

**Laredo Community College District**

**Audited Financial Statements and  
Single Audit Reports**

**Year Ended August 31, 2011**

**Laredo Community College District  
August 31, 2011**

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LAREDO COMMUNITY COLLEGE DISTRICT

ORGANIZATIONAL DATA

For the Fiscal Year 2011

Board of Trustees

Officers

Cynthia Mares	President	November 2016
Edward C. Sherwood	Vice President	November 2012
Carlos Carranco, Jr.	Secretary	November 2014

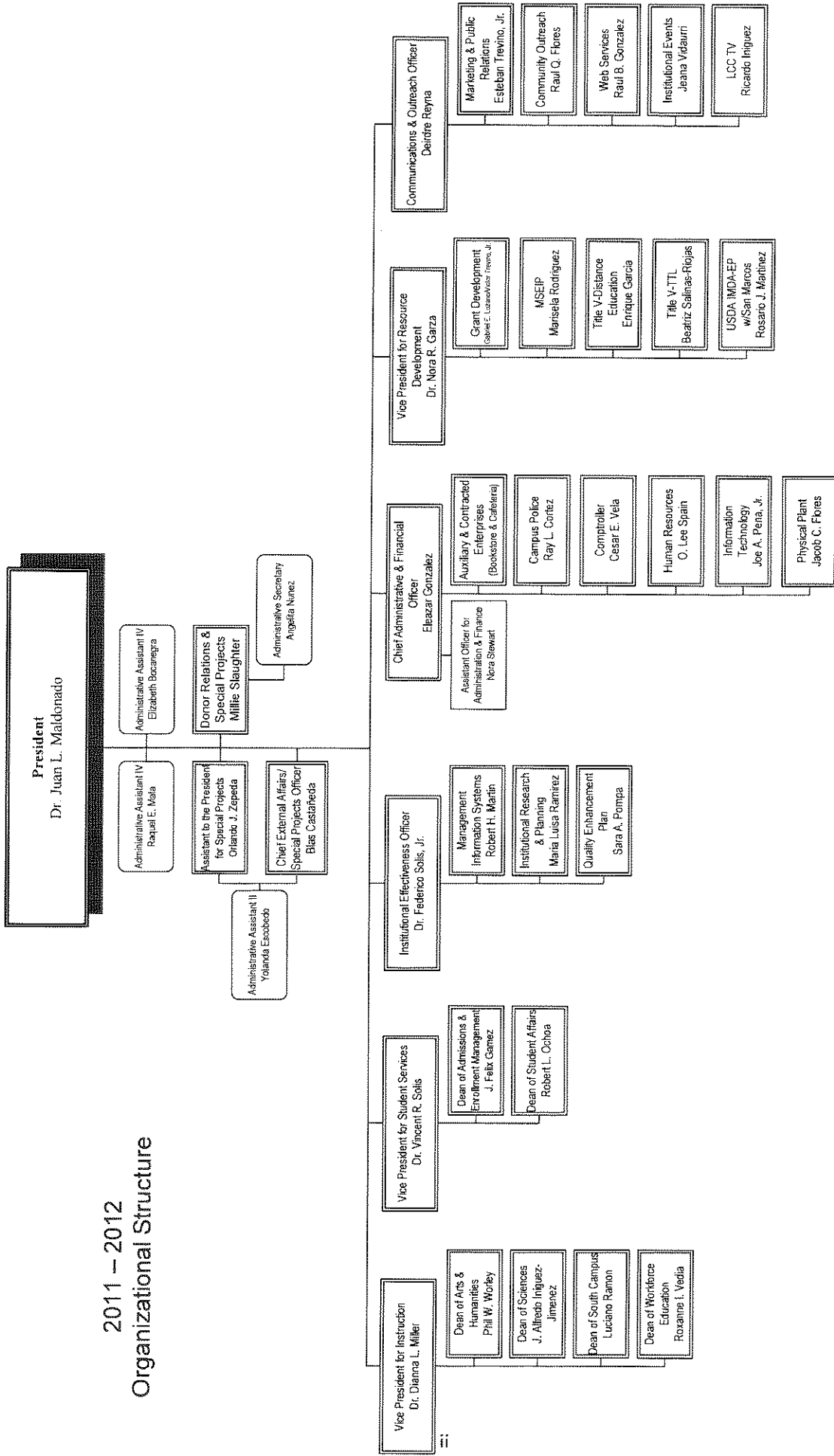
Term Expires

Hilario Cavazos, III	Laredo, Texas	November 2014
Leonides G. Cigarroa, Jr., M.D.	Laredo, Texas	November 2016
Rene De La Viña	Laredo, Texas	November 2012
Mercurio Martinez, Jr.	Laredo, Texas	November 2016
Jesse A. Porras	Laredo, Texas	November 2014
Pete Saenz, Jr.	Laredo, Texas	November 2012

Principal Administrative Officers

Juan L. Maldonado, Ph.D.	President
Eleazar Gonzalez	Chief Administrative & Financial Officer
Dianna Miller, Ph.D.	Vice President for Instruction
Federico Solis, Jr. Ph.D.	Institutional Effectiveness Officer
Vincent Solis, Ph.D.	Vice President for Student Services
Nora R. Garza, Ph.D.	Vice President for Resource Development
Blas Castañeda	Chief External Affairs/Economic Development Officer
Deirdre Reyna	Communications and Outreach Officer

# 2011 – 2012 Organizational Structure



## **FINANCIAL SECTION**

Aaron Canales, CPA  
Juan José Garza, CPA  
J. Clayton Baum, CPA



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Laredo Community College District  
Laredo, Texas

We have audited the accompanying basic financial statements of the Laredo Community College District (the "District"), as of and for the year ended August 31, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the 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 important for assessing the results of our audit.

The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. OMB Circular A-133, *Audits*

*of States, Local Governments, and Non-Profit Organizations, and the State of Texas Single Audit Circular, and are not a required part of the basic financial statements of the District. The schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, the statistical tables, and the sections labeled unaudited have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.*

*Canales, Marga & Baum, PLLC*

Laredo, Texas  
December 14, 2011



**Laredo Community College District  
Management Discussion and Analysis  
Year Ending August 31, 2011**

***Overview of the Financial Statements and Financial Analysis***

This section of Laredo Community College's Annual Financial Report presents Management's Discussion and Analysis of the College's financial position and activities for the year ended August 31, 2011, and comparative information for the year ended August 31, 2010. Since the emphasis of discussion about these statements will be on current activities, resulting change and currently known facts, it should be read in conjunction with the College's Basic Financial Statements and the footnotes.

The financial statements of this annual report consist of three parts – Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The financial statements, consisting of the Statement of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; and No. 35 (GASB 35), *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

These three statements will assist the reader in determining whether the College, as a whole, is performing financially better this year as compared to last year. These statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

This discussion and analysis of the College's financial statements provides an overview of its financial activities for the year.

***Financial Highlights***

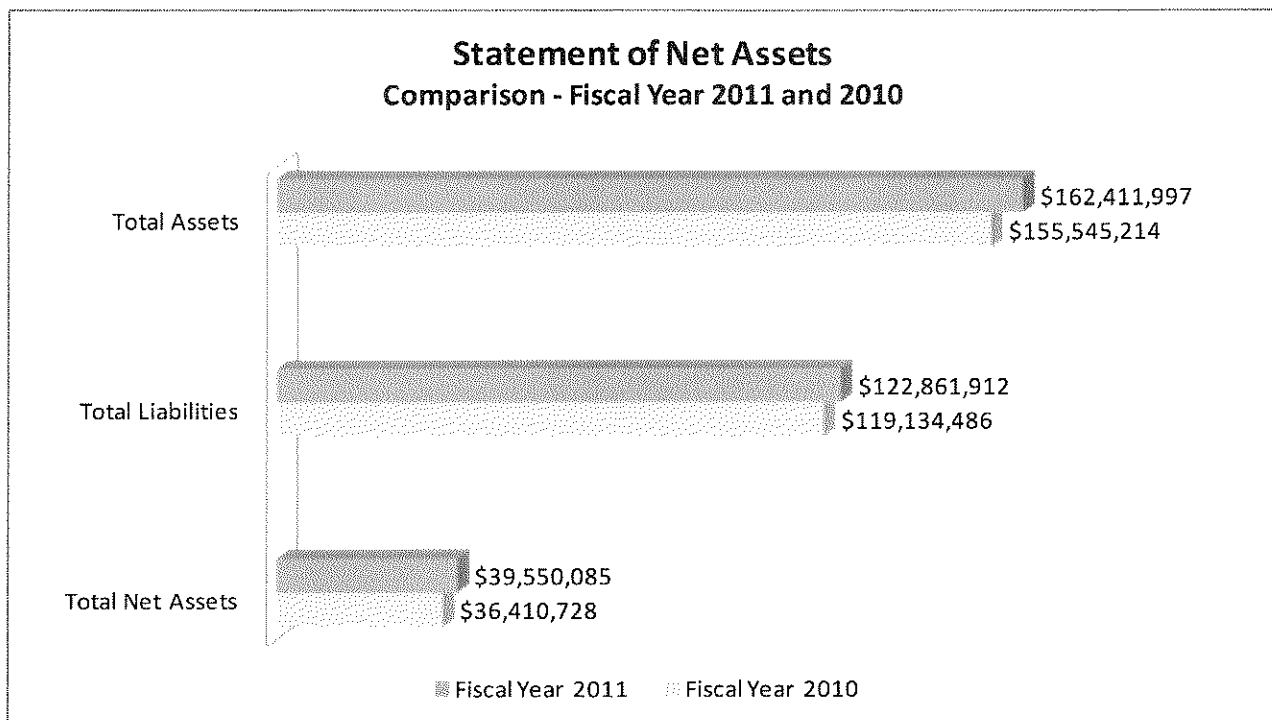
- The College's total combined net assets were \$39,550,085 at August 31, 2011. Of this amount, \$15,715,296 may be used to meet the College's ongoing obligations.
  
- During the fiscal year, the College's combined net assets increased by \$3,139,357 or 8.62%.
  
- During fiscal year 2011, the balance of cash and cash equivalents increased by \$14,431,578 or 42.64%. Tuition and Fees receivables increased by \$1,754,539 or 33.25%.
  
- Capital assets, net of accumulated depreciation, at August 31, 2011, had an increase of \$17,961,588 from August 31, 2010, due mainly to a net increase of \$15,638,803 in construction in progress. Other changes to capital assets include an increase to land improvements of \$3,410,291, an increase to library books of \$82,865, an increase to furniture and equipment of \$2,108,381 and a decrease to buildings of \$719,437.

***Statement of Net Assets***

The statement of net assets presents the assets, liabilities and net assets of the College as of the end of the fiscal year. The purpose of the statement of net assets is to present to the readers of the financial statements a fiscal snapshot of Laredo Community College.

From the data presented, readers of the statement of net assets are able to determine the assets that are available to continue the operations of the College. They are also able to determine how much the College owes vendors, investors and lending institutions. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) of the institution for the years ended August 31. Condensed financial information from the Statements of Net Assets is as follows:

<b>Statement of Net Assets</b>				
	2011	2010	Amount Change	Percent Change
<b>Assets:</b>				
Current assets	\$ 61,894,797	\$ 72,989,602	\$ (11,094,805)	-15.20%
Capital assets	100,517,200	82,555,612	17,961,588	21.76%
Other non-current assets	-	-	-	0.00%
<b>Total assets</b>	<b>162,411,997</b>	<b>155,545,214</b>	<b>6,866,783</b>	<b>4.41%</b>
<b>Liabilities:</b>				
Current liabilities	23,853,811	16,998,877	6,854,934	40.33%
Non-current liabilities	99,008,101	102,135,609	(3,127,508)	-3.06%
<b>Total liabilities</b>	<b>122,861,912</b>	<b>119,134,486</b>	<b>3,727,426</b>	<b>3.13%</b>
Investment in capital assets, net of related debt	8,389,756	9,985,526	(1,595,770)	-15.98%
Restricted net assets	15,445,033	11,630,442	3,814,591	32.80%
Unrestricted net assets	15,715,296	14,794,760	920,536	6.22%
<b>Total net assets</b>	<b>\$ 39,550,085</b>	<b>\$ 36,410,728</b>	<b>\$ 3,139,357</b>	<b>8.62%</b>



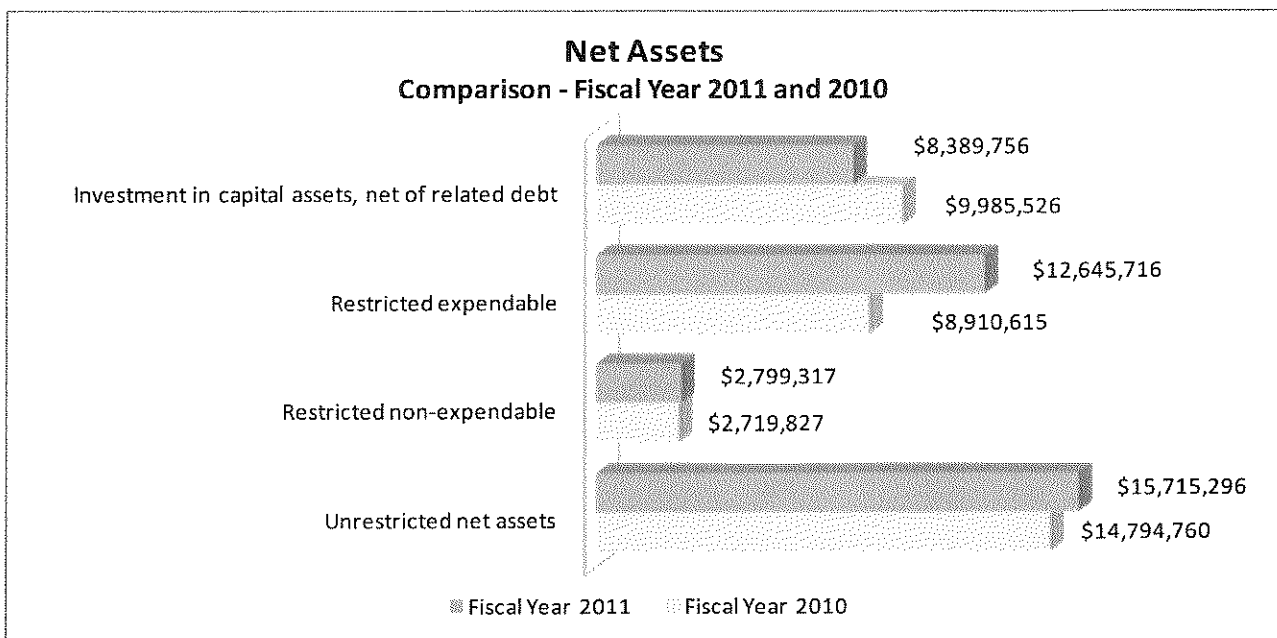
The total assets of the College increased \$6,866,783 or 4.41% compared to the prior year, from \$155,545,214 in 2010 to \$162,411,997 in 2011. Within the assets section, current assets decreased by 15.20% - equal to \$11,094,805. This decrease is due to a decrease in short term investments of \$27,405,994. The decrease in short term investments is attributed to Treasury bill investments maturing during fiscal year 2011. Also decreasing in this section were property taxes receivable which decreased by \$519,065 and Federal receivables which decreased by \$60,729, compared to the prior year. These decreases were mainly offset by an increase to cash and cash equivalent of \$14,431,578 and increase of \$1,754,539 in tuition and fees receivable.

Also within this section, capital assets, net of accumulated depreciation, increased by \$17,961,588. The increase was primarily due to an increase in construction in progress of \$15,638,803 during fiscal year 2011. The increase in construction in progress was attributed to construction projects for Phase I and II of the Facilities Master Plan at August 31, 2011. In addition, there was an increase of \$3,410,291 in land improvements due to the capitalization of the South Campus Recreation Complex and an increase of \$99,372 in buildings attributed to the capitalization of the paint room storage addition to the Raquel Gonzalez Automotive Technology Center. The increases were offset by decreases in buildings in the amount of \$818,809 attributed to the disposal of the Fort McIntosh dorm complex and a \$143,795 decrease in furniture and equipment due to fiscal year 2011 equipment and furniture disposals.

On the liability side, the total liabilities of the College increased by \$3,727,426 or 3.13% compared to fiscal year 2010, from \$119,134,486 in 2010 to \$122,861,912 in 2011. Within this net change, current liabilities increased by \$6,854,934, or 40.33%, due primarily to an increase of \$3,240,106 in deferred revenues for Fall 2012 tuition and fees that were unearned at year end and an increase of \$2,530,376 in accounts payable.

Non-current liabilities decreased by \$3,127,508, or 3.06% from \$102,135,609 in 2010 to \$99,008,101 in 2011. The primary change that contributed toward this decrease was a decrease to bonds payable – noncurrent of \$3,452,465 due to principal payments and associated amortization of bond discount, premium and deferred loss during fiscal year 2011.

The increase in total assets from 2010 to 2011 of \$6,866,783 and the increase in total liabilities of \$3,727,426 yields an increase in total net assets of \$3,139,357. Twenty one percent of net assets, \$8,389,756, reflect the College's investment in capital assets net of related debt. Restricted net assets such as endowment gifts, grants from third-party agencies with expenditure restrictions, student loan funds, and assets designated for debt service represent an additional 39%. The remaining forty percent of net assets, \$15,715,296 are unrestricted net assets and may be used for educational or general operations by the College.



### Statement of Revenues, Expenses and Changes in Net Assets

The purpose of the statement of revenues, expenses and changes in net assets is to present the operating and non-operating revenues received by the College, and operating and non-operating expenses incurred by the College, as well as any other revenues or expenses received or spent by the College.

Generally, operating revenues and expenses are transactions that occur in carrying out the mission of the College. Operating revenues are received in exchange for services while operating expenses are incurred to provide these services. Non-operating revenues are revenues for which goods and services are not provided. Non-operating expenses are incurred in activities that are outside of the College's mission. State appropriations, Title IV funds and ad valorem tax revenues are reported as non-operating in compliance with GASB.

The following summary is prepared from the College's Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended August 31:

#### Statement of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Amount Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 17,846,964	\$ 16,999,328	\$ 847,636	4.99%
Operating Expenses	<u>78,053,894</u>	<u>75,021,438</u>	<u>3,032,456</u>	<u>4.04%</u>
Operating Loss	(60,206,930)	(58,022,110)	(2,184,820)	3.77%
Non-operating revenues and expenses	63,346,287	60,536,248	2,810,039	4.64%
Increase in net assets	3,139,357	2,514,138		
Net assets at beginning of year	36,410,728	33,896,590		
<b>Net assets at end of year</b>	<b><u>\$ 39,550,085</u></b>	<b><u>\$ 36,410,728</u></b>	<b><u>\$ 3,139,357</u></b>	<b><u>8.62%</u></b>

The statement of revenues, expenses and changes in net assets reflects an increase to net assets of \$3,139,357 for fiscal year 2011, compared to an increase of \$2,514,138 for fiscal year 2010.

As is normal, operations yielded a loss for the year of \$60,206,930. This is commonly referred to as the burden on taxpayers. The operating loss does not include state appropriations, Title IV funds, or ad valorem taxes, which are reported as non-operating revenues as required by GASB 35.

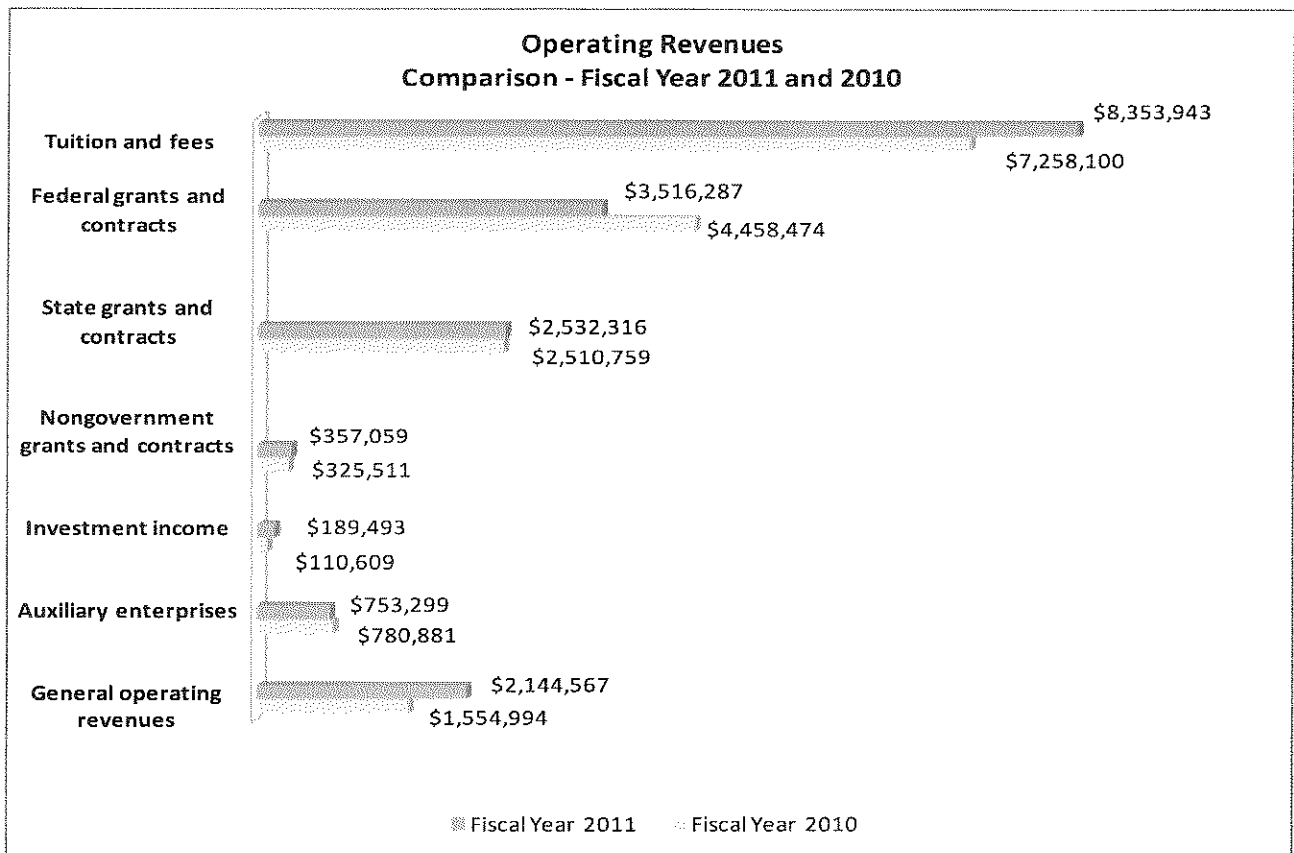
The operating loss increased by \$2,184,820 or 3.77%, from \$58,022,110 in fiscal year 2010, to \$60,206,930 in fiscal year 2011. Operating revenues increased by \$847,636, and total operating expenses increased by \$3,032,456.

Total operating revenues increased by \$847,636, which primarily consisted of an increase of \$1,095,843 in tuition and fees, an increase of \$78,884 in investment income, increases of \$21,557 and \$31,548 in state and nongovernment grants and contracts and an increase of \$589,573 in general operating revenues. In

addition, the College experienced decreases in federal grant revenues of \$942,187 and auxiliary enterprise revenue of \$27,582.

Operating revenues, used to fund operating expenses, consisted of the following percentages of the total:

Operating revenues	2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$10,631,923 and \$8,052,617)	\$ 8,353,943	46.81%	\$ 7,258,100	42.70%
Federal grants and contracts	3,516,287	19.70%	4,458,474	26.23%
State grants and contracts	2,532,316	14.19%	2,510,759	14.77%
Nongovernment grants and contracts	357,059	2.00%	325,511	1.91%
Investment income (program restricted)	189,493	1.03%	110,609	0.65%
Auxiliary enterprises (net of discounts of \$20,138 and \$133,084)	753,299	4.22%	780,881	4.59%
Other operating revenues	2,144,567	12.02%	1,554,994	9.15%
<b>Total</b>	<b>\$ 17,846,964</b>	<b>100.00%</b>	<b>\$ 16,999,328</b>	<b>100.00%</b>

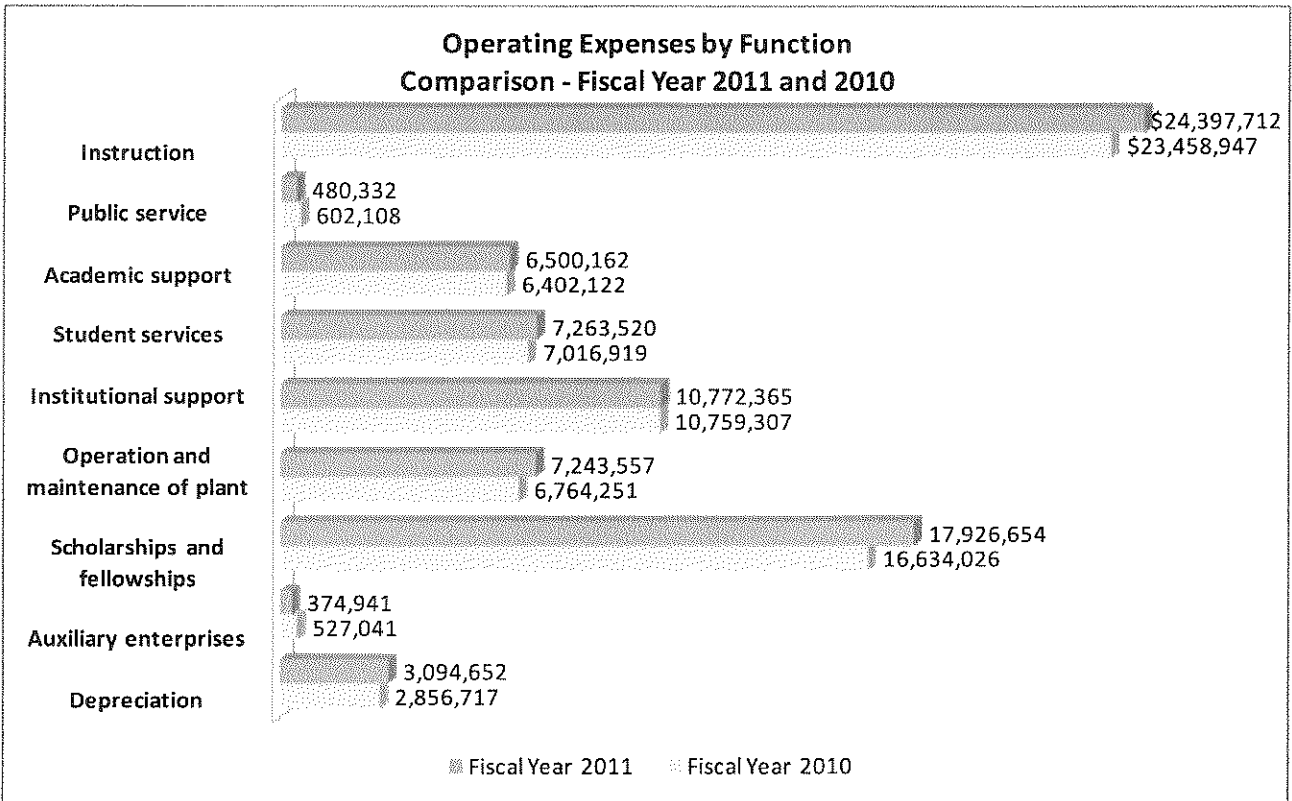


Overall operating expenses increased by 4.04%, or \$3,032,457 for the year. The increase in operating expenses was due to the result of budgeted level spending associated with increased operating costs associated with enrollment growth. An analysis of operating expenses by function indicates the most significant year-to-year expense change to be in scholarships by \$1,292,628 or 43% and instruction by

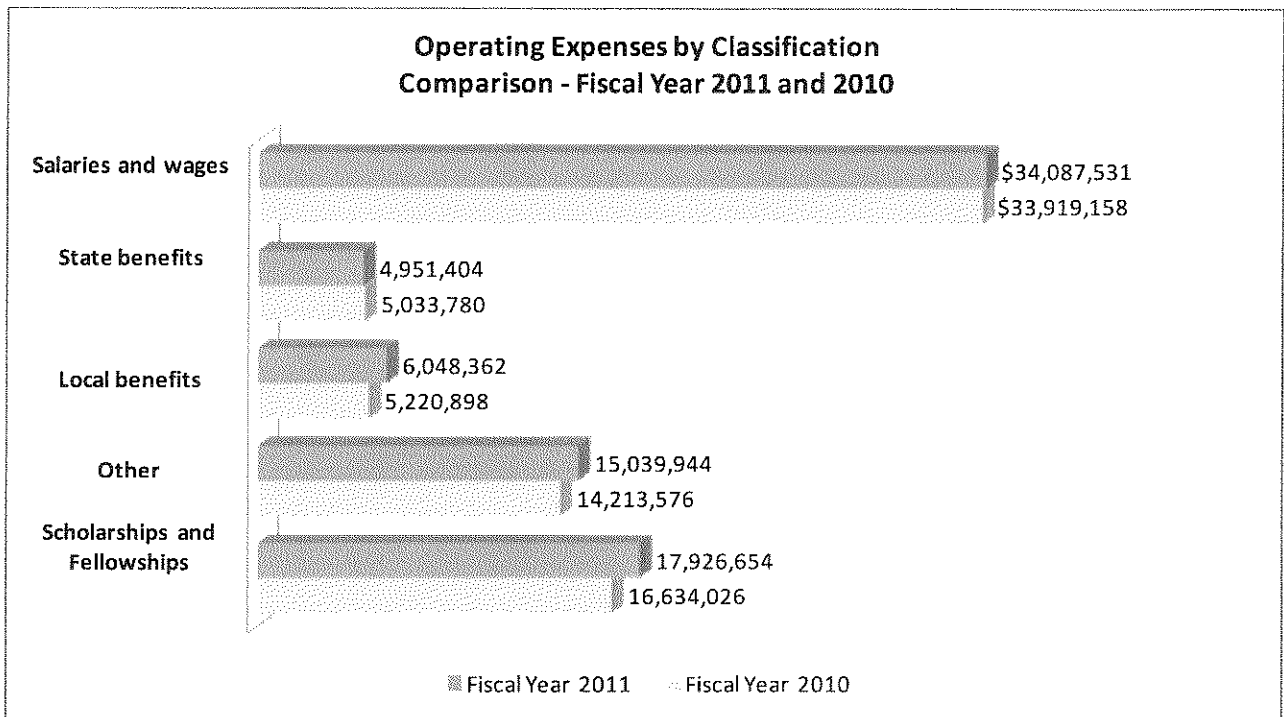
\$938,765 or 31%. The increase in scholarship expense is primarily due to an increase in funds available to help students meet their educational needs.

Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated below:

Operating Expenses by Function	2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 24,397,712	31.26%	\$ 23,458,947	31.27%
Public service	480,332	0.62%	602,108	0.80%
Academic support	6,500,162	8.33%	6,402,122	8.53%
Student services	7,263,520	9.31%	7,016,919	9.35%
Institutional support	10,772,365	13.80%	10,759,307	14.34%
Operation and maintenance of plant	7,243,557	9.28%	6,764,251	9.02%
Scholarships and fellowships	17,926,654	22.97%	16,634,026	22.17%
Auxiliary enterprises	374,941	0.48%	527,041	0.70%
Depreciation	3,094,652	3.96%	2,856,717	3.81%
<b>Total</b>	<b>\$ 78,053,895</b>	<b>100.00%</b>	<b>\$ 75,021,438</b>	<b>100.00%</b>



Operating Expenses by Classification	2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and wages	\$ 34,087,531	43.67%	\$ 33,919,158	45.21%
State benefits	4,951,404	6.34%	5,033,780	6.71%
Local benefits	6,048,362	7.75%	5,220,898	6.96%
Other	15,039,944	19.27%	14,213,576	18.95%
Scholarships and fellowships	17,926,654	22.97%	16,634,026	22.17%
<b>Total</b>	<b>\$ 78,053,895</b>	<b>100.00%</b>	<b>\$ 75,021,438</b>	<b>100.00%</b>



Net non-operating revenues (expenses) increased over last year by 4.64%, or \$2,810,039. The increase in revenues was due primarily to increases in ad valorem taxes and Federal Revenue, Non-Operating in the amount of \$275,029 and \$3,544,633, respectively. The increase was offset by an increase in interest on capital related debt of \$1,338,449. The increase in interest on capital related debt was attributed to interest payments on new debt issued for the Facilities Master Plan Phase I.

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive year with an increase in net assets at the end of the year.

Some highlights of the information presented on the Statements of Revenues, Expenses, and Changes in Net Assets are as follows:

- Tuition and fees were discounted by \$10,631,923 and \$8,052,617 in fiscal years 2011 and 2010 respectively, which consisted of federal, state, local and private grants that were provided as financial aid to students and other remissions and exemptions.
- Tax collections for maintenance and operations increased 9.35% from \$18,891,296 in 2010 to \$20,657,109 in 2011.
- The tax rates assessed in fiscal years 2010 and 2011 were \$0.22720 and \$0.23812 respectively.

### **Statement of Cash Flows**

The final statement in our presentation is the statement of cash flows. It presents detailed information about the cash activity of the College during the year. The statement is divided into five sections. The first section reports the operating cash flows used by the College in its operating activities. For the year, the primary sources of operating cash inflows are tuition and fees and grant revenues. Conversely, the primary operating cash outflow was payments of salaries and fringe benefits. Net cash outflows for the year are \$53,649,924.

The second section reports cash flows from noncapital financing activities. This section includes cash received and spent for non-operating, non-investing, and non-capital financing purposes. The College experienced a net cash inflow for the year of \$64,004,934. The primary sources of cash were receipts from state appropriations, receipts from non-operating federal revenue and ad valorem (property) taxes levied for the maintenance and operation of plant, which generated an inflow of \$16,863,474, \$25,314,801 and \$21,663,015 respectively.

The third section reflects the cash flows from financing activities. This section deals with the cash used for the acquisition and construction of capital assets. Net cash outflows for the year were \$24,126,657. The primary uses of the cash were outflows for payments on acquisition of capital assets in the amount of \$19,779,006 and payments on capital debt, leases, principal, interest and fees of \$8,663,654. The primary cash inflows were ad-valorem taxes of \$4,269,388.

The fourth section reports cash flows from investing activities. It reports cash used for investment purposes and the proceeds and interest received from investing activities. For the year, the College experienced a net cash inflow of \$28,203,225. The primary cash inflows were receipts from sales and maturities of investments of \$27,405,994 and receipts from interest on investments of \$797,231.

The fifth section reconciles the net cash used by operating activities to the operating income or loss reflected on the statement of revenues, expenses and changes in net assets.

### **Statement of Cash Flows**

	2011	2010
Cash provided (used) by		
Operating Activities	\$ (53,649,924)	\$ (55,136,628)
Non-capital financing activities	64,004,934	58,779,882
Financing activities	(24,126,657)	25,375,784
Investing activities	28,203,225	(22,475,350)
Net increase (decrease) in cash	14,431,578	6,543,688
Cash and cash equivalents - September 1	33,844,779	27,301,091
<b>Cash and cash equivalents - August 31</b>	<b>\$ 48,276,357</b>	<b>\$ 33,844,779</b>

### **Capital Assets and Long-Term Debt**

During the year, \$26,733,537 of new assets was capitalized. The components of this increase are as follows:

- \$20,242,251 of construction in progress related to the Facilities Master Plan phase I and II projects
- \$3,410,291 increase to land improvements due to the capitalization of the South Campus Recreation Complex.
- \$108,621 of new library books was capitalized.
- \$2,252,176 of new equipment was capitalized. Only equipment with a value of \$5,000 or more is capitalized.
- \$620,826 for a capital lease of computer equipment.



Long-term debt decreased by \$3,452,465 during fiscal year 2011. The decrease is due primarily to principal payments on long-term debt.

### ***Economic Outlook***

The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the coming fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Increases in ad valorem taxes, tuition and fees, federal grants, operating revenues, and federal non operating revenues largely offset the increases in expenditures, which were attributed by increased operating costs associated with enrollment growth.

Laredo Community College is financially sound and the economic outlook remains bright. As of August 31, 2011, the District's Unrestricted Net Assets totaled \$15,715,296. As a whole, Laredo Community College's net assets increased by 8.62% or \$3,139,357 from \$36,410,728 in fiscal year 2010 to \$39,550,085 in fiscal year 2011.

### ***Request for Information***

This financial report is intended to provide a general overview of Laredo Community College's finances. Requests for additional financial information may be addressed to Laredo Community College's Comptroller's Office, West End Washington St., Laredo, Texas 78040.

**Laredo Community College District**  
**Statement of Net Assets**  
**August 31, 2011 and August 31, 2010**  
**Exhibit 1**

Assets	Current Year	Prior Year
<b>Current assets</b>		
Cash and cash equivalents	\$ 48,276,357	\$ 33,844,779
Short Term investments	-	27,405,994
Property taxes receivable (net of allowances of \$1,156,580 and \$740,281)	1,361,749	1,880,814
Tuition and fees receivable (net of allowances of \$507,839 and \$410,137)	7,031,168	5,276,629
Federal receivables (net of allowances of \$80,890 and \$7,345)	1,985,705	2,046,434
Other receivables (net of allowances of \$140,933 and \$131,957)	2,524,005	2,006,957
Inventories	4,814	4,566
Prepaid expenses	710,999	523,429
Total current assets	<u>\$ 61,894,797</u>	<u>\$ 72,989,602</u>
<b>Noncurrent assets</b>		
Capital assets, net of accumulated depreciation	<u>100,517,200</u>	<u>82,555,612</u>
Total non-current assets	<u>\$ 100,517,200</u>	<u>\$ 82,555,612</u>
<b>Total assets</b>	<u><u>\$ 162,411,997</u></u>	<u><u>\$ 155,545,214</u></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	4,698,787	2,168,411
Accrued liabilities	351,656	345,271
Deferred revenues	11,887,974	8,647,868
Funds held for others	465,339	443,247
Compensated absences - current portion	1,007,993	976,402
Capital leases payable - current portion	595,009	526,138
Accreted interest payable - current portion	548,033	435,726
Bonds payable - current portion	3,452,465	3,157,465
Retainage payable - current portion	846,554	298,349
Total current liabilities	<u>\$ 23,853,811</u>	<u>\$ 16,998,877</u>
<b>Noncurrent liabilities</b>		
Compensated absences - noncurrent portion	708,848	656,274
Capital leases payable - noncurrent portion	700,944	751,980
Accreted interest payable - noncurrent	926,406	602,987
Bonds payable (net)	96,671,903	100,124,368
Total noncurrent liabilities	<u>\$ 99,008,101</u>	<u>\$ 102,135,609</u>
<b>Total liabilities</b>	<u><u>\$ 122,861,912</u></u>	<u><u>\$ 119,134,486</u></u>
<b>Net assets</b>		
Investment in capital assets, net of related debt	8,389,756	9,985,526
<b>Restricted for</b>		
Nonexpendable - endowment corpus	2,799,317	2,719,827
Expendable		
Student aid	2,737,806	2,812,091
Plant funds	5,408,818	1,006,304
Other	115,119	85,982
Debt service reserve	3,775,451	3,440,335
Auxiliary	608,522	1,565,903
Unrestricted	15,715,296	14,794,760
<b>Total net assets</b>	<u><u>\$ 39,550,085</u></u>	<u><u>\$ 36,410,728</u></u>

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

Laredo Community College District  
Statement of Revenues, Expenses and Changes in Net Assets  
Years Ended August 31, 2011 and August 31, 2010  
Exhibit 2

Revenues	Current Year	Prior Year
Operating revenues		
Tuition and fees (net of discounts of \$10,631,923 and \$8,052,617)	\$ 8,353,943	\$ 7,258,100
Federal grants and contracts	3,516,287	4,458,474
State grants and contracts	2,532,316	2,510,759
Nongovernment grants and contracts	357,059	325,511
Investment income (program restricted)	189,493	110,609
Auxiliary enterprises (net of discounts of \$20,138 and \$133,084)	753,299	780,881
Other operating revenues	2,144,567	1,554,994
Total operating revenues - Schedule A	<u>\$ 17,846,964</u>	<u>\$ 16,999,328</u>
Expenses		
Operating expenses		
Instruction	24,397,712	23,458,947
Public service	480,332	602,108
Academic support	6,500,162	6,402,122
Student services	7,263,520	7,016,919
Institutional support	10,772,365	10,759,307
Operation and maintenance of plant	7,243,557	6,764,251
Scholarships and fellowships	17,926,654	16,634,026
Auxiliary enterprises	374,941	527,041
Depreciation	3,094,652	2,856,717
Total operating expenses - Schedule B	<u>\$ 78,053,895</u>	<u>\$ 75,021,438</u>
Operating income (loss)	<u>\$ (60,206,931)</u>	<u>\$ (58,022,110)</u>
Non-operating revenues (expenses)		
State Appropriations	16,863,474	17,054,956
Professional nursing shortage reduction	100,815	35,221
Maintenance ad-valorem taxes		
Taxes for maintenance & operations	21,143,950	20,211,261
Taxes for general obligation bonds	4,269,388	4,927,048
Federal Revenue, Non-Operating	25,314,801	21,770,168
Investment income	797,231	659,749
Interest on capital related debt	(5,224,873)	(3,886,424)
Other non-operating revenues (expenses)	(5,850)	(332,728)
Additions to permanent endowments	40,737	50,100
Capital gifts	46,615	46,897
Net other non-revenues (expenses) - Schedule C	<u>\$ 63,346,287</u>	<u>\$ 60,536,248</u>
Income before cumulative effect of a change in accounting principle	3,139,357	2,514,138
Cumulative effect of a change in accounting principle		
Increase (decrease) in net assets	3,139,357	2,514,138
Net assets - September 1, 2010 and September 1, 2009	36,410,728	33,896,590
Restatements (prior period adjustment)	-	-
Restated net assets - September 1, 2010 and September 1, 2009	<u>36,410,728</u>	<u>33,896,590</u>
Net assets - August 31, 2011 and August 31, 2010	<u>\$ 39,550,085</u>	<u>\$ 36,410,728</u>

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

Laredo Community College  
Statement of Cash Flows  
Years Ended August 31, 2011 and 2010  
Exhibit 3

	Current Year	Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 8,942,205	\$ 8,287,734
Receipts from grants and contracts	7,789,440	8,328,349
Payments to suppliers for goods and services	(9,852,940)	(12,860,381)
Payments to or on behalf of employees	(45,003,132)	(44,132,777)
Payments for scholarships and fellowships	(17,670,064)	(16,314,547)
Other receipts (payments)	2,144,567	1,554,994
Net cash provided (used) by operating activities	<u>\$ (53,649,924)</u>	<u>\$ (55,136,628)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	16,863,474	17,054,956
Receipts from <i>Ad Valorem</i> taxes - maintenance & operations	21,663,015	19,858,651
Receipts (Payments) from (to) student organizations and other agency transactions	22,092	10,786
Receipts from private gifts for endowment purposes	40,737	50,100
Receipts from non-operating federal revenue	25,314,801	21,770,168
Receipts from professional nursing shortage reduction	100,815	35,221
Net cash provided (used) by non-capital financing activities	<u>\$ 64,004,934</u>	<u>\$ 58,779,882</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from the issuance of capital debt	-	43,370,000
Receipts from <i>Ad Valorem</i> Taxes - general obligation bonds	4,269,388	4,926,215
Receipts from capital grants and gifts	46,615	46,897
Acquisition and construction of capital assets	(19,779,006)	(5,569,341)
Payments on capital debt and leases-principal	(3,881,193)	(13,328,725)
Payments on capital debt and leases-interest and fees	(4,782,461)	(4,069,262)
Net cash provided (used) by capital and related financing activities	<u>\$ (24,126,657)</u>	<u>\$ 25,375,784</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from sales and maturities of investments	27,405,994	4,270,895
Receipts from interest on investments	797,231	659,749
Purchase of investments	-	(27,405,994)
Net cash provided (used) by investing activities	<u>\$ 28,203,225</u>	<u>\$ (22,475,350)</u>
Increase (decrease) in cash and cash equivalents	14,431,578	6,543,688
Cash and cash equivalents - September 1	<u>33,844,779</u>	<u>27,301,091</u>
Cash and cash equivalents - August 31	<u>\$ 48,276,357</u>	<u>\$ 33,844,779</u>

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

Laredo Community College  
Statement of Cash Flows  
Years Ended August 31, 2011 and 2010  
Exhibit 3

	Current Year	Prior Year
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ (60,206,931)	\$ (58,022,109)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation Expense	3,094,651	2,856,717
Accrued <i>Ad Valorem</i> Tax	(519,065)	353,442
<b>Changes in Assets and Liabilities:</b>		
Receivables (net)	(1,691,793)	(913,573)
Inventories	(248)	5,395
Prepaid Expenses	(187,570)	(150,208)
Accounts Payable	2,530,376	(1,064,202)
Accrued Liabilities	6,385	24,972
Compensated Absences	84,165	41,059
Deferred Revenue	3,240,106	1,731,879
Net cash provided (used) by operating activities	<u>\$ (53,649,924)</u>	<u>\$ (55,136,628)</u>

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

**Laredo Community College District**  
**Notes to Financial Statements**  
**August 31, 2011**

**Note 1 – Reporting Entity**

Laredo Community College (the College) was established in 1947 (as Laredo Junior College) in accordance with the laws of the State of Texas, to serve the educational needs of the public and the surrounding communities. The Laredo Community College District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. 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.

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

**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 amount is recorded as a 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 district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. 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.

**Cash and cash equivalents**

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.

## **Investments**

In accordance with GASB 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 greater than one year at the time of purchase.

## **Inventories**

Inventories consist of consumable office supplies and physical plant supplies. Inventories are valued at FIFO and are charged to expense as consumed.

## **Capital assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, with one exception. The cost of several of the College's buildings could not be obtained. In lieu of cost, each building's estimated replacement cost was adjusted using the consumer price index of the year the College received title to the building to determine a capitalizable value. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings and 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 applying the half-year convention. The following lives are used:

Buildings and Building Improvements	50 years
Land Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years

## **Deferred revenues**

Tuition and fees of \$9,996,453 and \$7,939,282 and federal, state, and local grants of \$1,837,541 and \$703,985 have been reported as deferred revenues at August 31, 2011 and August 31, 2010 respectively.

## **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Operating and non-operating revenue and expense policy**

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. 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 and cafeteria 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.

### Note 3 – Authorized Investments

The Board of Trustees of Laredo Community College has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act (Chapter 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.

### Note 4 – Deposits, Securities and Investments

At August 31, 2011 and 2010, the carrying amount of the College's deposits was \$48,276,357 and \$61,250,773, respectively, and total demand deposits equaled \$48,257,607 and \$33,832,029, respectively. Deposits of \$258,402 and \$258,385 are covered by federal depository insurance and \$47,999,108 and \$60,979,637 were covered by \$77,514,395 and \$73,124,119 respectively, of collateral pledged in the College's name.

	August 31, 2011	August 31, 2010
<u>Cash and Deposits</u>		
Bank Deposits		
Demand Deposits	\$ 48,257,607	\$ 33,832,029
Total Bank Deposits	48,257,607	33,832,029
Cash on Hand	18,750	12,750
Total Cash and Deposits	\$ 48,276,357	\$ 33,844,779

#### Reconciliation of Deposits and Investments between Note 4 and Exhibit 1 for the Reporting Entity as a Whole:

##### Total Deposits and Investments:

Per Note 4:

Total Investments	\$ 0
Total Cash and Deposits	48,276,357
Total per Note 4	\$ 48,276,357

Per Exhibit 1:

Cash and Cash Equivalents	\$ 48,276,357
Other short-term Investments	0
Total per Exhibit 1	\$ 48,276,357

Concentration of Credit Risk: Laredo Community College does not place a limit on the amount the college may invest in any one issuer. Eighty percent (80%) of the college's investments are in Falcon International Bank.

Interest Rate Risk: In accordance with state law and District policy, Laredo Community College does not purchase any investments with maturities greater than 10 years.

Credit Risk: Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. Laredo Community College's investments are unrated.



Investment Category section for August 31, 2010 is included for comparison purposes only.

**Investment Categories as of August 31, 2010**

	August 31, 2010	August 31, 2009
<b><u>Cash and Deposits</u></b>		
Bank Deposits		
Demand Deposits	\$ 33,832,029	\$ 27,288,336
Total Bank Deposits	33,832,029	27,288,336
Cash on Hand	12,750	12,755
Total Cash and Deposits	\$ 33,844,779	\$ 27,301,091

**Reconciliation of Deposits and Investments between Note 4 and Exhibit 1 for the Reporting Entity as a Whole:**

**Total Deposits and Investments:**

Per Note 4:

Total Investments	27,405,994
Total Cash and Deposits	33,844,779
Total per Note 4	<u>\$ 61,250,773</u>

Per Exhibit 1:

Cash and Cash Equivalents	\$ 33,844,779
Other short-term Investments	27,405,994
Total per Exhibit 1	<u>\$ 61,250,773</u>

As of August 31, 2010, the college had the following investments and maturities:

Investment Type	Market Value	Less than 1 year	1 to 2 years	2 to 3 years
T-Bill Investments	\$ 27,405,994	\$ 27,405,994	\$ 0	\$ 0

**Concentration of Credit Risk:** Laredo Community College does not place a limit on the amount the college may invest in any one issuer. Fifty six percent (56%) of the college's investments are in Falcon International Bank and forty four percent (44%) are in AC Financial Services.

**Interest Rate Risk:** In accordance with state law and District policy, Laredo Community College does not purchase any investments with maturities greater than 10 years.

**Credit Risk:** Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. Laredo Community College's investments are unrated.

