cash Used By Operating Activities	<u><u>\$ (4,393,470)</u></u>	<u><u>\$ (3,893,207)</u></u>

**NOTES TO THE
FINANCIAL STATEMENTS**

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

1. REPORTING ENTITY

Ranger College District (the College) was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Ranger and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in the Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*. While the College receives funding from local, state, and federal sources and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities (BTA).

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 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 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 amounts are recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

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

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 Regents adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of cash flows, the College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Non-Current Cash and Investments

Non-current cash and investments are set aside and classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited to obligations, such as, scholarships, grant requirements, and maintenance tax notes.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The College has no formal capitalization policy, however capital assets are defined and include all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for facilities and other improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment, and 5 years for telecommunications and peripheral equipment.

Deferred Revenues

Revenues, primarily consisting of tuition, fees, meal charges, and resident hall charges related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year. Tuition and fees of \$1,933,990 and \$1,583,714 have been reported as deferred revenue at August 31, 2012 and August 31, 2011, respectively.

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 years ended August 31, 2012 and 2011.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the financial statements in conformity 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.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA and as a single, proprietary fund. 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. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstore is not performed by the College.

Characterization of Title IV Grant Revenue

In response to guidance provided by the Government Accounting Standards Board (GASB) as question/Answer 7.72.10 in the Implementation Guide, revenue received for federal Title IV grant programs (i.e. Pell grants) is now characterized as non operating revenue as opposed to operating revenue.

Application of Restricted and Unrestricted Resources

The College's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

3. AUTHORIZED INVESTMENTS

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such 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 and obligations authorized by statute.

4. DEPOSITS AND INVESTMENTS

The College's deposits and investments are invested pursuant to the Investment Policy.

The College is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. US. Government obligations, State of Texas direct obligations, and obligations of states, agencies, countries and cities;
2. Collateralized Mortgage Obligations;
3. Bankers acceptance, Commercial Paper, and Repurchase Agreements;
4. Certificates of Deposits;
5. Share Certificates;
6. SEC regulated no-load money market mutual funds and SEC registered no-load mutual funds; and
7. Investment Pools.

No other investments shall be made without approval of a majority of the Board of Regents. Ranger College will invest only in Certificates of Deposit, however the College may hold investments that were authorized investments at the time of purchase or receipt.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

4. DEPOSITS AND INVESTMENTS (Continued)

Cash and Deposits

Cash and Cash Equivalents reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

<u>Cash and Cash Equivalents</u>	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Bank Deposits		
Deposits with Financial Institutions	\$ 3,173,706	\$ 1,832,323
Total Bank Deposits	3,173,706	1,832,323
Petty Cash	2,140	1,500
Total Cash and Cash Equivalents	<u>\$ 3,175,846</u>	<u>\$ 1,833,823</u>

Investments

Investments reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

<u>Types of Investments</u>	<u>Credit Rating</u>	<u>Market Value August 31, 2012</u>	<u>Market Value August 31, 2011</u>
Short-Term Investments			
Certificates of Deposit - Current	n/a	\$ 266,835	\$ 266,835
Certificates of Deposit - Restricted	n/a	54,769	54,769
Total Short-Term Investments		321,604	321,604
Other Long-Term Investments			
US Common Stock:			
Chevron - 2,142 shares	AA	240,247	211,715
BP PLC - 104 shares	AA	4,489	4,096
Total Other Long-Term Investments		244,736	215,811
Total Investments		<u>\$ 566,340</u>	<u>\$ 537,415</u>

Interest Rate Risk – In accordance with the College’s investment policy, the College does not purchase any investments with maturities greater than one year. As of August 31, 2012 and August 31, 2011, the College was not exposed to interest rate risk.

Credit Risk – The College has no formal policy addressing credit risk. However, the safety of principal is the primary objective of the College’s investment policy. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of August 31, 2012 and August 31, 2011, the College’s investments in common stock were rated AA by Standard & Poor’s.

Concentration of Credit Risk - The College does not place a limit on the amount that may be invested in any one issue. As of August 31, 2012 and August 31, 2011, 57% and 60%, respectively, of the College’s investments were included in certificates of deposit.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name. At August 31, 2012 and August 31, 2011, the College's cash and cash equivalents and short-term investments were not exposed to custodial credit risk.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty's trust department or agent but not in the College's name. At August 31, 2012 and August 31, 2011, the College's investment securities were not exposed to custodial credit risk.

Reconciliation of Deposits and Investments Between Note 4 and Exhibit 1 for Primary Government:

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Per Note 4:		
Cash and Cash Equivalents	\$ 3,175,846	\$ 1,833,823
Investments	566,340	537,415
	<u>\$ 3,742,186</u>	<u>\$ 2,371,238</u>
Per Exhibit 1:		
Cash and Cash Equivalents	\$ 2,885,872	\$ 1,545,317
Restricted Cash and Cash Equivalents	289,974	288,506
Short-Term Investments	266,835	266,835
Restricted Short-Term Investments	54,769	54,769
Other Long-Term Investments	244,736	215,811
	<u>\$ 3,742,186</u>	<u>\$ 2,371,238</u>

5. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2012 and 2011 were as follows:

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Student Receivables (Net of Allowances of \$108,538 and \$121,657 for 2012 and 2011, respectively)	\$ 1,797,677	\$ 835,857
Taxes Receivable (Net of Allowances of \$20,143 and \$21,053 for 2012 and 2011, respectively)	42,016	37,989
Federal, State, and Local Grants Receivable	29,424	173,578
Other Accounts Receivable	22,264	55,259
	<u>\$ 1,891,381</u>	<u>\$ 1,102,683</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

5. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES (Continued)

Payables

Payables at August 31, 2012 and 2011 were as follows:

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Vendor Payable	\$ 272,064	\$ 180,391
Student Payable	-	91,892
Salary and Benefit Payable	(5,282)	44,647
Total Accounts Payable	<u>\$ 266,782</u>	<u>\$ 316,930</u>

6. CAPITAL ASSETS

Capital assets activity for the years ended August 31, 2012 and 2011 was as follows:

	<u>Balance</u> <u>9/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2012</u>
<u>Not Depreciated:</u>				
Land	\$ 60,366	\$ -	\$ -	\$ 60,366
Construction in Progress	50,413	10,264	50,413	10,264
Subtotal	<u>110,779</u>	<u>10,264</u>	<u>50,413</u>	<u>70,630</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	3,269,918	17,188	-	3,287,106
Land Improvements	298,608	-	-	298,608
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	881,384	40,375	-	921,759
Subtotal	<u>5,302,935</u>	<u>57,563</u>	<u>-</u>	<u>5,360,498</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	2,151,191	61,881	-	2,213,072
Land Improvements	222,410	6,089	-	228,499
Leasehold Improvements	136,705	117,393	-	254,098
Library Books	69,065	10,012	-	79,077
Vehicles and Equipment	738,469	39,725	-	778,194
Subtotal	<u>3,317,840</u>	<u>235,100</u>	<u>-</u>	<u>3,552,940</u>
Net Other Capital Assets	<u>1,985,095</u>	<u>(177,537)</u>	<u>-</u>	<u>1,807,558</u>
Net Capital Assets	<u>\$ 2,095,874</u>	<u>\$ (167,273)</u>	<u>\$ 50,413</u>	<u>\$ 1,878,188</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

6. CAPITAL ASSETS (Continued)

	Balance 9/1/2010	Increases	Decreases	Balance 8/31/2011
<u>Not Depreciated:</u>				
Land	\$ 60,366	\$ -	\$ -	\$ 60,366
Construction in Progress	-	50,413	-	50,413
Subtotal	60,366	50,413	-	110,779
<u>Other Capital Assets:</u>				
Buildings and Improvements	3,269,918	-	-	3,269,918
Land Improvements	298,608	-	-	298,608
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	864,783	16,601	-	881,384
Subtotal	5,286,334	16,601	-	5,302,935
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	2,089,310	61,881	-	2,151,191
Land Improvements	216,321	6,089	-	222,410
Leasehold Improvements	19,312	117,393	-	136,705
Library Books	59,053	10,012	-	69,065
Vehicles and Equipment	698,378	40,091	-	738,469
Subtotal	3,082,374	235,466	-	3,317,840
Net Other Capital Assets	2,203,960	(218,865)	-	1,985,095
Net Capital Assets	<u>\$ 2,264,326</u>	<u>\$ (168,452)</u>	<u>\$ -</u>	<u>\$ 2,095,874</u>

7. LONG-TERM LIABILITIES

Long-term liability activity for the years ended August 31, 2012 and 2011 was as follows:

	Balance September 1, 2011	Additions	Reductions	Balance August 31, 2012	Current Portion
Maintenance Tax Note Payable	\$ 735,203	\$ -	\$ 133,113	\$ 602,090	\$ 140,221
Notes Payable	107,596	-	70,127	37,469	17,172
Compensated Absences	74,831	64,784	59,379	80,236	68,263
Total Long-Term Liabilities	<u>\$ 917,630</u>	<u>\$ 64,784</u>	<u>\$ 262,619</u>	<u>\$ 719,795</u>	<u>\$ 225,656</u>

	Balance September 1, 2010	Additions / Adjustments	Reductions	Balance August 31, 2011	Current Portion
Maintenance Tax Note Payable	\$ 862,743	\$ -	\$ 127,540	\$ 735,203	\$ 134,118
Notes Payable	117,201	28,636	38,241	107,596	70,184
Compensated Absences	46,475	46,740	18,384	74,831	64,359
Total Long-Term Liabilities	<u>\$ 1,026,419</u>	<u>\$ 75,376</u>	<u>\$ 184,165</u>	<u>\$ 917,630</u>	<u>\$ 268,661</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

8. DEBT OBLIGATIONS

General information related to notes payable is summarized below:

Maintenance Tax Note Payable

- Maintenance Tax Notes, Series 2009
- To renovate and equip the real estate leased in Brown County for administrative offices and classrooms.
- Issued November 17, 2009.
- Original balance of \$925,000 is payable in thirteen semi-annual installments, which includes interest at a rate of 4.5%.
- Final installment is due May 15, 2016.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding principal balance of \$602,090 and \$735,203 at August 31, 2012 and August 31, 2011, respectively.

The maintenance tax notes payable is due in semi-annual installments of \$82,838 with an interest rate of 4.5% with the final installment due May 15, 2016.

Notes payable

Note Payable – First Financial Bank

- To purchase land and building in Comanche County.
- Issued September 1, 2004.
- Original balance of \$142,000 is payable in 120 monthly installments of \$1,577, which includes interest at a rate of 6%.
- Final installment due September 1, 2014.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding balances of \$37,469 and \$53,586 at August 31, 2012 and August 31, 2011, respectively.

Note Payable – First Financial Bank

- To provide improvements to dormitories.
- Issued August 14, 2006.
- Original balance of \$75,000 is due and renewed annually.
- Renewed July 19, 2011 for \$54,010, adding \$28,636, and due July 18, 2012, with an interest rate of 2.1%.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding balance of \$54,010 at August 31, 2011.

Debt service requirements at August 31, 2012 were as follows:

Year Ended August 31,	Notes Payable			Maintenance Tax Note Payable		
	Notes Principal	Interest	Total	Note Principal	Interest	Total
2013	\$ 17,172	\$ 1,749	\$ 18,921	\$ 140,221	\$ 25,456	\$ 165,677
2014	18,231	690	18,921	146,602	19,075	165,677
2015	2,066	8	2,074	153,274	12,403	165,677
2016	-	-	-	161,993	5,429	167,422
Total	<u>\$ 37,469</u>	<u>\$ 2,447</u>	<u>\$ 39,916</u>	<u>\$ 602,090</u>	<u>\$ 62,363</u>	<u>\$ 664,453</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

9. EMPLOYEES' RETIREMENT PLAN

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

Teacher Retirement System of Texas

Plan Description. The College 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, Sec. 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 and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report with required supplementary information which can be obtained from the TRS website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% 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.

Contribution rates and contributions for fiscal years 2012-2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts						
Year	Member		State		Statutory Minimum	
	Rate	Amount	Rate	Amount	Amounts	
2012	6.4%	\$ 97,474	6.000%	\$ 75,669	\$ 173,143	
2011	6.4%	93,721	6.644%	72,593	166,314	
2010	6.4%	93,831	6.644%	85,320	179,151	

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, Sec. 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 legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.4% and 6.65%, respectively. The College contributes an additional 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 \$57,031 and \$56,038 for the fiscal years ended August 31, 2012 and August 31, 2011, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$3,634,545 and \$3,080,574 for the fiscal years 2012 and 2011, respectively. The total payroll of employees covered by the Teacher Retirement System was \$1,384,092 and \$1,409,342, and the total payroll of employees covered by the Optional Retirement Program was \$891,109 and \$875,599 for fiscal years 2012 and 2011, respectively.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

10. COMPENSABLE ABSENCES

Full-time employees earn annual leave at a rate of eight hours per month to a maximum of eighty hours each year. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of twenty days (160 hours). Employees who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for unpaid annual leave in the amount of \$80,236 and \$74,831 as of August 31, 2012 and August 31, 2011, respectively.

Sick leave is earned at the rate of eight hours per month per contract length and can be accumulated up to a maximum of 45 days (360 hours). The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since all accrued sick leave is forfeited by employees upon termination of employment.

11. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

In fiscal year 2012, the College rented facilities in Stephenville and Brownwood, Texas.

- The term of the Stephenville lease held for cosmetology instruction is \$2,650 monthly rental for four years beginning on May 1, 2010 through April 30, 2014.
- The term of the Stephenville lease held for education instruction is \$1,000 monthly rental for three years beginning November 1, 2009 through October 31, 2012.
- The term of the Brownwood lease held for education instruction is amortized over a seven year period beginning July 1, 2009 through June 30, 2016 at \$2,357 per month.
- The term of the Brownwood lease held for cosmetology instruction is \$1,750 monthly rental for one year beginning January 1, 2012 through December 31, 2012.

The College contracts with Stanley Convergent Security Solutions for security services on campus. The term of the contract is \$2,304 quarterly beginning March 29, 2010 through March 29, 2015.

The College contracts with Blackboard to provide licensing for software for educational purposes. The term of the contract is annual installments ranging from \$33,989 to \$38,370 for five years beginning September 1, 2012.

The College entered into several 60 month operating leases with Xerox for copiers at various locations. The lease agreements are payable in monthly installments totaling \$1,396, beginning February 2010.

Payments on the above leases of \$119,057 and \$104,180 were included in rent expense for the year ended August 31, 2012 and 2011, respectively.

The net future minimum lease rental payments under operating leases having an initial term in excess of one year as of August 31, 2012 are as follows:

Year Ended August 31,	Amount
2013	\$ 145,427
2014	116,446
2015	81,191
2016	65,355
2017	37,137
Total	\$ 445,556

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

12. RISK MANAGEMENT

The College has the responsibility for making and carrying out decisions that will minimize the adverse effects of accidental losses that involve the College's assets. Accordingly, commercial insurance coverages are obtained to include general liability, property and casualty, employee and automobile liability, fidelity, public official's liability and certain other risks. The amounts of settlements during each of the past three fiscal years have not exceeded insurance coverage.

13. POST RETIREMENT, HEALTH CARE, AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$438 per month for the year ended August 31, 2012, and totaled \$219,503 for the year. The cost of providing those benefits for 36 retirees was \$201,902 and for 63 active employees amounted to \$17,601. The State's contribution per full-time employee was \$325 per month for the year ended August 31, 2011, and totaled \$362,573 for the year. The cost of providing those benefits for 36 retirees was \$182,214 and for 58 active employees amounted to \$180,359.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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 the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB Statement No. 45.

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

The State's contributions to SRHP on the College's behalf for the years ended August 31, 2012, 2011, and 2010 were \$219,503, \$362,573, and \$375,877, respectively, which equaled the required contributions each year. The College does not provide any other postemployment benefits other than those discussed in Notes 13 and 14.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

15. AD VALOREM TAX

The College's ad valorem property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College.

	At August 31, 2012	At August 31, 2011
Assessed Valuation of the College	\$ 90,726,248	\$ 91,708,600
Less: Exemptions	-	-
Less: Abatements	-	-
	\$ 90,726,248	\$ 91,708,600

	Current Operations	Debt Service	Total
At August 31, 2012			
Tax Rate per \$100 valuation of authorized	\$ 0.50000	\$ -	\$ 0.50000
Tax Rate per \$100 valuation of assessed	\$ 0.27781	\$ -	\$ 0.27781
At August 31, 2011			
Tax Rate per \$100 valuation of authorized	\$ 0.50000	\$ -	\$ 0.50000
Tax Rate per \$100 valuation of assessed	\$ 0.24880	\$ -	\$ 0.24880

Taxes levied for the years ended August 31, 2012 and 2011 were \$252,047, and \$228,171, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

August 31, 2012			
	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 233,450	\$ -	\$ 233,450
Delinquent Taxes Collected	8,529	-	8,529
Penalties and Interest Collected	10,544	-	10,544
	\$ 252,523	\$ -	\$ 252,523

August 31, 2011			
	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 224,905	\$ -	\$ 224,905
Delinquent Taxes Collected	7,035	-	7,035
Penalties and Interest Collected	5,408	-	5,408
	\$ 237,348	\$ -	\$ 237,348

Tax collections for the years ended August 31, 2012 and 2011 were 96% and 102% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of current operations / maintenance.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and August 31, 2011

16. 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 and non-federal contract and grant awards, funds expended, but not collected, are both included in Accounts Receivable (net) on Exhibit 1. Contract and grant awards that are not yet funded and for which the College 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 2012 and 2011 for which monies have not been received nor funds expended totaled \$97,629 and \$390,561, respectively, of which all were from Federal Contract and Grant Awards.

17. SUBSEQUENT EVENT

In September 2012, the College obtained a new note payable for \$83,487 from First Financial Bank. Of this amount, \$34,692 was used to pay off the note payable at First Financial Bank due September 1, 2014 and \$48,795 was deposited into the College's checking account to be used to purchase computers.

SUPPLEMENTAL INFORMATION

RANGER COLLEGE DISTRICT
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					August 31, 2012	August 31, 2011
Tuition						
State Funded Credit Courses						
In-District Resident Tuition	\$ 37,319	\$ -	\$ 37,319	\$ -	\$ 37,319	\$ 5,748
Out-of-District Resident Tuition	2,748,430	-	2,748,430	-	2,748,430	2,002,888
Non-Resident Tuition	113,940	-	113,940	-	113,940	83,727
TPEG - credit (set aside)*	185,631	-	185,631	-	185,631	117,151
State Funded Continuing Education	142,036	-	142,036	-	142,036	80,971
Non-State Funded Continuing Education	-	-	-	-	-	-
Non-course remedial instruction	-	-	-	-	-	-
Total Tuition	3,227,356	-	3,227,356	-	3,227,356	2,290,485
Fees						
General Fee	553,429	-	553,429	-	553,429	348,184
Laboratory Fee	25,541	-	25,541	-	25,541	14,369
Registration fees	342,743	-	342,743	-	342,743	212,678
Educational Service fees	198,349	-	198,349	-	198,349	108,544
Other fees	129,763	-	129,763	-	129,763	74,576
Total Fees	1,249,825	-	1,249,825	-	1,249,825	758,351
Scholarship Allowances and Discounts						
Bad Debt Allowance	(69,434)	-	(69,434)	-	(69,434)	-
Scholarship Allowances	(322,069)	-	(322,069)	-	(322,069)	(153,144)
Title IV Federal Program	(1,842,432)	-	(1,842,432)	-	(1,842,432)	(1,398,795)
TPEG Awards	(55,696)	-	(55,696)	-	(55,696)	(17,692)
Other State Grants	(792)	-	(792)	-	(792)	(219)
Total Scholarship Allowances	(2,290,423)	-	(2,290,423)	-	(2,290,423)	(1,569,850)
Total Net Tuition and Fees	2,186,758	-	2,186,758	-	2,186,758	1,478,986
Additional Operating Revenues						
Federal Grants and Contracts	-	265,670	265,670	-	265,670	300,092
State Grants and Contracts	-	75,981	75,981	-	75,981	72,486
Local Grants and Contracts	216,550	-	216,550	-	216,550	190,100
Sales and Services of Educational Activities	142,864	-	142,864	-	142,864	102,837
Other Operating Revenues	79,471	-	79,471	-	79,471	168,449
Total Additional Operating Revenues	438,885	341,651	780,536	-	780,536	833,964
Auxiliary Enterprises						
Residential life	-	-	-	371,247	371,247	287,326
Less Discounts	-	-	-	(254,836)	(254,836)	(237,837)
Bookstore	-	-	-	486,121	486,121	402,503
Less Discounts	-	-	-	(316,150)	(316,150)	(173,663)
Food Services	-	-	-	728,874	728,874	709,862
Less Discounts	-	-	-	(506,604)	(506,604)	(371,259)
Total Net Auxiliary Enterprises	-	-	-	508,652	508,652	616,932
Total Operating Revenues	\$ 2,625,643	\$ 341,651	\$ 2,967,294	\$ 508,652	\$ 3,475,946	\$ 2,929,882
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$185,631 and \$117,151 for years August 31, 2012 and 2011, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

RANGER COLLEGE DISTRICT
Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Operating Expenses				Totals	
	Salaries and Wages	State Benefits	Local Benefits	Other Expenses	August 31, 2012	August 31, 2011
Unrestricted Educational Activities						
Instruction	\$ 2,141,364	\$ -	\$ 344,126	325,110	\$ 2,810,600	\$ 2,223,532
Academic Support	330,884	-	53,174	93,751	477,809	494,446
Student Services	270,421	-	43,458	40,873	354,752	289,131
Institutional Support	424,552	-	68,227	442,497	935,276	958,821
Operation and Maintenance of Plant	143,857	-	565	476,475	620,897	570,515
Total Unrestricted Educational Activities	3,311,078	-	509,550	1,378,706	5,199,334	4,536,445
Restricted Educational Activities						
Instruction	71,353	237,131	-	62,633	371,117	341,466
Academic Support	13,440	36,642	-	-	50,082	75,552
Student Services	155,669	29,946	28,170	40,297	254,082	241,721
Institutional Support	-	47,014	-	-	47,014	68,345
Operation and Maintenance of Plant	16,487	-	-	-	16,487	5,212
Scholarships and Fellowships	-	-	-	636,989	636,989	690,658
Total Restricted Educational Activities	256,949	350,733	28,170	739,919	1,375,771	1,422,954
Total Educational Activities	3,568,027	350,733	537,720	2,118,625	6,575,105	5,959,399
Auxiliary Enterprises	69,666	-	-	1,628,826	1,698,492	1,519,891
Depreciation Expense - Buildings and Land Improvements	-	-	-	185,363	185,363	185,363
Depreciation Expense - Furniture, Machinery, Vehicles, and Other Equipment	-	-	-	49,737	49,737	50,103
Total Operating Expenses	\$ 3,637,693	\$ 350,733	\$ 537,720	\$ 3,982,551	\$ 8,508,697 (Exhibit 2)	\$ 7,714,756 (Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				August 31, 2012	August 31, 2011
Non-Operating Revenues					
State Appropriations					
Education and General State Support	\$ 2,208,261	\$ -	\$ -	\$ 2,208,261	\$ 1,946,918
State Group Insurance	-	219,503	-	219,503	362,573
State Retirement Matching	-	131,230	-	131,230	128,631
Total State Appropriations	<u>2,208,261</u>	<u>350,733</u>	<u>-</u>	<u>2,558,994</u>	<u>2,438,122</u>
Maintenance Ad Valorem Taxes	252,523	-	-	252,523	237,348
Federal Revenue, Non-Operating	-	3,315,444	-	3,315,444	2,528,332
Gifts	1,086	-	-	1,086	-
Investment Income	<u>191,338</u>	<u>-</u>	<u>-</u>	<u>191,338</u>	<u>204,685</u>
Total Non-Operating Revenue	2,653,208	3,666,177	-	6,319,385	5,408,487
Non-Operating Expenses					
Interest on Capital Related Debt	<u>40,364</u>	<u>-</u>	<u>-</u>	<u>40,364</u>	<u>46,935</u>
Total Non-Operating Expenses	<u>40,364</u>	<u>-</u>	<u>-</u>	<u>40,364</u>	<u>46,935</u>
Net Non-Operating Revenues (Expenses)	<u>\$ 2,612,844</u>	<u>\$ 3,666,177</u>	<u>\$ -</u>	<u>\$ 6,279,021</u> (Exhibit 2)	<u>\$ 5,361,552</u> (Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule D
Schedule of Net Assets by Source and Availability
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ 2,788,424	\$	\$	\$	\$ 2,788,424	\$ 2,788,424	\$
Board Designated					-		
Restricted							
Student Aid		390,161			390,161	390,161	
Instructional Programs					-		
Auxiliary Enterprises	395,520				395,520		395,520
Loan							
Endowment							
Quasi							
Unrestricted							
Restricted							
Endowment							
True							
Term (per instructions at maturity)							
Life Income Contracts							
Annuities							
Plant							
Unexpended							
Capital Projects		199,318			199,318		199,318
Debt Service							
Investment in Plant				1,253,052	1,253,052		1,253,052
Totals							
Net Assets, August 31, 2012	3,183,944	589,479	-	1,253,052	5,026,475 (Exhibit 1)	3,178,585	1,847,890
Net Assets, August 31, 2011	1,949,775	559,086	-	1,271,344	3,780,205 (Exhibit 1)	2,252,788	1,527,417
Net Increase (Decrease) in Net Assets	<u>\$ 1,234,169</u>	<u>\$ 30,393</u>	<u>\$ -</u>	<u>\$ (18,292)</u>	<u>\$ 1,246,270</u> (Exhibit 2)	<u>\$ 925,797</u>	<u>\$ 320,473</u>

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Regents
Ranger College District

We have audited the financial statements of the Ranger College District as of and for the year ended August 31, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-1, 12-2, and 12-3 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-4, 12-5, and 12-6 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), 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*.

Page two

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2012, no instances of material noncompliance were noted.

We noted certain other matters that we reported to management of the College in a separate letter dated December 13, 2012.

The College's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the College's response and, accordingly, we express no opinion on it.

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

Snow Garrett Williams

Snow Garrett Williams
December 13, 2012

RANGER COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2012

There were no findings or questioned costs noted in the prior year relative to Federal or State awards.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A-133? yes X no

Identification of Major Programs:

U.S. Department of Education:

Student Financial Assistance Cluster of Programs:

CFDA # 84.007	Federal Supplemental Education Opportunity Grant
CFDA # 84.033	Federal College Workstudy Program
CFDA # 84.063	Federal Pell Grant Program
CFDA # 84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B federal programs: \$ 300,000

Auditee qualified as a low-risk auditee? yes X no

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2012

Section II – Financial Statement Findings

Findings required to be reported in accordance with *Government Auditing Standards*:

12-1 & Financial Accounting and Reporting Process - Material Weakness
11-1

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budget appropriations, prepare long-range financial plans and to safeguard assets.

Condition: Breakdowns in internal control occurred resulting in inadequate preparation and review of financial reports, accounting records, and reconciliations and errors in recording transactions in the general ledger. Material adjusting entries were necessary to correct the balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Effect: Due to material audit adjustments to Insurance Liabilities, Accounts Payable, Prepaid Expenses, Prepaid Scholarships and Grants, Student Receivables, and Tuition Income in order to properly report the College's financial information for the fiscal year end, the financial reports prepared throughout the fiscal year could have been relied upon in error.

Cause: It appears these conditions are the result of weaknesses in internal controls regarding monitoring of financial information, reconciliation of financial reports to the related documentation, and recording transactions in the general ledger in a timely manner.

Auditor's Recommendation: The College should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions in the general ledger in a timely manner to produce more useful and accurate financial reports.

12-2 & Cash Reconciliation Process - Material Weakness
11-2

Criteria: The cash reconciliation process is a control designed to help identify errors in entries related to cash receipts and disbursements. Appropriate controls over cash require complete and timely reconciliations of all bank accounts.

Condition: Although bank reconciliations were completed after year end, we noted that reconciliations of the College's cash accounts were not performed timely during the fiscal year. Timely reconciliations and timely research and resolution of reconciling items is an important control over cash and deposits.

Effect: Significant adjusting entries were necessary to correct the transactions reported in the cash accounts throughout the fiscal year.

Cause: Cash reconciliations were not prepared timely during the fiscal year primarily due to bank transactions being entered into the accounting system through various methods such as cash receipts, cash disbursements, hand checks, wire transfers, and journal entries.

Auditor's Recommendation: Cash reconciliations should be prepared in a timely manner each month and all unreconciled differences should be immediately researched and resolved. Any bookkeeping errors that are identified should be researched, thoroughly reviewed, and immediately corrected. The source of any errors should be identified and additional controls should be implemented to prevent those errors from recurring in the future. The reconciliation procedures should be thoroughly documented and continually reviewed to ensure that they remain appropriate as the College's finances and systems change over time.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2012

Section II – Financial Statement Findings (Continued)

12-3 & Basis of accounting used in preparing financial statements - Material Weakness
11-4

Criteria: The College's financial statements are required to be reported in accordance with Generally Accepted Accounting Principles (GAAP) and on the accrual basis of accounting. When preparing the financial statements using the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liabilities are incurred.

Condition: The College did not prepare its financial statements or record financial transactions using the accrual basis of accounting as required by GAAP. Revenue was recorded when funds were received rather than when the services were provided to the student. Expenses were recorded when the check was paid rather than when the goods were received or services were performed.

Effect: Using the improper basis of accounting to record financial transactions could result in revenue and expenses being under or over stated in the College's financial statements.

Cause: There is no formal process for recording transactions using the accrual basis of accounting. The College's accounting system is not currently designed to report all transactions under the accrual basis of accounting.

Auditor's recommendation: The College should prepare financial statements and record financial transactions using the accrual basis of accounting as required by GAAP. The College should consider upgrading their accounting software in order to link the student accounts receivable package to the general ledger package so that when a student enrolls and begins attending classes, the revenue is recognized and recorded into the general ledger and a related receivable is recorded. When the payment is received, the receivable is relieved in the general ledger. The College should also consider using the accounts payable package as designed by including the actual date of the services performed or the date the goods were received as the invoice date to recognize and record the expense when the liability is incurred. When the check is written for these services or goods, the liability is relieved.

12-4 & Adjusting journal entries - Significant Deficiency
11-6

Criteria: Adjusting journal entries may significantly affect the general ledger. Proper preparation, review, and approval of journal entries are crucial controls of financial reporting and accounting.

Condition: Journal entries recorded in the general ledger were not reviewed or properly classified in the general ledger and included limited explanations for the purpose of the adjustments.

Effect: Improper journal entries could result in significant errors in the general ledger or misstatements to the financial statements.

Cause: Improper journal entries appear to be caused by the lack of detailed explanations and a proper approval process for the adjustments.

Auditor's recommendation: The College should develop and implement controls over journal entries to assure that entries are properly prepared and reviewed. These controls over journal entries will ensure that the adjustments are being recorded correctly in the College's general ledger.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2012

Section II – Financial Statement Findings (Continued)

12-5 Recording State benefit contributions - Significant Deficiency
 11-7

Criteria: Noncash contributions from other entities for staff benefits should be recorded as revenues and expenses as required by Governmental Accounting Standards.

Condition: The College did not record revenues or expenses related to noncash contributions received from other entities for retirement benefits.

Effect: The lack of recording noncash contributions in the general ledger when benefits are received could result in misstated financial statements.

Cause: The unrecorded noncash contributions for retirement benefits appear to be the result of confusion regarding State appropriations for retirement in the current fiscal year.

Auditor's recommendation: The College should develop and implement procedures and controls over recording revenues and expenses related to noncash contributions received from other entities on a monthly basis.

12-6 Recording grant revenue - Significant Deficiency

Criteria: All of the College's operating and nonoperating grant funding should be recorded as revenue in the general ledger as related grant expenses are incurred.

Condition: Grant revenue was not recorded consistently in the general ledger. Also, student refund payments were recorded in liability accounts and the related grant expense for refunds was not recorded in the general ledger.

Effect: The lack of consistently recording grant revenues and expenses relating to current year receivables and payables could result in the misstatement of grant activity in the current period.

Cause: The unrecorded grant revenue and expense appears to be a result of the College personnel not understanding where to record revenues and expenses related to grants correctly.

Auditor' recommendation: The College should record grant revenue when it is received or requested, and the related grant expense when the expense is incurred.

Section III – Federal Award Findings and Questioned Costs

Findings/Noncompliance	Program	Questioned Costs
No findings or questioned costs were noted.		

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2012

Ranger College respectfully submits the following corrective action plan for the year ended August 31, 2012.

The findings from the August 31, 2012 Schedule of Findings and Questioned Costs are discussed below. The finding numbers are consistent with the numbers assigned in the schedule.

Finding – Financial Statements

The College's Chief Financial Officer (CFO) agrees with the findings. A new CFO was employed in September 2011. The necessary corrective actions are being reviewed and implemented.

12-1 Recommendation: The College should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions in the general ledger in a timely manner to produce more useful and accurate financial reports.

Action Taken: Ranger College will prepare reconciliations monthly and record financial transactions in the general ledger in a timely manner. These transactions in the general ledger will be reviewed by one level of supervision higher than the person preparing them and initialed for verification.

12-2 Recommendation: Cash reconciliations should be prepared in a timely manner each month and all unreconciled differences should be immediately researched and resolved. Any bookkeeping errors that are identified should be researched, thoroughly reviewed, and immediately corrected. The source of any errors should be identified and additional controls should be implemented to prevent those errors from recurring in the future. The reconciliation procedures should be thoroughly documented and continually reviewed to ensure that they remain appropriate as the College's finances and systems change over time.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2012

Action Taken: Cash reconciliations will be prepared in a timely manner each month and unreconciled differences will be immediately researched and resolved. Any bookkeeping errors identified will be researched and corrected. The reconciliation process will be documented.

- 12-3 Recommendation: The College should prepare the financial statements and record financial transactions using the accrual basis of accounting as required by GAAP. The College should consider upgrading their accounting software in order to link the student accounts receivable package to the general ledger package so that when a student enrolls and begins attending classes, the revenue is recognized and recorded into the general ledger and a related receivable is recorded. When the payment is received, the receivable is relieved in the general ledger. The College should also consider using the accounts payable package as designed by including the actual date of the services performed or the date the goods were received as the invoice date to recognize and record the expense when the liability is incurred. When the check is written for these services or goods, the liability is relieved.

Action Taken: Ranger College is in the process of assessing the steps and cost of converting to the accrual basis of accounting.

- 12-4 Recommendation: The College should develop and implement controls over journal entries to assure that entries are properly prepared and reviewed. These controls over journal entries will ensure that the adjustments are being recorded correctly in the College's general ledger.

Action Taken: Ranger College will make journal entries monthly and have the entries approved by one level higher than the person preparing the entries.

- 12-5 Recommendation: The College should develop and implement procedures and controls over recording revenues and expenses related to noncash contributions received from other entities on a monthly basis.

Action Taken: Ranger College will record revenues and expenses related to noncash contributions received from other entities on a monthly basis.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2012

12-6 Recommendation: The College should record grant revenue when it is received or requested, and the related grant expense when the expense is incurred.

Action Taken: Ranger College will record grant revenue when it is received or requested and the related grant expense when the expense is incurred.

FEDERAL AWARDS SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Regents
Ranger College District

Compliance

We have audited the Ranger College District's compliance 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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.

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

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

Snow Garrett Williams

Snow Garrett Williams
December 13, 2012

RANGER COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 14,100
Federal College Workstudy Program	84.033		73,968
Federal Pell Grant Program	84.063		3,227,376
Federal Direct Student Loans	84.268		<u>2,542,202</u>
Total Student Financial Aid Cluster			5,857,646
TRIO Cluster			
TRIO - Student Support Services Grant	84.042A		213,763
Pass-Through From:			
Texas Higher Education Coordinating Board Career and Technical Education Basic Grants - Texas Counselors' Network	84.048	124263	<u>51,907</u>
Total U.S. Department of Education			<u>6,123,316</u>
Total Federal Financial Assistance			<u>\$ 6,123,316</u>

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 265,670
Add: Non-Operating Federal Revenue from Schedule C	<u>3,315,444</u>
Total Federal Revenues per Statement of Revenues, Expenses and changes in Net Assets	<u>\$ 3,581,114</u>
Reconciling Items:	
Federal Direct Student Loans	<u>2,542,202</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 6,123,316</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 above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation to 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 all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor CFDA Number / Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Admin Cost Recovered
U.S. Department of Education			
84.268 Federal Direct Student Loans	<u>\$2,542,202</u>	<u>\$ -</u>	<u>\$ 2,542,202</u>

STATE AWARDS SECTION

RANGER COLLEGE DISTRICT
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2012

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Higher Education Coordinating Board		
Toward Excellence, Access, and Success (Texas)		
Initial Grant		\$ 24,513
Renewal Grant		11,926
Texas Education Opportunity Grant	003603	11,340
Texas Workforce Commission		
Skills Development Fund - Fibergrate	0412SDF002	6,136
Skills Development Fund - Manufacturing Consortium	0412SDF004	22,066
		<u>75,981</u>
Total State Financial Assistance		<u>\$ 75,981</u>

See Notes to Schedule below.

Note 1: State Assistance Reconciliation

State Revenues - per Schedule of Expenditures of State Awards	
State Financial Assistance - per Schedule of	
Expenditures of State Awards	\$ 75,981
Reconciling Items	<u>-</u>
Total State Revenues per Exhibit 2 and Schedule A	<u>\$ 75,981</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 the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

