

# MIDLAND

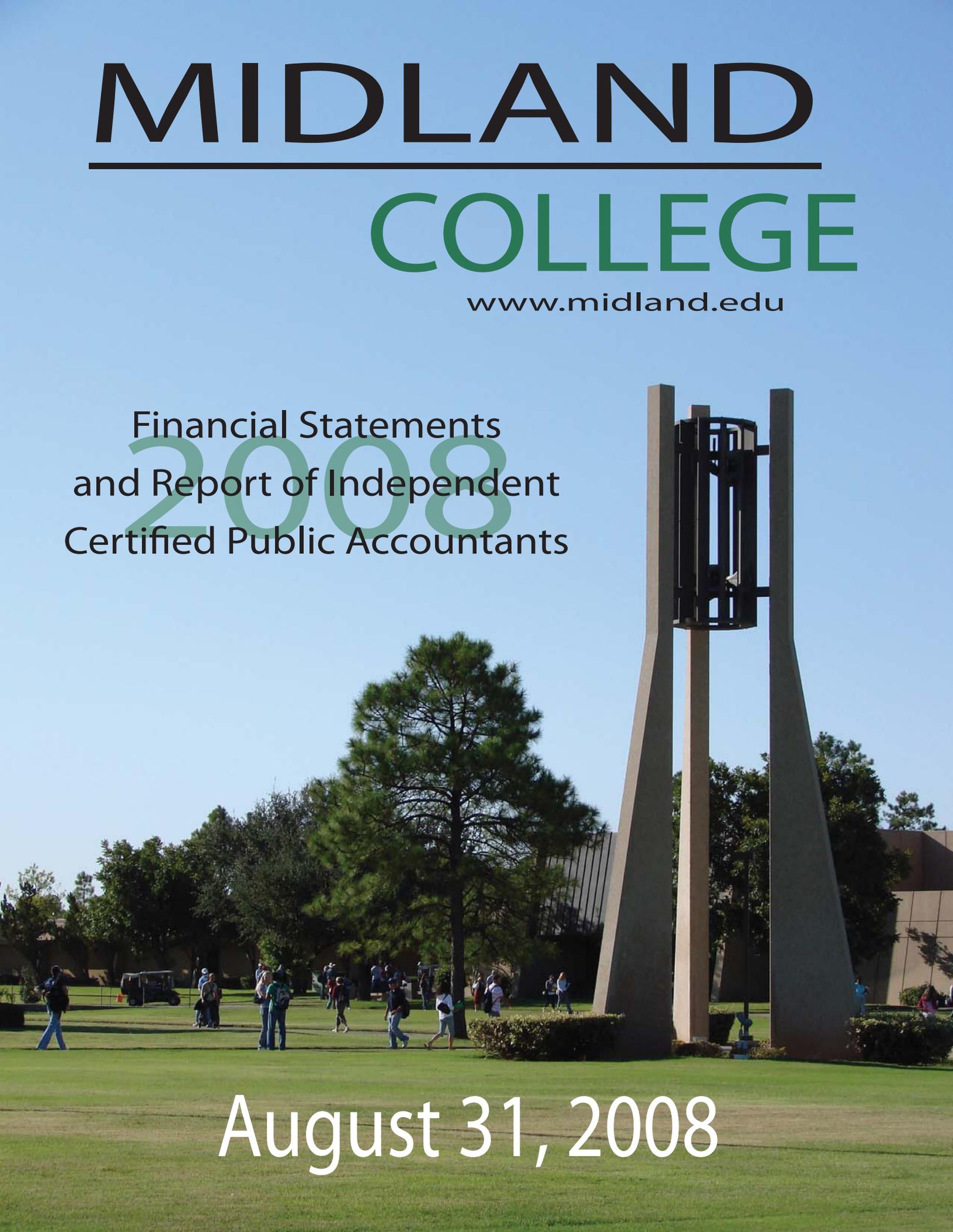
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# COLLEGE

[www.midland.edu](http://www.midland.edu)

Financial Statements  
and Report of Independent  
Certified Public Accountants  
2008

August 31, 2008



**FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**MIDLAND COLLEGE DISTRICT**

**AUGUST 31, 2008 AND 2007**

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**MIDLAND COLLEGE DISTRICT**

**ORGANIZATIONAL DATA**

**As of August 31, 2008**

**BOARD OF TRUSTEES**

**Officers**

Mr. Ralph Way	President
Mr. Kenneth A. Peeler	Secretary

**Members**

		Term Expires
Mr. Stephen N. Castle	Midland, Texas	2012
Mr. Neil Florer	Midland, Texas	2012
Ms. Joann E. Foster	Midland, Texas	2010
Mr. Will R. Green	Midland, Texas	2014
Mr. G. Larry Lawrence	Midland, Texas	2010
Mr. Steven C. Kiser	Midland, Texas	2010
Ms. Charlene R. McBride	Midland, Texas	2012
Mr. Kenneth A. Peeler	Midland, Texas	2014
Mr. Ralph Way	Midland, Texas	2014

**ADMINISTRATIVE OFFICERS**

Dr. Steve Thomas	President
Dr. Richard C. Jolly	Executive Vice President
Mr. Rick Bender	Vice President of Administrative Services
Dr. Eileen F. Piwetz	Vice President of Institutional Advancement
Mr. Dennis Sever	Vice President of Information Technology & Facilities
Dr. Rex Peebles	Vice President of Instruction
Ms. Rita Nell Diffie	Vice President of Student Services
Mr. Bob Vincent	Director of Accounting



# JOHNSON MILLER & CO., CPA's PC

*Certified Public Accountants*

*A Professional Corporation*

*An Independent Member Of BDO Seidman Alliance*

Midland, Texas  
Odessa, Texas  
Hobbs, New Mexico

## **Report of Independent Certified Public Accountants on Basic Financial Statements and Supplemental Information**

The Board of Trustees  
Midland College District  
Midland, Texas

We have audited the accompanying financial statements of Midland College District (the "District") as of and for the years ended August 31, 2008 and 2007 which collectively comprise the District's basic financial statements as listed in the table of contents. These 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 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 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 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 audits provide 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, 2008 and 2007, and the results of its operations 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 a report dated December 4, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits.

The Management's Discussion and Analysis on pages 4 through 15 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 supplementary information. However, we did not audit the information and express no opinion on it. The statistical section on pages 57 through 75 have been furnished to us and were not subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion on the statistical sections.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic 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 not a required part of the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *Provisions of the State of Texas Single Audit Circular*, and is not a required part of the basic purpose financial statements. In addition, the supplementary data presented in schedules A, B, C and D is presented for additional purposes and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Johnson Melley & Co., CPA's PC". The signature is written in a cursive, flowing style.

Midland, Texas  
December 4, 2008

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

The Management's Discussion and Analysis is designed to provide an easy to read analysis of Midland College District's financial activities for the years ended August 31, 2008, 2007 and 2006. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented; the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the College as a whole and should be read in conjunction with the notes to the basic financial statements.

Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers.

### **Financial Highlights**

- The District's assets exceeded liabilities by approximately \$67,548,000 and \$61,361,000 for the fiscal years ended August 31, 2008 and 2007 respectively. Of these amounts, unrestricted net assets were \$10,634,000 for fiscal year 2008 and \$9,275,000 for fiscal year 2007.
- The District's financial position as a whole was strengthened as total net assets increased by approximately \$6,187,000 during fiscal year 2008 and by approximately \$7,353,000 during fiscal year 2007. Of these amounts, unrestricted net assets increased by approximately \$1,359,000 and \$2,179,000 for fiscal years 2008 and 2007, respectively.
- Capital assets increased by approximately \$20,812,000 during fiscal year 2008 and by approximately \$12,013,000 during fiscal year 2007.
- Bonds and notes payable increased by approximately \$6,942,000 in fiscal year 2008 and decreased by approximately \$2,106,000 during fiscal year 2007.
- During fiscal year 2008 the unduplicated head count increased by 414 students, duplicated head count increased by 576 students, full-time student equivalents decreased by 53 and contact hours decreased by approximately 52,000.
- During fiscal year 2007 the unduplicated head count increased by 448, duplicated headcount increased by 395, full-time student equivalents increased by 29 and contact hours increased by approximately 32,000.

**The Statement of Net Assets**

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector organizations. Net assets - the difference between assets and liabilities – are one way to measure the financial health of the District. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the District.

From the data presented, readers of the Statement of Net Assets are able to determine the resources that are available to continue the operations of the institution. Readers are also able to determine the amount the institution owes vendors, bondholders and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the institution.

Below is a condensed version of the Statement of Net Assets.

<b>Assets</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2007 to</b>	<b>2006 to</b>
		(in thousands)		<b>2008</b>	<b>2007</b>
Current Assets	\$ 24,209	21,081	16,227	3,128	\$ 4,854
Non-current Assets	27,246	37,487	47,393	(10,241)	(9,906)
Capital Assets - (Non-current)	79,281	58,469	46,456	20,812	12,013
<b>Total Assets</b>	<b>\$ 130,736</b>	<b>117,037</b>	<b>110,076</b>	<b>13,699</b>	<b>\$ 6,961</b>
<b>Liabilities:</b>					
Current Liabilities	\$ 9,983	9,364	7,595	619	\$ 1,769
Non-current Liabilities	53,205	46,311	48,473	6,894	(2,162)
<b>Total Liabilities</b>	<b>\$ 63,188</b>	<b>55,675</b>	<b>56,068</b>	<b>7,513</b>	<b>\$ (393)</b>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	\$ 45,506	41,441	37,892	4,065	\$ 3,549
Restricted-Nonexpendable	4,400	3,965	3,795	435	170
Restricted-Expendable	7,008	6,680	5,225	328	1,455
Unrestricted	10,634	9,275	7,096	1,359	2,179
<b>Total Net Assets</b>	<b>\$ 67,548</b>	<b>61,361</b>	<b>54,008</b>	<b>6,187</b>	<b>\$ 7,353</b>

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, reflects the institution’s equity in property, plant and equipment. The next category, restricted net assets, is divided into nonexpendable and expendable. The corpus or nonexpendable restricted resources are only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the institution for any lawful purpose. As of August 31, 2008, assets of the District exceeded liabilities by approximately \$67,548,000. Of this amount, \$10,634,000 are unrestricted and may be used to meet ongoing obligations.

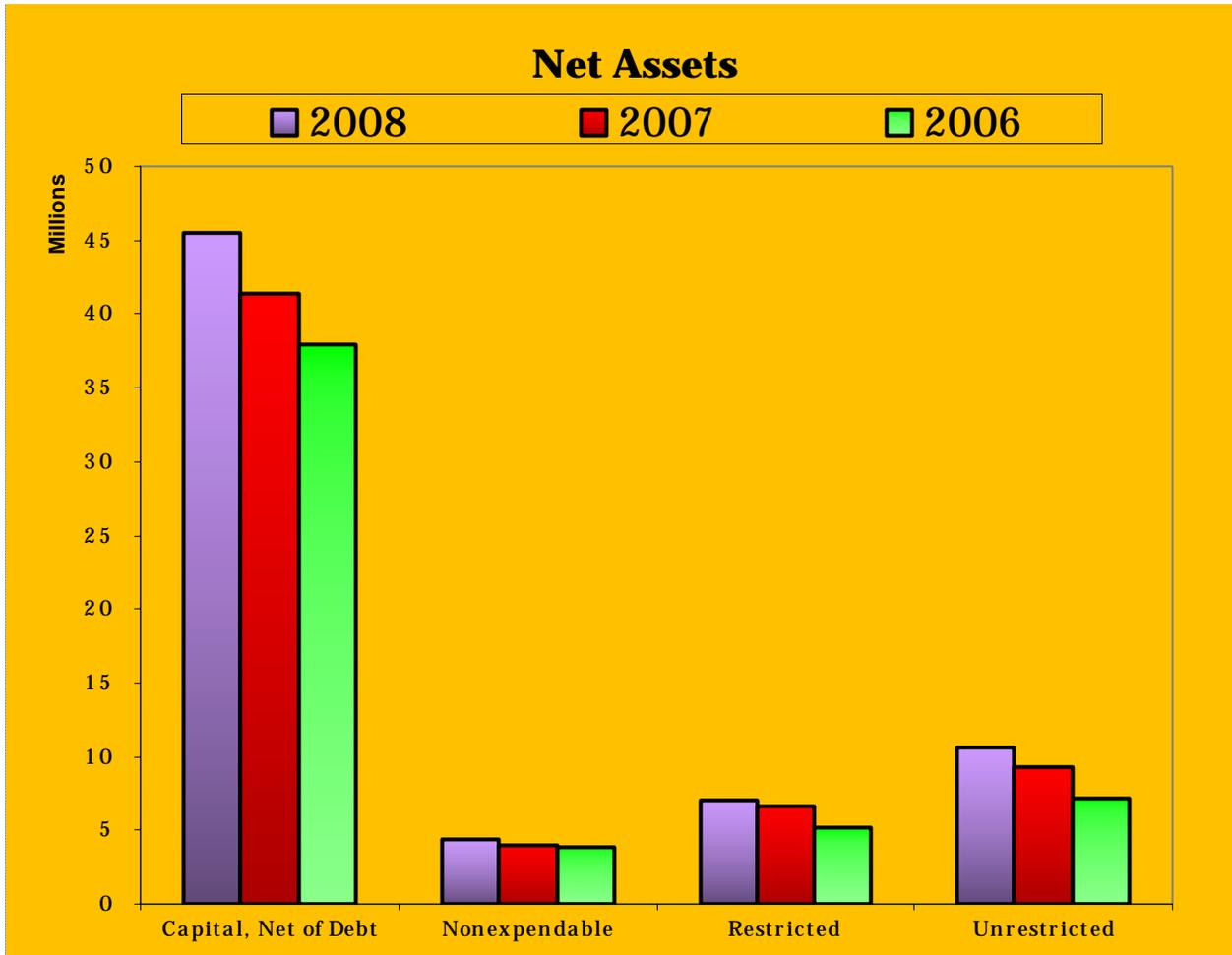
In fiscal year 2008, the total assets of the District increased by approximately \$13,700,000 and total liabilities increased by approximately \$7,513,000. Major changes in the Statement of Net Assets are as follows:

- Capital assets increased by approximately \$20,812,000 including additions of approximately \$22,699,000, and depreciation of approximately \$1,856,000. The additions are primarily related to continued progress on the 2005 bond projects.
- Restricted short-term investments decreased as funds were expended on construction projects. Upon maturity, many of these remaining short-term investments were reinvested in money market funds (restricted cash equivalents) in order to be available for funding of construction cost.
- The Building Revenue and Refunding Bonds, Series 2008 were issued for a gross amount of \$12,355,000.
- The 2008 Series Revenue and Refunding Bond proceeds included \$3,212,000 for refunding of the 2003 Series Revenue Bonds. The balances of the proceeds are included in restricted cash and cash equivalents for the purpose of funding facilities and computer network improvements.

In fiscal year 2007, the total assets of the District increased by approximately \$6,961,000 and total liabilities decreased by approximately \$392,000. Changes in the Statement of Net Assets include:

- Increases in cash equivalents and short-term investments are the result of the maturity of other long-term investments, positive cash flows generated from operating and non-operating activities, reduction in accounts receivable and increases in accounts payable.
- Net increases in Capital assets were approximately \$12,013,000 including \$16,612,000 in additions, and \$1,680,000 in depreciation. The increase is primarily due to continued progress on the 2005 general obligation bond projects.
- Restricted short-term investments decreased by approximately \$8,703,000 as these funds were needed to fund construction projects.
- Accounts payable increased from the prior year by approximately \$2,006,000 as a result of invoices for August construction activity being received and paid in September.
- Long-term debt decreased by approximately \$2,106,000 as a result of scheduled debt service.

The following graph illustrates the comparative change in net assets by category as of August 31, 2008, 2007 and 2006:



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

The Statement of Revenues, Expenses and Changes in Net Assets present the operating results of the College as well as the non-operating revenues and expenses. Generally, operating revenues are those revenues received in exchange for the District providing goods and services. Operating expenses are those amounts paid to acquire or produce the goods and services in return for the operating revenues. Non-operating revenues are funds received for which goods and services are not provided directly to those providing the revenue. Accordingly, state appropriations and ad valorem taxes, while budgeted for operations, are classified as non-operating revenue for financial reporting purposes.

**Statement of Revenues, Expenses and Changes in Net Assets (Continued)**

Midland College, like all other Texas community colleges, is primarily dependent upon three sources of revenue: state appropriations, ad valorem taxes and tuition and fees. Since state appropriations and ad valorem taxes are classified as non-operating revenues in accordance with generally accepted accounting principles, Texas community colleges, like most public entities, will generally display an operating loss. This loss approximates the cost of services provided to students that must be covered by state appropriations, ad valorem taxes, interest income and other sources.

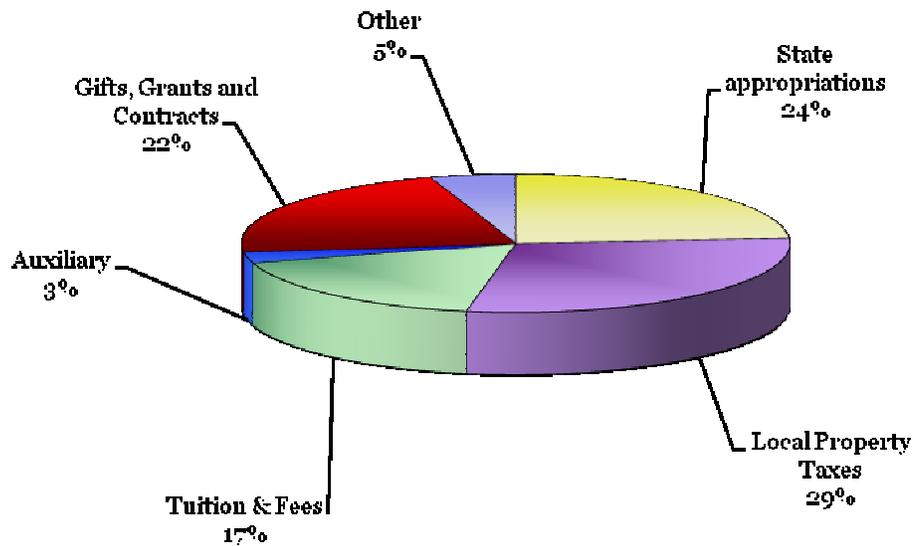
The following chart reflects a summary of the Statement of Revenues, Expenses and Changes in Net Assets for the years ended August 31, 2008, 2007 and 2006. This summary indicates the operating loss, and the overall increase in net assets for each of the years displayed.

<b>Summary of Statement of Revenues, Expenses and Changes in Net Assets</b>			
(in thousands)			
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Operating Revenues	\$ 18,532	18,241	\$ 17,675
Operating Expenses	(46,236)	(42,487)	(41,708)
Operating Loss	<b>\$ (27,704)</b>	<b>(24,246)</b>	<b>\$ (24,033)</b>
Non-operating revenues	\$ 35,887	33,692	\$ 32,705
Non-operating expenses	(1,996)	(2,093)	(2,125)
Increase in Net Assets	<b>\$ 6,187</b>	<b>\$ 7,353</b>	<b>\$ 6,547</b>

**Revenues**

The following chart reflects revenues from all sources. For purposes of this presentation, tuition, fees and auxiliary revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Assets reflect these revenues net of scholarships.

**Total Operating and Non-Operating Revenues  
(Before Discounting)**

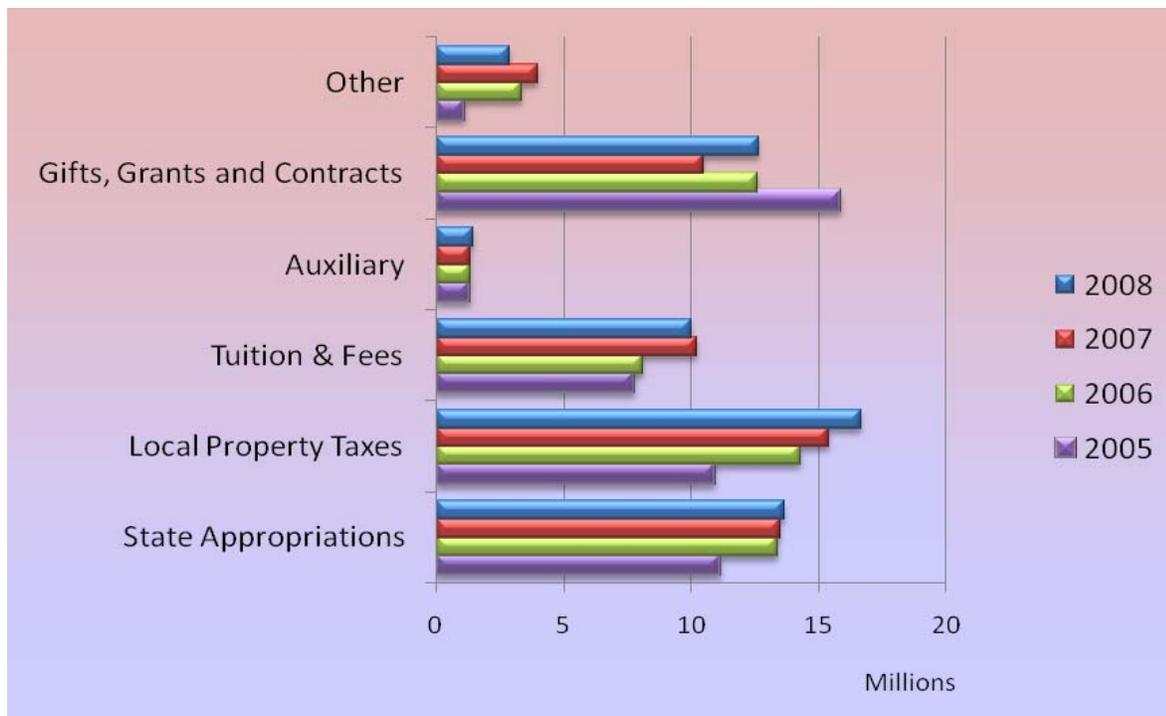


Primary changes in revenues are as follows:

- Gross tuition and fee revenue for 2008 decreased by approximately \$219,000, or 2% compared to 2007. This decrease can be attributed to students taking smaller class loads. Both duplicated and unduplicated head counts increased over the prior year, but contact hour and full-time student equivalents decreased slightly. (Statistical Supplements #6 and #19)
- Gross tuition and fee revenue for 2007 was approximately \$2,121,000, or 26% higher than 2006. A number of factors contributed to the 2007 increase including an \$8 per credit hour (18%) increase in tuition and fees, moderate enrollment increases in credit hour programs and substantial enrollment increases in several credit and non-credit programs that have higher than average tuition and fee rates.

The following presentation graphically displays recent revenue trends.

- Formula funds for 2008 were approximately \$961,000 more than 2007; however, special appropriations for the bachelor of applied technology, astronomy education and nursing growth were not continued into 2008. As a result, overall state appropriations increase by approximately \$157,000, or 1.2%. Formula funding for 2007 was the same as 2006, therefore, there were only minor differences in state appropriations for 2007 as compared to 2006.
- Property tax revenue for maintenance and operations for 2008 exceeded the prior year by approximately \$1,060,000, or 8.4% and 2007 revenues exceeded 2006 amounts by approximately \$1,197,000, or 10.5%. The increases are primarily the result of a 17% and 18% increase in the net taxable assessed value of the District for 2008 and 2007, respectively. The maintenance and operations portion of the tax rate was \$0.1571 per \$100 of valuation in 2008 compared to \$0.1675 per \$100 of valuation for 2007.
- Property tax revenue for debt service was approximately \$197,000 more in 2008 than 2007 and the 2007 revenue was \$93,000 less than the 2006 revenue. The debt service portion of the tax rate was \$0.0340 and \$0.0387 per \$100 of valuation for 2008 and 2007, respectively.



Revenue from gifts, grants and contracts are not consistent from year to year as private funds are given for specific purposes and many government grants are non-recurring.

- During 2008, the District received several private gifts in aid of construction for approximately \$2,313,000 compared to approximately \$731,000 in 2007. Federal grant revenue decreased by approximately \$747,000, partially due to fewer students qualifying and receiving federal financial aid awards. Also, the District completed two grants in 2007, which were not renewed in 2008.

The preceding discussion illustrates short-term trends in institutional funding. A review of longer term trends indicates that although state appropriations have increased in total over time, the rate of increase has not kept pace with other sources of income. As a result, state appropriations represent a declining portion of total institutional revenues, resulting in more dependence on local revenue sources. Statistical Supplement #2 in the back of this report indicates the following percentage increases in revenue from 2002 through 2008.

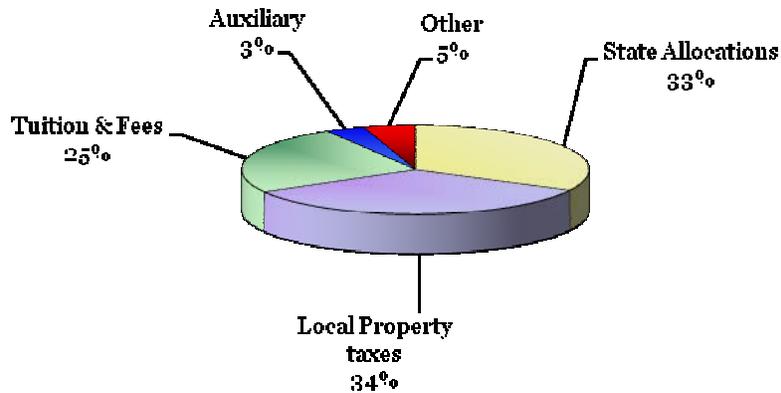
Tuition and fees	113%
State appropriations	25%
Property tax (excluding tax for 2005 bond)	45%
Property tax (including tax for 2005 bond)	75%

During the same period of time (2002 through 2008) Statistical Supplement #6 reflects an 11% increase in student contact hours and Statistical Supplement #19 reflects a 36% increase in annual unduplicated credit student headcount and a 29% increase in the annual duplicated headcount.

A substantial portion of scholarships and capital projects are funded from private gifts and grants and a growing amount of instructional equipment and operating costs are funded from annual grants made by the Midland College Foundation, Inc. While each year the College receives substantial revenue from private sources, the amounts are not consistent from year-to-year.

Restricted resources are important to accomplish specific mandates; however, unrestricted resources are critical to ensure that the institution's overall mission is supported. Many revenues have donor or grantor restrictions with respect to how the funds can be used. The following chart reflects the source of funds supporting only the College's unrestricted operations. Benefits provided by the state are considered restricted, but are included in the graphic because they support the College's unrestricted operations.

**Unrestricted Revenue  
Plus State Paid Benefits**



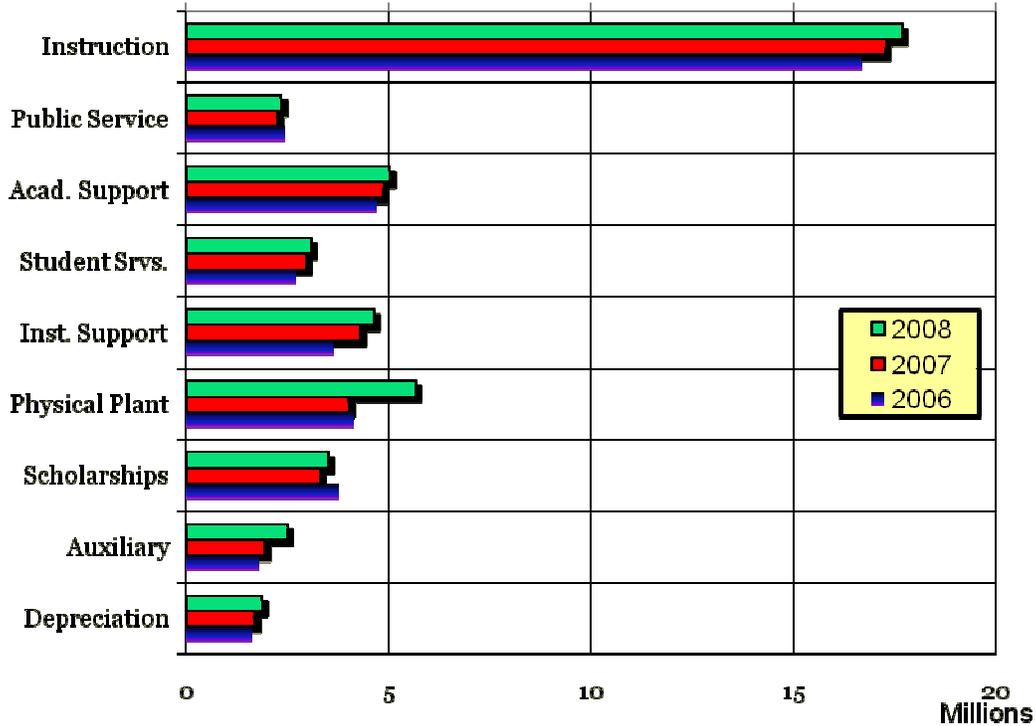
**Operating Expenses by Functional Classification**

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The chart on the following page shows the District's 2008 expenses compared to the 2007 and 2006 expenses.

During 2008 total operating expenses increased from the prior year by approximately \$3,749,000, or 8.8%. As a part of this increase, unrestricted expenses increased by approximately \$1,364,300 or 4.7% and restricted expenses increased by approximately \$1,656,500, or 16.7%. Salaries and benefits increased from the prior year by approximately \$1,015,000, or 3.9%. During 2008 full-time faculty, administrative and professional employees received a 4% salary increase and clerical and service personnel received a 6% salary increase. The increase in salaries and benefits accounts for approximately 27% of the total increase. Expenses for physical plant increased from the prior year by approximately \$1,662,000 accounting for approximately 44% of the overall increase. Included in the increase in physical plant are restricted expenditures for non-capitalized construction related to a joint project with Texas Tech Health Science Center and non-capitalized equipment and furniture included in the 2005 bond projects.

During 2007, total operating expenses increased from the prior year by approximately \$778,000, or 1.9%. Included in this amount is an increase in unrestricted expenses of approximately \$1,886,000, or 6.15% and a decrease in restricted expenses of \$1,088,000, or 9.9%. Salaries and benefits for 2007 exceeded the prior year by approximately \$1,190,000 as a result of a 4% salary increase for full-time faculty and staff and the addition of five new faculty and seven new staff positions.

### Operating Expense Comparison



### Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College’s ability to generate net cash flows, to meet its obligations as they come due, and its need for external financing.

#### Summary of Statement of Cash Flows

	2008	2007	2006
Cash Provided By (Used in):			
Operating Activities	\$ (25,002,537)	(22,021,376)	\$ (22,660,213)
Non-Capital Financing Activities	29,152,957	27,636,362	27,592,806
Capital and Related Financing Activities	(13,038,642)	(12,552,332)	(5,044,270)
Investing Activities	25,592,538	8,680,634	(7,266,429)
Changes in Cash and Cash Equivalents	\$ 16,704,316	1,743,288	\$ (7,378,106)

The primary cash receipts from operating activities consist of tuition, housing, board and grant revenue. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships. State allocations and ad valorem taxes were the primary source of non-capital financing. Accounting standards require that we reflect this source of revenue as non-operating even though these resources are classified as operating revenues in the College’s budget.

Cash flows from Capital and Related Financing Activities include proceeds from the issuance of debt, principal and interest disbursements and payments for buildings and other capital acquisitions.

Cash flows from investing activities represent the annual effect of the purchase, sale and maturity of investments, along with interest received from those investments.

**Capital Assets and Debt Administration**

The table below reflects the College’s year-end capital asset balances, net of accumulated depreciation.

	2008	2007	2006
Land	\$2,552,246	2,552,246	\$2,398,273
Library Books	481,475	477,365	477,187
Construction in Progress	32,175,253	12,005,083	2,656,266
Buildings	38,004,090	38,290,600	37,416,098
Land Improvements	1,693,797	1,630,337	808,204
Furniture and Equipment	4,373,775	3,513,361	2,699,944
	<u>\$79,280,636</u>	<u>58,468,992</u>	<u>\$46,455,972</u>

Capital assets additions totaled approximately \$20,812,000 and \$16,612,000 in 2008 and 2007 respectively. Major additions include the F. Marie Hall Academic Building, Codgell Learning Center renovations, central plant and infrastructure upgrades, and pedestrian safety measures. Other additions included construction in progress on the Fox Science Building addition, physical education building additions and improvements, Scharbauer Student Center additions and improvements, Helen Greathouse Child Development Center, technology center renovations, Fasken Learning Resource Center renovations and Al G. Langford Chaparral Center improvements.

As of August 31, 2008 and 2007, the College’s bond rating by Moody’s Investors Service (“Moody’s”) and Standard and Poor’s (S&P) is “Aa3” and “AA”, respectively.

As of August 31, 2008, the College had approximately \$54,556,000 in outstanding debt, an increase of approximately \$6,942,000 when compared to the prior year. New revenue bonds were issued for \$12,355,000. Principal retirements during the year totaled \$5,307,000, including \$3,212,000 of refunding. The following table summarizes outstanding long-term liabilities by type as of August 31, 2008, 2007 and 2006.

	2008	2007	2006
General Obligation Bonds	\$ 38,671,288	40,017,175	\$ 41,306,692
Revenue Bonds	15,735,000	7,331,000	8,035,000
Notes	149,968	265,779	377,972
	<u>\$ 54,556,256</u>	<u>47,613,954</u>	<u>\$ 49,719,664</u>

**Economic Factors That Will Affect the Future**

A crucial element to the District's future continues to be our relationship with the State of Texas. State appropriations have failed to keep pace with inflation, and as a result, state funding as a percentage of total funding continues the trend of higher reliance on local sources, including tuition and fees. State revenues have begun to be adversely impacted by the economic downturn that has affected much of the country. Accordingly, the prospects for increases of state appropriations on a contact hour basis are not encouraging. In addition, actions taken by state lawmakers may result in some reductions of funding of group health insurance benefits.

The local economy is closely tied to the petroleum industry. As a result of the global demand for petroleum products and the dramatic increase in oil prices in recent years, the local economy has been very strong. Unemployment rates have consistently been near three percent and the tax base has seen dramatic increases which have allowed the District to increase tax revenues while decreasing tax rates.

Recent global economic events have begun to decrease the demand for petroleum products, resulting in dramatic decreases in the price of oil. However, oil prices are still relatively strong compared to historical standards. The impact on the local and state economies cannot be fully determined. Taxable values are expected to continue to grow; however, at a much more moderate pace.

Midland College District has enjoyed an exceptionally supportive relationship with the Midland community. This relationship has translated into both positive enrollment growth and generous private financial support. Private gifts, grants and contracts are not typically used for day-to-day operations; however, special projects such as facility and equipment acquisitions and scholarships have been largely funded by this revenue source. The global economic recession which has resulted in historic losses of value in equities markets, is expected to adversely impact philanthropy in general, and may result in some reductions in gifts to the District.

The District's enrollment continues to remain strong in spite of increases in tuition and fee rates and a very attractive job market. Capital improvements are increasing the District's capacity to offer more classes during times of high demand and distance learning capacity has also been increased.

While it is not possible to predict future economic conditions, management believes that state appropriations will remain relatively stable, local taxable values will grow at a moderate rate and enrollment will remain stable. We believe that the District's financial position will remain strong.

---

Rick Bender  
Vice President of Administrative Services

## **FINANCIAL STATEMENTS**

**Midland College District**  
**STATEMENTS OF NET ASSETS**  
**Years ended August 31,**

**Exhibit 1**

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 4)	\$ 3,795,199	2,381,561
Short-term investments (Note 4)	16,527,489	15,055,988
Accounts receivable, net (Notes 5 and 11)	2,218,816	2,143,861
Deferred charges (Note 2)	1,586,723	1,448,291
Inventories	5,535	6,405
Prepaid expenses	54,850	24,318
Deposits	<u>20,472</u>	<u>20,472</u>
<b>Total current assets</b>	<b><u>24,209,084</u></b>	<b><u>21,080,896</u></b>
<b>Non-current Assets:</b>		
Restricted cash and cash equivalents (Note 4)	17,006,381	1,715,703
Restricted short-term investments (Note 4)	5,703,976	31,856,526
Endowment investments (Note 4)	3,604,183	2,865,039
Other long-term investments (Note 4)	106,416	289,326
Deferred charges (Note 2)	560,668	509,826
Capital assets, net (Note 6)	79,280,636	58,468,992
Other assets-Split Interest Agreements (Note 21)	<u>265,104</u>	<u>250,099</u>
<b>Total non-current assets</b>	<b><u>106,527,364</u></b>	<b><u>95,955,511</u></b>
<b>Total Assets</b>	<b>\$ <u>130,736,448</u></b>	<b><u>117,036,407</u></b>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable (Note 11)	\$ 3,072,198	3,277,423
Accrued liabilities	408,709	409,996
Accrued compensable absences (Notes 7 and 14)	520,266	454,635
Funds held for others	48,200	53,360
Deferred revenues	3,655,446	2,926,957
Notes payable – current portion (Notes 7, 8 and 9)	119,582	115,811
Bonds payable – current portion (Notes 7, 8 and 9)	2,111,662	2,084,886
Deposits	<u>47,289</u>	<u>41,000</u>
<b>Total current liabilities</b>	<b><u>9,983,352</u></b>	<b><u>9,364,068</u></b>
<b>Non-current Liabilities:</b>		
Accrued compensable absences (Notes 7 and 14)	879,859	898,161
Notes payable – non-current portion (Notes 7, 8 and 9)	30,386	149,969
Bonds payable – non-current portion (Notes 7, 8 and 9)	<u>52,294,626</u>	<u>45,263,288</u>
<b>Total non-current liabilities</b>	<b><u>53,204,871</u></b>	<b><u>46,311,418</u></b>
<b>Total Liabilities</b>	<b>\$ <u>63,188,223</u></b>	<b><u>55,675,486</u></b>

**Midland College District****Exhibit 1****STATEMENTS OF NET ASSETS (CONTINUED)****Years ended August 31,**

	<u>2008</u>	<u>2007</u>
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 45,506,015	41,441,005
Restricted:		
Nonexpendable:		
Student aid	3,555,518	3,125,721
Instructional programs	844,620	839,160
Expendable:		
Student aid	2,863,353	2,495,423
Instructional programs	650,745	512,855
Capital projects	2,475,499	2,502,489
Debt service	330,263	169,460
Other	688,013	1,000,000
Unrestricted:		
Undesignated	9,834,199	9,274,808
Board designated	<u>800,000</u>	<u>-</u>
Total Net Assets	<u>67,548,225</u>	<u>61,360,921</u>
Total Liabilities and Net Assets	\$ <u>130,736,448</u>	<u>117,036,407</u>

The notes to the financial statements are an integral part of these statements.

**Midland College District**

**Exhibit 2**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

**Years ended August 31,**

	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>		
Operating revenues		
Tuition and fees (net of discounts of \$2,500,065 and \$2,637,048, respectively)	\$ 7,521,467	7,603,200
Federal grants and contracts	5,792,361	6,539,332
State grants and contracts	278,144	182,641
Local grants and contracts	1,348,266	735,924
Non-governmental grants and contracts	1,073,153	699,521
Sales and services of educational activities	199,519	217,357
Investment income – program restricted	615,389	623,677
Auxiliary enterprises (net of discounts of \$439,142 and \$419,804, respectively)	1,030,224	941,581
General operating revenues	<u>673,378</u>	<u>697,898</u>
Total operating revenues (Schedule A)	<u>18,531,901</u>	<u>18,241,131</u>
<b>EXPENSES</b>		
Operating expenses		
Instruction	17,675,965	17,265,891
Public service	2,342,925	2,241,973
Academic support	5,014,375	4,834,207
Student services	3,076,826	2,948,324
Institutional support	4,629,527	4,291,874
Operating and maintenance of plant	5,660,810	3,999,250
Scholarships and fellowships (net of discounts of \$2,357,605 and \$2,457,987, respectively)	3,497,635	3,295,729
Auxiliary enterprises (net of discounts of \$419,614 and \$406,928, respectively)	2,482,210	1,929,244
Depreciation	<u>1,855,596</u>	<u>1,680,296</u>
Total operating expenses (Schedule B)	<u>46,235,869</u>	<u>42,486,788</u>
<b>OPERATING LOSS</b>	<u>(27,703,968)</u>	<u>(24,245,657)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	13,655,686	13,498,308
Maintenance ad valorem taxes	13,707,713	12,647,436
Debt service ad valorem taxes	2,967,790	2,771,206
Gifts	1,504,728	1,442,548
Investment income	1,389,314	2,456,362
Contributions in aid of construction	2,313,296	730,997
Interest on capital related debt	(1,919,397)	(2,017,075)
Loss on disposal of fixed assets	(27,547)	(12,640)
Additions to permanent endowments	348,279	145,283
Other non-operating expenses	<u>(48,590)</u>	<u>(63,458)</u>
Net non-operating revenues (Schedule C)	<u>33,891,272</u>	<u>31,598,967</u>

**Midland College District**

**Exhibit 2**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS (CONTINUED)**

**Years ended August 31,**

	<u>2008</u>	<u>2007</u>
Increase in net assets	\$ 6,187,304	7,353,310
Net assets – beginning of year	<u>61,360,921</u>	<u>54,007,611</u>
Net assets – end of year	\$ <u>67,548,225</u>	<u>61,360,921</u>

The notes to the financial statements are an integral part of these statements.

**Midland College District**

**Exhibit 3**

**STATEMENTS OF CASH FLOWS**

**Years ended August 31,**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 9,219,111	8,294,503
Receipts from grants and contracts	8,434,374	8,270,340
Payments to suppliers for goods and services	(13,204,841)	(10,898,025)
Payments to or on behalf of employees	(27,077,851)	(26,008,796)
Payments for scholarships and fellowships	(3,631,927)	(2,899,596)
Other receipts	<u>1,258,597</u>	<u>1,220,198</u>
Net cash used by operating activities	<u>(25,002,537)</u>	<u>(22,021,376)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	13,713,414	13,498,308
Receipts from ad valorem taxes	13,655,686	12,621,136
Receipts from gifts or grants for other than capital purposes	1,456,138	1,379,090
Receipts from student organizations and other agency transactions	(48,872)	55,610
Payments to student organizations and other agency transactions	43,317	(48,909)
Receipts from Private gifts for endowment purposes	<u>333,274</u>	<u>131,127</u>
Net cash provided by non-capital financing activities	<u>29,152,957</u>	<u>27,636,362</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds on issuance of capital debt	12,355,000	-
Receipts from ad valorem taxes – debt services	2,963,716	2,760,190
Receipts from capital grants and gifts	2,513,296	930,997
Purchases of capital assets	(23,457,920)	(12,145,146)
Payments on capital debt – principal	(5,412,697)	(2,105,710)
Payments on capital debt – interest and fees	<u>(2,000,037)</u>	<u>(1,992,663)</u>
Net cash used by financing activities	<u>(13,038,642)</u>	<u>(12,552,332)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from sales and maturities of investments	57,285,131	71,323,518
Receipts from interest on investments	1,467,722	2,566,122
Purchase of investments	<u>(33,160,315)</u>	<u>(65,209,006)</u>
Net cash provided by investing activities	<u>25,592,538</u>	<u>8,680,634</u>
Increase in cash and cash equivalents	16,704,316	1,743,288
Cash and cash equivalents – September 1	<u>4,097,264</u>	<u>2,353,976</u>
Cash and cash equivalents – August 31	\$ <u>20,801,580</u>	<u>4,097,264</u>

**Midland College District****Exhibit 3****STATEMENTS OF CASH FLOWS (CONTINUED)**

Years ended August 31,

	<u>2008</u>	<u>2007</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating (loss)	\$ (27,703,968)	(24,245,657)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	1,855,596	1,680,296
Changes in related assets and liabilities:		
Receivables, net	(354,596)	43,532
Deferred expenses	(137,932)	346,114
Inventories	870	420
Prepaid expenses	(31,034)	(7,429)
Accounts payable	601,551	528,087
Accrued liabilities	(8,842)	78,294
Compensated absences	47,329	61,539
Deferred revenue	<u>728,489</u>	<u>(506,572)</u>
Net cash used by operating activities	\$ <u>(25,002,537)</u>	<u>(22,021,376)</u>

The notes to the financial statements are an integral part of these statements.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

#### NOTE 1 – REPORTING ENTITY

Midland College District (the “District”) was established in 1972, in accordance with the laws of the State of Texas, to serve the educational needs of the public and the surrounding communities. The District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (“GASB”) Statement No. 14. While the District receives funding from local, state, and federal sources, and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Reporting Guidelines*

The significant accounting policies followed by the District 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 District applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (“FASB”) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The District 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 §56.0333). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

##### Title IV, HEA Program Funds

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

##### Other Tuition Discounts

The District 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 and fee revenue and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Basis of Accounting*

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

Encumbrance Accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year end that were provided for in the subsequent year's budget are reported as designations of net assets since they do not constitute expenditures or liabilities.

##### *Cash and Cash Equivalents*

The District'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.

##### *Pledges*

The District recognizes pledges in the financial statements when all applicable eligibility requirements, including time requirements are met. Pledges are reported as deferred revenues prior to the fulfillment of all applicable eligibility requirements.

##### *Deferred Revenue and Expenditures*

Deferred revenue relates to student tuition, fees received during the current fiscal period for classes to be held in the following period. Similarly, deferred expenditures represent scholarship funds expended in the current period relating to the following period.

Bond issuance costs are reflected as deferred charges under noncurrent assets.

##### *Inventories*

Inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

##### *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. The District considers investments in public fund investment pools to be short-term.

##### *Budgetary Data*

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for current operating funds for the fiscal year beginning September 1. The budget, which is prepared on the accrual basis of accounting, is adopted by the

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Budgetary Data (Continued)*

District's Board of Trustees. A copy of the approved budget 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.

##### *Capital Assets*

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. 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. Beginning with Fiscal Year 2005 the classification of library books have been changed from non-depreciable to depreciable as required by the Comptroller's Office. Library purchases (in total for the year) will be subject to the \$5,000 capitalization threshold. The District reports depreciation under a single-line as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

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

##### *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 Revenue and Expense Policy*

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District'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 operations of the dining hall and bookstore are not performed by the college.

##### *Certain Reclassifications*

Certain reclassifications for 2007 have been made to conform to the 2008 presentation.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *New Accounting Pronouncements*

##### *GASBS No. 45*

In addition to pensions, many state and local governmental employers provide OPEB as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB. Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses financial statement and disclosure requirements for reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

This Statement generally provides for prospective implementation—that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Implementation is required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999.

The definitions and cutoff points for that purpose are the same as those in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million). Earlier implementation is encouraged.

##### *GASBS No. 50*

GASB Statement 50, *Pension Disclosures*, became effective for periods beginning after June 15, 2007 and amends certain portions of GASB Statement 25 and Statement 27. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. (OPEB)

#### NOTE 3 – AUTHORIZED INVESTMENTS

The Board of Trustees of the District 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). The investments of the District are in compliance with Trustees' investment policies. 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.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 4 – DEPOSITS AND INVESTMENTS**

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act of 1995 (Section 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) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities, (5) obligations of political subdivisions rated not less than A by a national investment rating firm, (6) certificates of deposit, (7) repurchase agreements and (8) other instruments and obligations authorized by statute.

**Cash and Short-Term Investments:** Investment policies for cash and short-term investments as set forth by the Board of Trustees authorize the District to invest in interest-bearing time deposits, short-term cash funds, money market funds, intermediate cash fund, U.S. Government-backed obligations and commercial paper. All investments must be held by the financial institutions organized under Federal or State law.

**Investments:** Investment policies as set forth by the Board of Trustees also authorize the District to invest in bonds or other securities.

**Deposits:** At August 31, 2008 and 2007, the carrying amount of the District's deposits was \$20,795,980 and \$4,091,664, respectively; and bank balances equaled \$20,351,267 and \$3,144,049. Bank balances of \$216,045 and \$213,520 are covered by federal depository insurance and \$20,135,222 and \$2,928,729 were covered by collateral pledged in the District's name. The collateral was held by the District or by its Agent. There were no uncollateralized bank balances at either year end. (This would have included any bank balance that was collateralized with securities held by the pledging financial institution's department or agent but not in the District's name). The District held \$19,155,246 and \$46,912,514 in state approved public investment pools at August 31, 2008 and 2007, respectively.

Cash and Deposits included on Exhibit 1, Statement of Net Assets, consist of the items reported below:

	<u>2008</u>	<u>2007</u>
<b>Cash and Deposits</b>		
Bank Deposits		
Demand Deposits	\$ 876,917	899,935
Business Elite Savings	-	1,884,990
Money Market Deposits	<u>19,919,063</u>	<u>1,306,739</u>
	20,795,980	4,091,664
Petty Cash on Hand	<u>5,600</u>	<u>5,600</u>
Total Cash and Deposits	\$ <u>20,801,580</u>	<u>4,097,264</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2008 and 2007

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Reconciliation of Deposits and Investments to Exhibit 1**

<u>Type of Security</u>	<u>August 31, 2008 Market Value</u>	<u>August 31, 2007 Market Value</u>
U.S. Government Securities	\$ 3,673,799	3,117,565
Public Funds Investment Pools	19,155,246	46,912,514
Certificates of Deposit	<u>3,113,019</u>	<u>36,800</u>
<b>Total Investments</b>	<b>\$ <u>25,942,064</u></b>	<b><u>50,066,879</u></b>
<b>Total Cash and Deposits</b>	<b>\$ 20,801,580</b>	<b>4,097,264</b>
<b>Total Investments</b>	<b><u>25,942,064</u></b>	<b><u>50,066,879</u></b>
<b>Total Deposits and Investments</b>	<b>\$ <u>46,743,644</u></b>	<b><u>54,164,143</u></b>
<b>Cash and Temporary Investments (Exhibit 1)</b>	<b>\$ 43,033,045</b>	<b>51,009,778</b>
<b>Investments (Exhibit 1)</b>	<b><u>3,710,599</u></b>	<b><u>3,154,365</u></b>
<b>Total Deposits and Investments</b>	<b>\$ <u>46,743,644</u></b>	<b><u>54,164,143</u></b>

As of August 31, 2008 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities in Years</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>5 to 10</u>
Public Funds Investment Pools	\$ 19,155,246	19,155,246	-	-	-
U.S. Government Securities	3,673,799	621,293	204,547	1,148,377	1,699,582
Certificates of Deposit	<u>3,113,019</u>	<u>2,088,040</u>	<u>1,024,979</u>	-	-
<b>Total Fair Value</b>	<b>\$ <u>25,942,064</u></b>	<b><u>21,864,579</u></b>	<b><u>1,229,526</u></b>	<b><u>1,148,377</u></b>	<b><u>1,699,582</u></b>

As of August 31, 2007 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities in Years</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>5 to 10</u>
Public Funds Investment Pools	\$ 46,912,514	46,912,514	-	-	-
U.S. Government Securities	3,117,565	532,652	404,376	1,178,113	1,002,424
Certificates of Deposit	<u>36,800</u>	<u>36,800</u>	-	-	-
<b>Total Fair Value</b>	<b>\$ <u>50,066,879</u></b>	<b><u>47,481,966</u></b>	<b><u>404,376</u></b>	<b><u>1,178,113</u></b>	<b><u>1,002,424</u></b>

**Interest Rate Risk:** In order to limit exposure to fair value losses arising from increasing interest rates, the District has established maturity limitations for each fund group. Operating funds are primarily invested in instruments that offer high liquidity and have maturities corresponding with the short to intermediate operating needs of the District. Plant funds and other capital project funds have maturities which correspond to the associated project or debt service dates. Endowment funds are invested in long-term treasury or agency securities. In addition, state law limits the maturities of collateralized mortgage obligations to no more than 10 years and limits maturities of commercial paper and banker's acceptances to no more than 270 days. Repurchase agreements are limited to 2 years, and reverse repurchase agreements are not to exceed 90 days.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk:** In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations of states, agencies, counties, cities and other political subdivisions must be rated at least A. Applicable credit ratings of investments at August 31, 2008 and 2007 are reported below:

<u>Investment Type</u>	<u>Credit Rating</u>
U.S. Government Securities	S&P: AAA
TexPool	S&P: AAAM
Lone Star Investment Pool	S&P: AAaf
TexSTAR	S&P: AAAM
Texas Term	S&P: AAaf

**Concentration of Credit Risk:** The District does not place a limit on the amount the District may invest in any one issuer. More than 5% of the District’s investments are in TexPool Local Government Investment Pool (34%), TexSTAR Local Government Investment Pool (28%) and Lone Star Investment Pool (8%).

**Custodial Credit Risk:** The District’s investments have no custodial credit risk.

**NOTE 5 – AD VALOREM TAXES RECEIVABLE**

The District’s ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

At August 31, 2008:		
Assessed valuation of the District		\$ 9,672,151,309
Less exemptions		<u>977,526,035</u>
Net assessed valuation of the District		\$ <u>8,694,625,274</u>
At August 31, 2007:		
Assessed valuation of the District		\$ 7,985,267,500
Less exemptions		<u>536,612,783</u>
Net assessed valuation of the District		\$ <u>7,448,654,717</u>

At August 31, 2008:

	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	\$ .3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$ .1571	.0340	.1911

At August 31, 2007:

	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	\$ .3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$ .1675	.0387	.2062

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 5 – AD VALOREM TAXES RECEIVABLE (CONTINUED)**

Taxes levied for the years ended August 31, 2008 and 2007 are \$16,617,168 and \$15,359,126, 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.

At August 31, 2008:

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 13,228,062	2,840,908	16,068,970
Delinquent taxes collected	447,940	96,201	544,141
Penalties and interest collected	<u>123,892</u>	<u>26,608</u>	<u>150,500</u>
 Total collections	 \$ <u>13,799,894</u>	 <u>2,963,717</u>	 <u>16,763,611</u>

At August 31, 2007:

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 12,141,219	2,782,051	14,923,270
Delinquent taxes collected	384,706	88,152	472,858
Penalties and interest collected	<u>117,698</u>	<u>26,968</u>	<u>144,666</u>
 Total collections	 \$ <u>12,643,623</u>	 <u>2,897,171</u>	 <u>15,540,794</u>

Tax collections (including penalties, interest and delinquent collections) for the years ended August 31, 2008 and 2007 were in excess of 100% of the respective year tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

Ad valorem taxes receivable includes the following:

	<u>2008</u>	<u>2007</u>
Current unrestricted fund	\$ 488,638	497,409
Debt service fund	<u>72,842</u>	<u>66,573</u>
	561,480	563,982
Allowance for uncollectible taxes	<u>196,518</u>	<u>197,394</u>
 Net ad valorem taxes receivable	 \$ <u>364,962</u>	 <u>366,588</u>

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2008 was as follows:

	<u>Balance September 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2008</u>
<u>Not Depreciated:</u>				
Land	\$ 2,552,246	-	-	2,552,246
Construction in process	<u>12,005,083</u>	<u>20,508,944</u>	<u>338,774</u>	<u>32,175,253</u>
Subtotal	<u>14,557,329</u>	<u>20,508,944</u>	<u>338,774</u>	<u>34,727,499</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

	Balance September 1, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, <u>2008</u>
<b><u>Other Capital Assets:</u></b>				
Buildings	\$ 52,611,898	754,539	-	53,366,437
Land improvements	1,760,936	144,462	-	1,905,398
Library books	1,641,284	62,258	-	1,703,542
Furniture, machinery, vehicles, and other equipment	<u>8,164,182</u>	<u>1,568,608</u>	<u>364,757</u>	<u>9,368,033</u>
Subtotal	<u>64,178,300</u>	<u>2,529,867</u>	<u>364,757</u>	<u>66,343,410</u>
<b><u>Accumulated Depreciation:</u></b>				
Buildings	14,321,298	1,041,049	-	15,362,347
Land improvements	130,599	81,002	-	211,601
Library books	1,163,919	58,148	-	1,222,067
Furniture, machinery, vehicles and other equipment	<u>4,650,821</u>	<u>675,397</u>	<u>331,960</u>	<u>4,994,258</u>
Subtotal	<u>20,266,637</u>	<u>1,855,596</u>	<u>331,960</u>	<u>21,790,273</u>
Net other capital assets	<u>43,911,663</u>	<u>674,271</u>	<u>32,797</u>	<u>44,553,137</u>
Net capital assets	\$ <u>58,468,992</u>	<u>21,183,215</u>	<u>371,571</u>	<u>79,280,636</u>

Capital assets activity for the year ended August 31, 2007 was as follows:

	Balance September 1, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, <u>2007</u>
<b><u>Not Depreciated:</u></b>				
Land	\$ 2,398,273	153,973	-	2,552,246
Construction in process	<u>2,656,266</u>	<u>12,255,074</u>	<u>2,906,257</u>	<u>12,005,083</u>
Subtotal	<u>5,054,539</u>	<u>12,409,047</u>	<u>2,906,257</u>	<u>14,557,329</u>
<b><u>Other Capital Assets:</u></b>				
Buildings	50,731,992	1,879,906	-	52,611,898
Land improvements	888,559	872,377	-	1,760,936
Library books	1,583,349	57,935	-	1,641,284
Furniture, machinery, vehicles, and other equipment	<u>6,873,266</u>	<u>1,392,948</u>	<u>102,032</u>	<u>8,164,182</u>
Subtotal	<u>60,077,166</u>	<u>4,203,166</u>	<u>102,032</u>	<u>64,178,300</u>
<b><u>Accumulated Depreciation:</u></b>				
Buildings	13,315,894	1,005,404	-	14,321,298
Land improvements	80,355	50,244	-	130,599
Library books	1,106,162	57,757	-	1,163,919
Furniture, machinery, vehicles and other equipment	<u>4,173,322</u>	<u>566,891</u>	<u>89,392</u>	<u>4,650,821</u>
Subtotal	<u>18,675,733</u>	<u>1,680,296</u>	<u>89,392</u>	<u>20,266,637</u>
Net other capital assets	<u>41,401,433</u>	<u>2,522,870</u>	<u>12,640</u>	<u>43,911,663</u>
Net capital assets	\$ <u>46,455,972</u>	<u>14,931,917</u>	<u>2,918,897</u>	<u>58,468,992</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 7 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 40,017,174	-	1,345,886	38,671,288	1,403,662
Revenue bonds	<u>7,331,000</u>	<u>12,355,000</u>	<u>3,951,000</u>	<u>15,735,000</u>	<u>708,000</u>
Total bonds	<u>47,348,174</u>	<u>12,355,000</u>	<u>5,296,886</u>	<u>54,406,288</u>	<u>2,111,662</u>
<u>Notes</u>					
Equipment notes	<u>265,780</u>	-	<u>115,812</u>	<u>149,968</u>	<u>119,582</u>
<u>Other liabilities</u>					
Compensated absences	<u>1,352,796</u>	<u>116,536</u>	<u>69,207</u>	<u>1,400,125</u>	<u>520,266</u>
Total long-term liabilities	\$ <u>48,966,750</u>	<u>12,471,536</u>	<u>5,481,905</u>	<u>55,956,381</u>	<u>2,751,510</u>

Long-term liability activity for the year ended August 31, 2007 was as follows:

	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 41,306,692	-	1,289,518	40,017,174	1,345,886
Revenue bonds	<u>8,035,000</u>	-	<u>704,000</u>	<u>7,331,000</u>	<u>739,000</u>
Total bonds	<u>49,341,692</u>	-	<u>1,993,518</u>	<u>47,348,174</u>	<u>2,084,886</u>
<u>Notes</u>					
Equipment notes	<u>377,972</u>	-	<u>112,192</u>	<u>265,780</u>	<u>115,811</u>
<u>Other liabilities</u>					
Compensated absences	<u>1,291,257</u>	<u>124,457</u>	<u>62,918</u>	<u>1,352,796</u>	<u>454,635</u>
Total long-term liabilities	\$ <u>51,010,921</u>	<u>124,457</u>	<u>2,168,628</u>	<u>48,966,750</u>	<u>2,655,332</u>

**NOTE 8 – DEBT OBLIGATIONS**

Bonds Payable

Debt service requirements at August 31, 2008, were as follows:

For the Year Ended August 31,	<u>Revenue Bonds</u>		<u>General Obligation Bonds</u>		<u>Total Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 708,000	555,119	1,403,662	1,566,691	2,111,662	2,121,810
2010	545,000	727,266	1,467,974	1,520,646	2,012,974	2,247,912
2011	570,000	701,885	1,532,789	1,470,856	2,102,789	2,172,741
2012	596,000	675,332	1,597,582	1,416,937	2,193,582	2,092,269
2013	633,000	647,437	1,673,424	1,358,509	2,306,424	2,005,946
2014-2018	3,613,000	2,745,806	9,644,128	5,745,032	13,257,128	8,490,838
2019-2023	3,985,000	1,817,179	12,321,025	3,441,839	16,306,025	5,259,018
2024-2028	<u>5,085,000</u>	<u>716,300</u>	<u>9,030,704</u>	<u>609,549</u>	<u>14,115,704</u>	<u>1,325,849</u>
Total	\$ <u>15,735,000</u>	<u>8,586,324</u>	<u>38,671,288</u>	<u>17,130,059</u>	<u>54,406,288</u>	<u>25,716,383</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 8 – DEBT OBLIGATIONS (CONTINUED)**

Notes Payable

Debt service requirements at August 31, 2008, were as follows:

For the Year Ended <u>August 31,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 119,582	3,051
2010	<u>30,386</u>	<u>199</u>
Total	\$ <u>149,968</u>	<u>3,250</u>

**NOTE 9 – BONDS PAYABLE AND NOTES PAYABLE**

General information related to bonds and notes payable is summarized below:

1998 Revenue Bonds (O'Shaughnessy Residence Hall)

- District Building Revenue Bond, Series 1998
- The bond was used to build a women's resident hall.
- Issued on June, 1, 1998
- Original amount issued \$3,500,000; amount authorized \$3,500,000
- Source of payment – pledged revenues

Bonds payable are due in semi-annual installments varying from \$161,245 to \$162,050 at an interest rate of 4.5%. The final installment is due in 2013.

1999 Revenue Bonds (Men's Residence Hall)

- District Building Revenue Bond, Series 1999
- The bond was used to build a men's residence hall.
- Issued on September 1, 1999
- Original amount issued \$3,500,000; amount authorized \$3,500,000
- Source of payment – pledged revenues

Bonds payable are due in semi-annual installments varying from \$162,737 to \$164,349 at an interest rate of 4.7%. The final installment is due in 2014.

2003 Revenue Bond (Craddick Hall)

- District Building and Refunding Revenue Bond, Series 2003
- The bond was used to build a co-ed residence hall.
- Issued on May 20, 2003
- Original amount issued \$4,500,000; amount authorized \$4,500,000
- Source of payment – pledged revenues

Bonds payable are due in semi-annual installments varying from \$212,061 to \$213,915 at an interest rate of 4.89%. The final installment originally due in 2018 will now be paid in October 2008 due to a current refunding.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 9 – BONDS PAYABLE AND NOTES PAYABLE (CONTINUED)

##### 2008 Revenue Bonds

- District Building Revenue Bond and Refunding, Series 2008
- The bond was used to complete construction and purchase equipment for college buildings and facilities.
- Issued on July 30, 2008
- Original amount issued, \$12,355,000; amount authorized, \$12,355,000
- Source of payment – pledged revenues

Bonds payable are due in semi-annual installments varying from \$133,418 to \$639,033, at an interest rate of 4.94%. The final installment is due in 2028.

##### 2005 General Obligation Bonds

- General Obligation Bonds, Series 2005
- The bonds will be used for construction & equipment of college buildings & facilities.
- Issued on July, 1 2005
- Original amount issued \$40,775,000: amount authorized \$41,769,999
- Bond issued at net premium of \$1,636,765
- Source of payment – Ad valorem taxes

Bonds payable are due in semi-annual installments varying from \$74,766 to \$3,234,766 with interest rates ranging from 3.5% to 5.0%. The final installment is due in 2026.

##### 2004 Equipment Purchase Note

- Note payable – American State Bank
- The note was used to purchase an airplane.
- Originated on September 16, 2004
- Original amount \$190,000
- Source of payment – Flight instruction fees

Note payable is due in monthly installments of \$3,430, at an interest rate of 3.15%. The final installment is due in 2009.

##### 2004 Equipment Purchase Note

- Note payable – American State Bank
- The note was used to purchase an airplane.
- Originated on November 3, 2004
- Original amount \$188,000
- Source of payment – Flight instruction fees

Note payable is due in monthly installments of \$3,395, at an interest rate of 3.15%. The final installment is due in 2009.

##### 2005 Equipment Purchase Note

- Note payable – American State Bank
- The note was used to purchase an airplane.
- Originated on January 12, 2005
- Original amount \$188,000
- Source of payment – Flight instruction fees

Note payable is due in monthly installments of \$3,394, at an interest rate of 3.15%. The final installment is due in 2010.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 10 – REFUNDING BONDS**

On July 30, 2008, the District issued \$12,355,000 of District Building Revenue and Refunding Bonds, Series 2008, all authorized bonds have been issued. The average interest rate of the bond is 4.89%. The bond was issued to refund \$3,212,000 of Revenue Bonds, Series 2003 and to aid in construction projects. The net proceeds from the bond were \$9,000,000, after payments of \$90,000 in underwriting fees, insurance and other issuance costs. The 2003 Series Bonds are considered paid and the liabilities for those bonds have been removed from the Investment in Plant Fund Group. Current refunding of the 2003 Series Bonds increased the District's debt service payments over the next ten years by approximately \$374,088. The refunding resulted in an economic loss to the District of \$24,727, due to the difference between the net present value of the old and new debt service payments.

**NOTE 11 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES**

**Receivables**

Receivables at August 31, were as follows:

	<u>2008</u>	<u>2007</u>
Student Receivables	\$ 657,009	546,538
Taxes Receivable	561,480	563,982
State Receivable	110,055	116,552
Federal Receivable	540,258	822,856
Accounts Receivable	846,613	282,114
Interest Receivable	49,200	127,215
Current Portion of Pledge Receivable	<u>-</u>	<u>200,000</u>
Subtotal	2,764,615	2,659,257
Allowance for Doubtful Accounts	<u>(545,799)</u>	<u>(515,396)</u>
<b>Total Receivables</b>	<b>\$ <u>2,218,816</u></b>	<b><u>2,143,861</u></b>

**Payables**

Payables at August 31, were as follows:

	<u>2008</u>	<u>2007</u>
Vendors Payable	\$ 2,892,977	3,096,620
Students Payable	<u>179,221</u>	<u>180,803</u>
<b>Total Payables</b>	<b>\$ <u>3,072,198</u></b>	<b><u>3,277,423</u></b>

**NOTE 12 – EMPLOYEES' RETIREMENT PLANS**

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

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 12 – EMPLOYEES' RETIREMENT PLANS (CONTINUED)

##### **Teacher Retirement System of Texas**

*Plan Description.* The Midland College District 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. TRS issues a publicly available financial report with required supplementary information which can be obtained from [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* Contribution requirements are not actually determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.40% for the fiscal years 2008 and 2007 and a state contribution rate of 6.58% for the fiscal year 2008 and 6.0% for the fiscal year 2007. In certain instances the reporting district is required to make all or apportion of the state's 6.58% contribution for fiscal year 2008 and 6.00% for fiscal year 2007.

##### **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 actually determined but are established and amended by Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.58% and 6.65%, respectively. The College contributes .73% 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 District was \$1,211,000 and \$1,089,000 for the fiscal years ended August 31, 2008 and 2007, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$21,383,000 and \$20,367,000 for fiscal years 2008 and 2007, respectively. The total payroll of employees covered by the Teacher Retirement System was \$10,640,000 and \$9,859,000 and the total payroll of employees covered by the Optional Retirement System was \$7,767,000 and \$7,631,000 for fiscal years 2008 and 2007, respectively.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 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 was \$2,065,163 and \$1,908,899 for the years ended August 31, 2008 and 2007, respectively, for retired and active employees. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for the active employees.

#### NOTE 14 – COMPENSATED ABSENCES

Accumulated unpaid vacation pay is accrued as incurred in accordance with NCGA Statement 4, *Accounting and Financial Reporting for Claims and Judgments and Compensated Absences*.

Employees can earn annual vacation leave at the rate of 10 days per year for the first 10 years up to a maximum of 20 days per year after 20 years of service. There is no requirement that annual leave be taken, but the maximum permissible accumulation is 15 days for employees with less than ten years of service. Employees with 10-20 years of service may accumulate up to 22-1/2 days and employees with over 20 years of service may accumulate up to 30 days. At termination, employees are paid for any accumulated annual vacation leave not to exceed their annual entitlement. The liability for accumulated unpaid vacation leave was approximately \$520,000 and \$455,000 on August 31, 2008 and 2007, respectively.

Employees earn sick leave at the rate of 1-1/2 days per month for the first six months of employment, and at a rate of one day for each month thereafter. Sick days may be accumulated up to 90 days. Upon retirement, or upon termination with 10 years or more service, the employee may be paid for any accumulated sick leave in excess of 30 days, at a rate of 1/2 of the employee's current base salary. If an employee terminates prior to 10 years of service, all accumulated sick leave is forfeited. The accrued sick leave amounted to approximately \$925,000 and \$908,000 on August 31, 2008 and 2007, respectively.

#### NOTE 15 – SELF INSURED WORKERS COMPENSATION

Effective December 1991 through August 1996, the District participated in a public entity risk pool for workers compensation. The participants of the pool include several other community and junior college districts and public school districts. Effective September 1996, the District has worker's compensation insurance through a fully funded insurance provider. The District maintains a liability for any outstanding claims incurred from December 1991 through August 1996 based on the administrator's evaluation.

The plan provided coverage to each participant in amounts up to the lesser of each participant's individual loss fund or \$200,000. The District's loss fund at August 31, 2008 and 2007 was \$2,200 and \$2,600, respectively. Each workers compensation claim in excess of \$200,000 is covered by a "stop-loss" policy. The plan does not provide for any other type of insurance. The District retains no risk of loss for any other types of claims as the District purchases insurance from commercial insurance carriers for all other types of risk coverage. As of August 31, 2008, the District had an estimated claims accrual of approximately \$2,200 for workers compensation claims and had paid claims in 2008 totaling approximately \$360.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 16 – FUND BALANCES

Ending fund balances at August 31 were as follows:

	<u>2008</u>	<u>2007</u>
Current funds:		
Fund balance, unrestricted	\$ 9,447,784	8,088,393
Fund balance, auxiliary enterprises	1,186,415	1,186,415
Fund balance, restricted	<u>5,989,597</u>	<u>5,510,767</u>
Total, current fund balance	16,623,796	14,785,575
Fund balance, endowment and similar funds	5,088,151	4,964,881
Fund balance, plant funds	<u>45,836,278</u>	<u>41,610,465</u>
Fund balance, primary government	\$ <u>67,548,225</u>	<u>61,360,921</u>

#### NOTE 17 – LITIGATION

In the ordinary course of business, the District is involved with various claims and potential litigation. Management does not believe that any of these matters will have a material adverse effect on the financial position of the District.

#### NOTE 18 – CONTRACTS 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*. The District recognizes the revenue on contracts and grant awards when funds have been expended. Grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2008 and 2007 for which monies have not been received or funds expended totaled \$256,562 and \$238,436, all of which are federal grant awards.

#### NOTE 19 – INCOME TAXES

The District 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 District had no unrelated business income tax liability for the years ended August 31, 2008 and 2007.

#### NOTE 20 – PLEDGE RECEIVABLE

The District had an outstanding pledge receivable of \$200,000 as of August 31, 2007. The final payment of \$200,000 was received in 2008.

#### NOTE 21 – SPLIT INTEREST AGREEMENTS

The District has a beneficial interest in a split interest agreement in which it will receive 25% of the remaining assets upon the death of the lead beneficiaries. The District recognized \$15,005 and \$14,156 representing the discounted present value of the expected distributions for the year ended August 31, 2008 and 2007, respectively.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2008 and 2007

#### NOTE 22 – COMMITMENTS

As of August 31, 2008, the District has awarded the following contracts for construction projects:

F. Marie Hall Academic Building	\$ 12,127,820
Mechanical Infrastructure	8,063,157
Fox Science Building Phase II	4,654,708
PE Building	5,266,650
Electrical Panel Upgrade	327,800
Technical Center and Helen Greathouse Child Development Center and Fasken Learning Center	4,903,000
Scharbauer Student Center	5,666,350
Al G. Langford Chaparral Center Renovation	365,670
Aaron Medical Center	4,205,000

#### NOTE 23 – RELATED PARTY

Midland College Foundation, Inc. (the "Foundation"), an independent corporation organized for the purpose of fund raising to benefit the District, made contributions of \$3,043,305 and \$688,166 in fiscal years 2008 and 2007, respectively. Two trustees of the District are also on the Board of Directors of the Foundation.

#### NOTE 24 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (IN ACCORDANCE WITH GASB STATEMENT NO. 45)

*Plan Description.* The District contributes to the State Retiree Health Plan ("SRGO"), a cost-sharing multiple-employer, defined benefit postemployment health care 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2008 and 2007**

**NOTE 24 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (IN ACCORDANCE WITH GASB STATEMENT NO. 45) (CONTINUED)**

The District's contributions to SRHP for the years ended August 31, 2008, 2007 and 2006 were \$32,809, \$33,771 and \$20,418, respectively, which equaled the required contributions each year.

In addition to the SRHP, the District also contributes funds for dental and life insurance benefits for retirees. The District's contributions for the years ended August 31, 2008, 2007 and 2006 were \$30,401, \$29,606 and \$27,360, respectively, which equaled the required contributions each year.

**REQUIRED SUPPLEMENTAL INFORMATION**

Midland College District

Schedule A

SCHEDULE OF DETAILED OPERATING REVENUES

Year Ended August 31, 2008  
(With Memorandum Totals for the Year Ended August 31, 2007)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2008 Total</u>	<u>2007 Memorandum Total</u>
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 2,960,364	-	2,960,364	-	2,960,364	3,077,358
Out-of-district resident tuition	2,057,075	-	2,057,075	-	2,057,075	2,010,031
Non-resident tuition	365,302	-	365,302	-	365,302	260,083
TPEG – credit (set aside) *	296,920	-	296,920	-	296,920	297,414
Stated-funded continuing education	1,215,770	-	1,215,770	-	1,215,770	1,397,420
TPEG – non-credit (set aside) *	77,602	-	77,602	-	77,602	89,197
Non-state funded continuing educational programs	<u>254,400</u>	<u>-</u>	<u>254,400</u>	<u>-</u>	<u>254,400</u>	<u>250,186</u>
Total tuition	<u>7,227,433</u>	<u>-</u>	<u>7,227,433</u>	<u>-</u>	<u>7,227,433</u>	<u>7,381,689</u>
<b>Fees:</b>						
General use fee	1,284,770	-	1,284,770	-	1,284,770	1,280,696
Lab fees	389,180	-	389,180	-	389,180	385,656
Distance learning fee	272,069	-	272,069	-	272,069	255,259
Installment plan fees	10	-	10	-	10	49,280
Private flight instruction	716,920	-	716,920	-	716,920	750,955
Other	<u>131,150</u>	<u>-</u>	<u>131,150</u>	<u>-</u>	<u>131,150</u>	<u>136,713</u>
Total fees	<u>2,794,099</u>	<u>-</u>	<u>2,794,099</u>	<u>-</u>	<u>2,794,099</u>	<u>2,858,559</u>
<b>Scholarship allowances and discounts:</b>						
Scholarships	(1,118,869)	-	(1,118,869)	-	(1,118,869)	(1,078,358)
Remissions and exemptions - state	(158,959)	-	(158,959)	-	(158,959)	(188,732)
Remissions and exemptions - local	(3,030)	-	(3,030)	-	(3,030)	(3,205)
Title IV federal grants	(875,783)	-	(875,783)	-	(875,783)	(1,013,090)
TPEG awards	(189,050)	-	(189,050)	-	(189,050)	(196,580)
Other state grants	(117,275)	-	(117,275)	-	(117,275)	(144,221)
Other local grants	<u>(37,099)</u>	<u>-</u>	<u>(37,099)</u>	<u>-</u>	<u>(37,099)</u>	<u>(12,862)</u>
Total scholarship allowances	<u>(2,500,065)</u>	<u>-</u>	<u>(2,500,065)</u>	<u>-</u>	<u>(2,500,065)</u>	<u>(2,637,048)</u>
Total net tuition and fees	<u>7,521,467</u>	<u>-</u>	<u>7,521,467</u>	<u>-</u>	<u>7,521,467</u>	<u>7,603,200</u>

**Midland College District**

**Schedule A**

**SCHEDULE OF DETAILED OPERATING REVENUES (CONTINUED)**

**Year Ended August 31, 2008  
(With Memorandum Totals for the Year Ended August 31, 2007)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2008 Total</u>	<u>2007 Memorandum Total</u>
Additional operating revenues:						
Federal grants and contracts	\$ -	5,792,361	5,792,361	-	5,792,361	6,539,332
State grants and contracts	-	278,144	278,144	-	278,144	182,641
Local grants and contracts	592,156	756,110	1,348,266	-	1,348,266	735,924
Non-governmental grants and contracts	563,393	401,760	965,153	108,000	1,073,153	699,521
Sales and services of educational activities	199,519	-	199,519	-	199,519	217,357
Investment income (program restricted)	-	391,490	391,490	223,899	615,389	623,677
General operating revenues	<u>363,526</u>	<u>309,852</u>	<u>673,378</u>	<u>-</u>	<u>673,378</u>	<u>697,898</u>
Total additional operating revenues	<u>1,718,594</u>	<u>7,929,717</u>	<u>9,648,311</u>	<u>331,899</u>	<u>9,980,210</u>	<u>9,696,350</u>
Auxiliary enterprises:						
Bookstore **	-	-	-	228,564	228,564	223,509
Residential/food service (net of discounts of \$439,142 and \$419,804, respectively)	-	-	-	674,555	674,555	594,513
Athletics	-	-	-	15,321	15,321	13,366
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,784</u>	<u>111,784</u>	<u>110,193</u>
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,030,224</u>	<u>1,030,224</u>	<u>941,581</u>
Total Operating Revenues (Exh. 2)	\$ <u>9,240,061</u>	<u>7,929,717</u>	<u>17,169,778</u>	<u>1,362,123</u>	<u>18,531,901</u> (Exhibit 2)	<u>18,241,131</u> (Exhibit 2)

\* In accordance with Education Code 56.033, \$374,522 and \$386,611 for years ended August 31, 2008 and 2007, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

\*\* The Midland College Bookstore is outsourced. Bookstore revenue is derived from lease payments. Accordingly, there are no scholarship allowances and discounts related to bookstore revenues.

**Midland College District**

**Schedule B**

**SCHEDULE OF OPERATING EXPENSES  
BY OBJECT**

**Year Ended August 31, 2008  
(With Memorandum Totals for the Year Ended August 31, 2007)**

	Operating Expenses			2008 Total	2007 Memorandum Total
	Salaries and Wages	Benefits			
		State	Local		
Unrestricted - Educational Activities					
Instruction	\$ 11,634,295	-	1,292,551	2,202,032	15,128,878
Public service	330,012	-	24,469	102,679	457,160
Academic support	2,655,136	-	303,455	1,212,551	4,171,142
Student services	1,553,166	-	171,269	251,582	1,976,017
Institutional support	2,517,992	-	286,484	1,375,870	4,180,346
Operation and maintenance of plant	736,553	-	272,852	3,341,562	4,350,967
Scholarships and fellowships	-	-	-	45,210	45,210
<b>Total Unrestricted Educational Activities</b>	<b>19,427,154</b>	<b>-</b>	<b>2,351,080</b>	<b>8,531,486</b>	<b>30,309,720</b>
Restricted – Educational Activities					
Instruction	214,201	2,065,628	41,383	225,875	2,547,087
Public service	325,048	35,948	82,045	1,442,724	1,885,765
Academic support	188,463	359,687	22,990	272,093	843,233
Student services	214,287	370,116	58,806	457,600	1,100,809
Institutional support	-	448,734	-	447	449,181
Operation and maintenance of plant	-	-	-	1,309,843	1,309,843
Scholarships and fellowships	-	-	-	3,452,425 *	3,452,425
<b>Total Restricted Educational Activities</b>	<b>941,999</b>	<b>3,280,113</b>	<b>205,224</b>	<b>7,161,007</b>	<b>11,588,343</b>
<b>Total Educational Activities</b>	<b>20,369,153</b>	<b>3,280,113</b>	<b>2,556,304</b>	<b>15,692,493</b>	<b>41,898,063</b>
Auxiliary Enterprises	770,864	-	129,976	1,581,370 **	2,482,210
Depreciation Expense – Buildings and other real estate improvements	-	-	-	1,122,051	1,122,051
Depreciation Expense – Equipment and furniture	-	-	-	733,545	733,545
<b>Total Operating Expenses</b>	<b>\$ 21,140,017</b>	<b>3,280,113</b>	<b>2,686,280</b>	<b>19,129,459</b>	<b>46,235,869</b>
				(Exhibit 2)	(Exhibit 2)

\* net of discounts of \$2,357,605

\*\* net of discounts of \$419,613

Midland College District

Schedule C

**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**

**Year Ended August 31, 2008**  
**(With Memorandum Totals for the Year Ended August 31, 2007)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2008 Total</u>	<u>2007 Memorandum Total</u>
<b>NON-OPERATING REVENUES:</b>					
State appropriations	\$ 10,375,572	3,280,114	-	13,655,686	13,498,308
Maintenance ad valorem taxes	13,707,713	-	-	13,707,713	12,647,436
Debt service ad valorem taxes	-	2,967,790	-	2,967,790	2,771,206
Gifts	79,573	1,425,155	-	1,504,728	1,442,548
Investment income	526,778	862,536	-	1,389,314	2,456,362
Contributions in aid of construction	-	2,313,296	-	2,313,296	730,997
Additions to permanent endowments	<u>-</u>	<u>348,279</u>	<u>-</u>	<u>348,279</u>	<u>145,283</u>
<b>Total non-operating revenues</b>	<u>24,689,636</u>	<u>11,197,170</u>	<u>-</u>	<u>35,886,806</u>	<u>33,692,140</u>
<b>NON-OPERATING EXPENSES:</b>					
Interest on capital related debt	(1,919,397)	-	-	(1,919,397)	(2,017,075)
Loss on disposal of capital assets	(27,547)	-	-	(27,547)	(12,640)
Other non-operating expense	<u>(9,432)</u>	<u>(39,158)</u>	<u>-</u>	<u>(48,590)</u>	<u>(63,458)</u>
<b>Total non-operating expenses</b>	<u>(1,956,376)</u>	<u>(39,158)</u>	<u>-</u>	<u>(1,995,534)</u>	<u>(2,093,173)</u>
<b>Net non-operating revenues</b>	\$ <u>22,733,260</u>	<u>11,158,012</u>	<u>-</u>	<u>33,891,272</u> (Exhibit 2)	<u>31,598,967</u> (Exhibit 2)

Midland College District

Schedule D

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

Year Ended August 31, 2008  
(With Memorandum Totals for the Year Ended August 31, 2007)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted Expendable	Non- Expendable	Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
Current:							
Unrestricted:							
Undesignated	\$ 8,647,784	-	-	-	8,647,784	8,647,784	-
Board designated	800,000	-	-	-	800,000	800,000	-
Restricted	-	5,989,597	-	-	5,989,597	5,989,597	-
Auxiliary enterprises	1,186,415	-	-	-	1,186,415	1,186,415	-
Endowment:							
Quasi:							
Unrestricted	-	688,013	-	-	688,013	-	688,013
Endowment:							
True	-	-	4,400,138	-	4,400,138	-	4,400,138
Plant:							
Debt service	-	330,263	-	-	330,263	-	330,263
Investment in plant	-	-	-	45,506,015	45,506,015	-	45,506,015
Total Net Assets, August 31, 2008	10,634,199	7,007,873	4,400,138	45,506,015	67,548,225 (Exhibit 1)	16,623,796	50,924,429
Total Net Assets, August 31, 2007	<u>9,274,808</u>	<u>6,680,227</u>	<u>3,964,881</u>	<u>41,441,005</u>	<u>61,360,921</u> (Exhibit 1)	<u>14,785,575</u>	<u>46,575,346</u>
Increase in Net Assets	\$ <u>1,359,391</u>	<u>327,646</u>	<u>435,257</u>	<u>4,065,010</u>	<u>6,187,304</u> (Exhibit 2)	<u>1,838,221</u>	<u>4,349,083</u>

**Midland College District**

**Schedule E**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended August 31, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Document/ Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursement and Expenditures</u>
<b>U.S. Department of Education</b>			
Direct Programs:			
Federal Supplemental Education Opportunity Grant	84.007	P007A074070	\$ 139,794
Title V Cooperative Hispanic Serving Institutions	84.031S	P031 S020031	92,910
Title V Cooperative Hispanic Serving Institutions	84.031S	P031 S080021	<u>58</u>
Subtotal CFDA 84.031S			<u>92,968</u>
Stafford Loans	84.032	-	251,096
Federal College Work-Study Program	84.033	P033A074070	133,478
Student Support Services	84.042	P042A050380	247,008
Upward Bound	84.047	P047A041103	253,929
Federal Pell Grant Program	84.063	P063P073245	3,193,567
Gaining Early Awareness Readiness for Undergraduate Programs	84.334	P334A02002	257,903
Academic Competitiveness Grant	84.375	P375A073245	<u>47,150</u>
Subtotal Direct Programs			<u>4,616,893</u>
Pass-Through From:			
Texas Education Agency			
Adult Basic Education – Federal TANF	84.002	83625017110155	21,224
Adult Basic Education – Federal/Corrections	84.002	84100017110168	135,500
University of Texas El Paso			
GREAT – West Texas LEARNS	84.002	280047304	<u>20,000</u>
Subtotal – CFDA 84.002			<u>176,724</u>
Texas Higher Education Coordinating Board			
Carl Perkins – Voc. Ed. – Basic	84.048	84230	346,805
Carl Perkins – WECM	84.048	81106	200,985
Texas Network for Teaching Excellence	84.048	81101	<u>447</u>
Subtotal – CFDA 84.048			<u>548,237</u>
BYRD	84.185A		1,375
Carl Perkins – Voc. Ed. Tech Prep.	84.243	81714	221,425
Leveraging Education Assistance Partnership (LEAP)	84.069A	-	5,755
Special Leveraging Education Assistance Partnership (SLEAP)	84.069B	-	<u>7,633</u>
Subtotal Pass-Through Programs			<u>961,149</u>
Total U.S. Department of Education			\$ <u>5,578,042</u>

**Midland College District**

**Schedule E**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**Year Ended August 31, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Document/ Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursement and Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Hispanic Serving Institutions Assisting Communities Program	14.514	HSIAC-07-TX-29	\$ 72,691
<u>U.S. Department of Labor</u>			
Nursing – Distance Learning	17.261	CB-15219-06-60	135,604
<u>National Science Foundation</u>			
Pass-Through University of Texas System Alliance for Minority Participation	47.076	HRD-0217691	<u>6,024</u>
Total Federal Financial Assistance			\$ <u>5,792,361</u>
<u>Note 1: Federal Assistance Reconciliation</u>			
Federal Grants and Contracts revenue – per Schedule A			\$ 5,792,361
Reconciling entries			<u>-</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards			\$ <u>5,792,361</u>

Note 2: Significant accounting policies used in preparing the schedule

The expenditures included in the schedule are reported for the District'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 District for the purpose of the award. The expenditures reported may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose 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 District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Amounts passed through by the District

The following amounts were passed-through to the listed sub-recipients by the District. These amounts were from the Title V Cooperative Grant program CFDA 84.031S from the U.S. Department of Education.

Sul Ross University	\$ <u>65,182</u>
Total amounts passed-through Midland College District	\$ <u>65,182</u>

**Midland College District**

**Schedule E**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**Year Ended August 31, 2008**

The following amounts were passed-through to the listed sub-recipients by the District. These amounts were from the Carl Perkins – Voc. Ed. Tech Prep Grant program CFDA 84.243 from the Texas Higher Education Coordinating Board.

Howard College	\$	74,586
Odessa Junior College		75,795
Terrell County Independent School District		<u>1,440</u>
Total amounts passed-through Midland College District	\$	<u><u>151,821</u></u>

**Midland College District**

**Schedule F**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

**Year Ended August 31, 2007**

<u>State Grantor/Pass Through Grantor/ Program Title</u>	<u>Grant/Contract Number</u>	<u>Pass Through Disbursement and Expenditures</u>
Direct Programs:		
Texas Education Agency		
Adult Basic Education - TANF	80110017110155	\$ 13,760
Adult Basic Education	80100017110168	<u>23,955</u>
Subtotal Texas Education Agency		<u>37,715</u>
Texas Higher Education Coordinating Board		
Texas College Work Study	-	14,651
Texas Grant	-	147,835
Texas Education Opportunity Grant	-	47,943
P-16 College Readiness	-	<u>639</u>
Subtotal Texas Higher Education Coordinating Board		211,068
Total State Financial Assistance		\$ <u>248,783</u>
 <i>Note 1: State Assistance Reconciliation</i>		
Total State Financial Assistance		\$ 248,783
P-16 College Readiness restricted receipts in excess of expenditures		<u>29,361</u>
 <b>Total State Revenues per Schedule A</b>		\$ <u>278,144</u>

*Note 2: Significant Accounting Policies Used in Preparing the Schedule*

The expenditures included in the schedule are reported for the District'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 District 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 of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

## **SINGLE AUDIT REPORTS**



# JOHNSON MILLER & CO., CPA's PC

*Certified Public Accountants*

*A Professional Corporation*

*An Independent Member Of BDO Seidman Alliance*

Midland, Texas  
Odessa, Texas  
Hobbs, New Mexico

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

The Board of Trustees  
Midland College District  
Midland, Texas

We have audited the financial statements of Midland College District (the "District") as of and for the year ended August 31, 2008, and have issued our report thereon dated December 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

### **Compliance and Other Matters**

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

**Compliance and Other Matters (Continued)**

a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have performed tests designed to verify the District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2008, no instances of noncompliance were found.

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

A handwritten signature in blue ink that reads "Johnson Melley & Co., CPA's PC". The signature is written in a cursive, flowing style.

Midland, Texas  
December 4, 2008



# JOHNSON MILLER & CO., CPA's PC

*Certified Public Accountants*

*A Professional Corporation*

*An Independent Member Of BDO Seidman Alliance*

Midland, Texas  
Odessa, Texas  
Hobbs, New Mexico

**Report of Independent Certified Public Accountants on  
Compliance With Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

The Board of Trustees  
Midland College District  
Midland, Texas

### **Compliance**

We have audited the compliance of Midland College District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2008. The District'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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards, 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 District'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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2008.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended for the information of the District's trustees, audit committee, management, 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.

*Johnson Miller & Co., CPAs PC*

Midland, Texas  
December 4, 2008

**Midland College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**August 31, 2008**

The Board of Trustees  
Midland College District  
Midland, Texas

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Type of Auditor's Report issued Unqualified

Internal control over financial reporting:

Material Weaknesses Identified? No

Significant Deficiencies Identified that are  
not considered to be material weaknesses? No

Noncompliance material to financial  
statements noted? No

Federal Awards

Internal control over major programs:

Material Weaknesses Identified? No

Significant Deficiencies Identified that are  
not considered to be material weaknesses? No

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? No

**Midland College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**August 31, 2008**

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.002	Adult Basic Education/Federal TANF
84.002	Adult Basic Education – Federal/Corrections
84.334	Gaining Early Awareness Readiness for Undergraduate Programs
84.007	Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant
84.375	Academic Competiveness Grant
84.032	Stafford Loans
84.033	Federal College Workstudy Program
84.063	Federal Pell Grant Program

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

Auditee qualified as low-risk auditee? Yes

Section II – FINANCIAL STATEMENT FINDINGS No matters were reported.

**Midland College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**August 31, 2008**

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**Midland College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**August 31, 2007**

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**STATISTICAL SUPPLEMENT**

Midland College District  
Statistical Supplement 1  
Net Assets by Component  
Fiscal Years 2002-2008

(unaudited)  
(amounts expressed in thousands)

	For the Fiscal Year Ended August 31,						
	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 45,506	\$ 41,441	37,892	34,671	31,788	29,545	29,793
Restricted - expendable	7,008	6,680	5,225	3,395	2,723	3,387	2,811
Restricted - nonexpendable	4,400	3,965	3,795	3,167	3,069	3,053	3,037
Unrestricted	10,634	9,275	7,096	6,228	5,807	4,825	4,805
<b>Total primary government net assets</b>	<b>\$ 67,548</b>	<b>\$ 61,361</b>	<b>54,008</b>	<b>47,461</b>	<b>43,387</b>	<b>40,810</b>	<b>40,446</b>

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

Midland College District  
Statistical Supplement 2  
Revenues by Source  
Fiscal Years 2002-2008  
(unaudited)

	For the Year Ended August 31,						
	(amounts in 000's)						
	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (net of discounts)	\$ 7,522	\$ 7,603	5,803	5,344	4,617	3,564	3,541
Federal Grants and Contracts	5,792	6,539	8,170	8,714	8,456	6,868	5,185
State Grants and Contracts	278	183	275	228	289	983	1,856
Local Grants and Contracts	1,348	736	612	756	633	399	470
Non-Governmental Grants and Contracts	1,073	699	796	271	152	119	26
Sales and services of educational activities	200	217	240	239	236	353	407
Investment income-program restricted	615	624	306	171	223	230	296
Auxiliary enterprises (net of discounts)	1,030	942	859	873	824	699	794
Other operating revenues	673	698	614	475	520	574	487
<b>Total Operating Revenues</b>	<b>18,531</b>	<b>18,241</b>	<b>17,675</b>	<b>17,071</b>	<b>15,950</b>	<b>13,789</b>	<b>13,062</b>
State Appropriations	13,656	13,498	13,418	11,113	10,954	11,117	10,941
Ad Valorem Taxes	16,676	15,419	14,312	10,917	10,068	9,763	9,519
Gifts	1,505	1,443	1,882	2,138	1,176	833	837
Investment income	1,389	2,456	2,201	215	87	102	89
Contributions in aid of construction	2,313	731	176	3,557	1,048	-	-
Gain on disposal of fixed assets	-	-	16	-	-	-	-
Additions to permanent endowments	348	145	700	171	52	-	-
<b>Total Non-Operating Revenues</b>	<b>35,887</b>	<b>33,692</b>	<b>32,705</b>	<b>28,111</b>	<b>23,385</b>	<b>21,815</b>	<b>21,386</b>
<b>Total Revenues</b>	<b>\$ 54,418</b>	<b>\$ 51,933</b>	<b>50,380</b>	<b>45,182</b>	<b>39,335</b>	<b>35,604</b>	<b>34,448</b>

	For the Year Ended August 31,						
	(% of total)						
	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (net of discounts)	13.82%	14.64%	11.52%	11.83%	11.74%	10.01%	10.28%
Federal Grants and Contracts	10.63%	12.58%	16.21%	19.29%	21.50%	19.29%	15.05%
State Grants and Contracts	0.51%	0.35%	0.55%	0.50%	0.73%	2.76%	5.39%
Local Grants and Contracts	2.47%	1.41%	1.20%	1.67%	1.61%	1.12%	1.36%
Non-Governmental Grants and Contracts	1.97%	1.35%	1.58%	0.60%	0.39%	0.33%	0.08%
Sales and services of educational activities	0.37%	0.42%	0.48%	0.53%	0.60%	0.99%	1.18%
Investment income-program restricted	1.13%	1.20%	0.61%	0.38%	0.57%	0.65%	0.86%
Auxiliary enterprises (net of discounts)	1.89%	1.81%	1.71%	1.93%	2.09%	1.96%	2.30%
Other operating revenues	1.24%	1.34%	1.22%	1.05%	1.32%	1.62%	1.42%
<b>Total Operating Revenues</b>	<b>34.05%</b>	<b>35.12%</b>	<b>35.08%</b>	<b>37.78%</b>	<b>40.55%</b>	<b>38.73%</b>	<b>37.92%</b>
State Appropriations	25.09%	25.99%	26.63%	24.60%	27.85%	31.22%	31.76%
Ad Valorem Taxes	30.64%	29.69%	28.41%	24.16%	25.60%	27.42%	27.63%
Gifts	2.77%	2.78%	3.74%	4.73%	2.99%	2.34%	2.43%
Investment income	2.55%	4.73%	4.37%	0.48%	0.22%	0.29%	0.26%
Contributions in aid of construction	4.25%	1.41%	0.35%	7.87%	2.66%	-	-
Gain on disposal of fixed assets	-	-	0.03%	-	-	-	-
Additions to permanent endowments	0.64%	0.28%	1.39%	0.38%	0.13%	-	-
<b>Total Non-Operating Revenues</b>	<b>65.95%</b>	<b>64.88%</b>	<b>64.92%</b>	<b>62.22%</b>	<b>59.45%</b>	<b>61.27%</b>	<b>62.08%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

**Midland College District**  
**Statistical Supplement 3**  
**Program Expenses by Function**  
**Fiscal Years 2002-2008**  
(unaudited)

For the Year Ended August 31,  
(amounts in 000's)

	2008	2007	2006	2005	2004	2003	2002
\$	17,676	\$ 17,266	16,686	16,042	13,840	14,014	13,513
Instruction	2,343	2,242	2,430	2,195	2,054	2,699	1,964
Public service	5,014	4,834	4,688	4,465	4,433	2,580	3,529
Academic support	3,077	2,948	2,706	2,608	2,393	2,444	2,399
Student services	4,629	4,292	3,908	3,526	3,266	3,015	2,952
Institutional support	5,661	4,000	4,118	3,581	3,142	3,383	4,385
Operation and maintenance of plant	3,498	3,296	3,760	3,905	4,099	3,610	2,798
Scholarships & fellowships(net of discounts)	2,482	1,929	1,813	1,753	1,639	1,480	1,326
Auxiliary enterprises (net of discounts)	1,856	1,680	1,599	1,520	1,477	1,299	1,236
Depreciation	46,236	42,487	41,708	39,595	36,343	34,524	34,102
<b>Total Operating Expenses</b>	1,919	2,017	2,083	501	462	483	331
Interest on capital related debt	28	13	-	6	6	21	69
Loss on disposal of fixed assets	49	63	41	8	-	39	12
Other non-operating expenses	1,996	2,093	2,124	515	468	543	412
<b>Total Non-Operating Expenses</b>	\$ 48,232	\$ 44,580	43,832	40,110	36,811	35,067	34,514
<b>Total Expenses</b>							

For the Year Ended August 31,  
(% of total)

	2008	2007	2006	2005	2004	2003	2002
	36.65%	38.73%	38.07%	40.00%	37.60%	39.96%	39.15%
Instruction	4.86%	5.03%	5.54%	5.47%	5.58%	7.70%	5.69%
Public service	10.40%	10.84%	10.70%	11.13%	12.04%	7.36%	10.23%
Academic support	6.38%	6.61%	6.17%	6.50%	6.50%	6.97%	6.95%
Student services	9.60%	9.63%	8.92%	8.79%	8.87%	8.60%	8.55%
Institutional support	11.74%	8.97%	9.39%	8.93%	8.54%	9.65%	12.70%
Operation and maintenance of plant	7.25%	7.39%	8.58%	9.74%	11.14%	10.29%	8.12%
Scholarships and fellowships	5.15%	4.33%	4.14%	4.37%	4.45%	4.22%	3.84%
Auxiliary enterprises	3.85%	3.77%	3.65%	3.79%	4.01%	3.70%	3.58%
Depreciation	95.87%	95.32%	95.16%	98.72%	98.73%	98.45%	98.81%
<b>Total Operating Expenses</b>	3.98%	4.18%	4.75%	1.25%	1.25%	1.38%	0.96%
Interest on capital related debt	0.06%	0.03%	-	0.01%	0.02%	0.06%	0.20%
Loss on disposal of fixed assets	0.10%	0.13%	0.09%	0.02%	-	0.11%	0.03%
Other non-operating expenses	4.13%	4.33%	4.84%	1.28%	1.27%	1.55%	1.19%
<b>Total Non-Operating Expenses</b>	100.00%	99.64%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Total Expenses</b>							

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

Midland College District  
 Statistical Supplement 4  
 Tuition and Fees  
 Last Ten Academic Years  
 (unaudited)

Resident  
 Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee	In-District Tuition		Out-of-District Tuition	Technology Fees	Student Activity Fees	General Use Fee	Cost for 12 SCH In-District		Cost for 12 SCH Out-of-District	Increase from Prior Year In-District		Increase from Prior Year Out-of-District
2007-08	\$ -	\$ 43	\$ -	\$ 55	-	-	\$ 10	\$ 636	\$ 780	-	-	17.78%	14.04%
2006-07	-	43	-	55	-	-	10	636	780	-	-	-	14.00%
2005-06	-	37	-	49	-	-	8	540	684	-	-	-	4.17%
2004-05	-	37	-	42	-	-	8	540	600	-	-	4.65%	23.08%
2003-04	-	36	-	41	-	-	7	516	576	-	-	16.22%	-
2002-03	-	31	-	33	-	-	6	444	468	-	-	8.82%	8.33%
2001-02	-	31	-	33	-	-	6	444	468	-	-	12.40%	11.63%
2000-01	-	28	-	30	-	-	6	408	432	-	-	-	-
1999-00	15	17	-	19	3	3	6	363	387	-	-	-	-
1998-99	15	17	-	19	3	3	6	363	387	-	-	-	-

Non - Resident  
 Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee	Non-Resident Tuition		Non-Resident Tuition International	Technology Fees	Student Activity Fees	General Use Fee	Cost for 12 SCH Out of State		Cost for 12 SCH International	Increase from Prior Year Out of State		Increase from Prior Year International
2007-08	\$ -	\$ 84	\$ -	\$ 84	-	-	\$ 10	\$ 1,128	\$ 1,128	-	-	9.30%	9.30%
2006-07	-	84	-	84	-	-	10	1,128	1,128	-	-	9.30%	2.38%
2005-06	-	78	-	78	-	-	8	1,032	1,032	-	-	2.38%	23.53%
2004-05	-	76	-	76	-	-	8	1,008	1,008	-	-	23.53%	15.25%
2003-04	-	61	-	61	-	-	7	816	816	-	-	15.25%	-
2002-03	-	53	-	53	-	-	6	708	708	-	-	5.36%	5.36%
2001-02	-	53	-	53	-	-	6	708	708	-	-	46.41%	46.41%
2000-01	-	50	-	50	-	-	6	672	672	-	-	-	-
1999-00	15	25	-	25	3	3	6	459	459	-	-	-	-
1998-99	15	25	-	25	3	3	6	459	459	-	-	-	-

Note: In addition students may incur course related fees such as laboratory fees, testing fees and certification fees.

**Midland College District  
Statistical Supplement 5  
Assessed Value and Taxable Assessed Value of Property  
Last Ten Fiscal Years**

(amounts expressed in thousands) Direct Rate

Fiscal Year	Assessed Valuation of Property	Less: Exemptions		Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt		(a)
							Service	Total	
2007-08	\$ 9,747,419	\$	981,243	\$ 8,766,176	89.93%	\$ 0.157154	\$ 0.033966	\$	0.191120
2006-07	7,985,268		536,613	7,448,655	93.28%	0.167481	0.038719		0.206200
2005-06	6,772,061		462,783	6,309,278	93.17%	0.179400	0.045300		0.224700
2004-05	6,120,653		461,916	5,658,737	92.45%	0.190600	-		0.190600
2003-04	5,668,701		456,955	5,211,746	91.94%	0.185200	0.005400		0.190600
2002-03	5,515,729		443,637	5,072,092	91.96%	0.185200	0.005400		0.190600
2001-02	5,580,072		412,052	5,168,020	92.62%	0.177800	0.005400		0.183200
2000-01	4,941,048		401,771	4,539,277	91.87%	0.157200	0.006100		0.163300
1999-00	4,852,382		388,745	4,463,637	91.99%	0.157200	0.006100		0.163300
1998-99	4,597,684		54,743	4,542,941	98.81%	0.157400	0.005900		0.163300

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

**Midland College District  
Statistical Supplement 6  
State Appropriation per FTSE and Contact Hours  
Last Ten Fiscal Years**  
(unaudited)

Fiscal Year	Appropriation per FTSE		Appropriation per Contact Hour				
	State Appropriation (000's)	FTSE (1)	State Appropriation per FTSE	Academic Contact Hours (a) (000's)	Voc/Tech Contact Hours (a,b) (000's)	Total Contact Hours (000's)	State Appropriation per Contact Hour
2007-08	\$ 9,877	3,988	\$ 2,477	1,673	934	2,607	\$ 3.79
2006-07	9,371	4,041	2,319	1,715	944	2,659	3.52
2005-06	9,371	4,012	2,336	1,691	936	2,627	3.57
2004-05	8,039	4,031	1,994	1,682	943	2,625	3.06
2003-04	8,079	3,967	2,037	1,671	885	2,556	3.16
2002-03	7,870	3,686	2,135	1,539	853	2,392	3.29
2001-02	8,499	3,607	2,356	1,485	875	2,360	3.60
2000-01	8,102	3,395	2,386	1,390	820	2,210	3.67
1999-00	8,147	3,259	2,500	1,308	856	2,164	3.76
1998-99	6,594	3,177	2,076	1,194	956	2,150	3.07

(a) Source CBM001  
(b) Source CBM00A

Notes:

(1) FTSE is calculated by the following formula:

$$\frac{\text{(Total Semester Hours Taken by Credit Students (a))}}{30} + \frac{\text{(Total Contact Hours Taken by CE Students(b))}}{900}$$

Fiscal Year	Voc-Tech Contact Hrs (000's)		
	Credit	CE	Total
07-08	779	155	934
06-07	740	204	944
05-06	717	219	936
04-05	716	227	943
03-04	650	235	885
02-03	660	193	853
01-02	620	255	875
00-01	633	187	820
99-00	731	125	856
98-99	810	146	956

**Midland College District  
Statistical Supplement 7  
Principal Taxpayers  
Last Ten Tax Years  
(unaudited)**

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2007	2006	2005	2004	2003	2002	2001	2000		
Pioneer Natural Res	Oil & Gas	\$ 488,618	\$ 481,708	357,957	266,212	241,937	254,337	290,553	141,512		
Chevron USA Inc	Oil & Gas	185,222	178,526	152,643	125,693	64,441					
LCX Energy LLC	Oil & Gas	150,369	146,258								
Endeavor Energy Res LP	Oil & Gas	130,594	144,955	85,373	49,153	34,054	30,006	26,246			
BP America Prod Co	Oil & Gas	85,107	79,680	71,756	54,782	59,521	67,940				
Dawson Geophysical	Oil & Gas	72,273	55,815								
TXU Electric Delivery Co	Utility	64,594	63,446								
Henry Petroleum LP	Oil & Gas	59,226	61,276	40,159	50,653	55,870	62,096	61,201	59,099		
Southwestern Bell Tele	Utility	52,745	48,996	51,470	38,984	35,964	41,213	48,549	31,898		
Mobil Producing Tx & NM-Dev/Gas	Oil & Gas	47,193	50,716	44,193	50,758	26,302					
Perenco LLC	Oil & Gas			73,253	59,315	57,366	59,376	58,982	56,895		
Oncor Elec Delivery LP	Utility			61,072	28,040	29,764	27,455	22,159	18,254		
Oxy USA Inc	Oil & Gas			39,428	27,851	34,499	96,992	130,609	64,697		
Mobil Producing Tx & NM	Oil & Gas						24,667		24,340		
Texaco E & P Inc	Oil & Gas						24,571	24,571	51,537		
CMS Oil & Gas Company	Oil & Gas							113,906	24,306		
Midland Park Mail LP	Retail										
ARCO Permian	Oil & Gas										
A T & T Communications	Utility										
Duke Energy Fld Svc	Oil & Gas										
<b>Totals</b>		<b>\$ 1,335,941</b>	<b>\$ 1,311,376</b>	<b>977,304</b>	<b>753,441</b>	<b>639,718</b>	<b>688,653</b>	<b>805,315</b>	<b>491,443</b>		

**Total Taxable Assessed Value \$ 6,309,278 \$ 6,309,278 5,658,737 5,211,746 5,072,092 5,168,021 4,539,277 4,463,637**

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2007	2006	2005	2004	2003	2002	2001	2000		
Pioneer Natural Res	Oil & Gas	7.74%	7.63%	6.33%	5.15%	4.77%	4.92%	6.40%	3.17%		
Chevron USA Inc	Oil & Gas	2.94%	2.83%	2.70%	2.41%	1.27%					
LCX Energy LLC	Oil & Gas	2.38%	2.32%								
Endeavor Energy Res LP	Oil & Gas	2.07%	2.30%	1.51%	0.94%	0.67%	0.58%	0.58%			
BP America Prod Co	Oil & Gas	1.35%	1.26%	1.27%	1.05%	1.17%	1.31%				
TXU Electric Delivery Co	Utility	1.02%	1.01%								
Henry Petroleum LP	Oil & Gas	0.94%	0.97%	0.71%							
Dawson Geophysical	Oil & Gas	1.15%	0.88%								
Mobil Producing Tx & NM-Dev/Gas	Oil & Gas	0.75%	0.80%	0.78%	0.75%	0.71%	0.80%	1.07%	0.71%		
Southwestern Bell Tele	Utility	0.84%	0.78%	0.91%	0.97%	1.10%	1.20%	1.35%	1.32%		
Perenco LLC	Oil & Gas			1.29%	0.97%	0.52%					
Oncor Elec Delivery LP	Utility			1.08%	1.14%	1.13%	1.15%	1.30%	1.27%		
Oxy USA Inc	Oil & Gas			0.70%	0.54%	0.59%	0.53%	0.49%	0.41%		
Mobil Producing Tx & NM	Oil & Gas				0.53%						
Texaco E & P Inc	Oil & Gas				0.68%	1.88%	0.48%	2.88%	1.45%		
CMS Oil & Gas Company	Oil & Gas				0.48%	0.48%	0.48%	0.54%	0.55%		
Midland Park Mail LP	Retail										
A T & T Communications	Utility							2.51%	0.54%		
ARCO Permian	Oil & Gas								1.15%		
Duke Energy Fld Svc	Oil & Gas								0.42%		
<b>Totals</b>		<b>21.17%</b>	<b>20.78%</b>	<b>17.28%</b>	<b>14.45%</b>	<b>12.61%</b>	<b>13.33%</b>	<b>17.75%</b>	<b>10.99%</b>		

Source: Midland Central Appraisal District  
Data prior to 2000 unavailable

**Midland College District  
Statistical Supplement 8  
Property Tax Levies and Collections  
Last Ten Tax Years**

(unaudited)

(amounts expressed in thousands)

Fiscal Year Ended	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections- Year of Levy		Percentages	Prior Collections of Prior Levies* (d)	Current Collections of Prior Levies* (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
				(c)	(c)					
2007-08	\$ 16,617	\$ -	\$ 16,617	\$ 16,326	\$ -	98.25%	\$ -	-	\$16,326	98.25%
2006-07	15,359	3	15,362	15,142	-	98.57%	-	154	15,296	99.57%
2005-06	14,177	(2)	14,175	13,979	154	98.62%	154	40	14,173	99.99%
2004-05	10,786	8	10,794	10,576	165	97.98%	165	20	10,761	99.69%
2003-04	9,933	53	9,986	9,750	204	97.64%	204	13	9,967	99.81%
2002-03	9,667	(5)	9,662	9,469	188	98.00%	188	8	9,665	100.03%
2001-02	9,468	(6)	9,462	9,225	185	97.50%	185	5	9,415	99.50%
2000-01	7,413	(6)	7,407	7,253	133	97.92%	133	1	7,387	99.73%
1999-00	7,289	(8)	7,281	7,080	162	97.24%	162	1	7,243	99.48%
1998-99	7,418	(5)	7,413	7,289	141	98.33%	141	1	7,431	100.24%

\* "Collections for prior Years" does not include penalties or interest. It includes taxes only.

Source: Local Tax Assessor/Collector's and District records.

**Midland College District**  
**Statistical Supplement 9**  
**Ratios of Outstanding Debt**  
**Last Ten Fiscal Years**  
(unaudited)

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>General Bonded Debt</b>										
General Obligation Bonds	\$ 38,671	\$ 40,017	41,307	42,391	-	-	-	-	-	-
Contractual Obligation Bonds	-	-	-	-	-	-	270	525	770	1,000
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds Restricted for Debt Service	(330)	(169)	(186)	73	-	-	(4)	(5)	(66)	(124)
<b>Net General Bonded Debt</b>	<b>38,341</b>	<b>39,848</b>	<b>41,121</b>	<b>42,464</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>520</b>	<b>704</b>	<b>876</b>
<b>Other Debt</b>										
Revenue Bonds	15,735	7,331	8,035	8,708	9,351	9,964	9,850	6,220	6,574	3,332
Notes	150	266	378	487	109	213	311	398	486	565
Capital Lease Obligations	-	-	-	-	-	-	-	-	-	-
<b>Total Outstanding Debt</b>	<b>\$ 54,226</b>	<b>\$ 47,445</b>	<b>49,534</b>	<b>51,659</b>	<b>9,460</b>	<b>10,177</b>	<b>10,427</b>	<b>7,138</b>	<b>7,764</b>	<b>4,773</b>
<b>Per Capita</b>	<b>\$ 428.98</b>	<b>381.45</b>	<b>407.75</b>	<b>430.70</b>	<b>79.73</b>	<b>86.70</b>	<b>89.85</b>	<b>61.78</b>	<b>66.01</b>	<b>40.34</b>
<b>Per Student</b>	<b>13,599</b>	<b>11,741</b>	<b>12,346</b>	<b>12,815</b>	<b>2,385</b>	<b>2,760</b>	<b>2,891</b>	<b>2,103</b>	<b>2,383</b>	<b>1,502</b>
<b>As a % of Taxable Assessed Value</b>	<b>0.62%</b>	<b>0.64%</b>	<b>0.79%</b>	<b>0.91%</b>	<b>0.18%</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.16%</b>	<b>0.17%</b>	<b>0.11%</b>

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

**Midland College District  
Statistical Supplement 10  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(unaudited)**

	For the Years Ended August 31 (amounts expressed in thousands)									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Taxable Assessed Value	\$ 8,694,625	\$ 7,448,655	6,309,278	5,658,737	5,211,746	5,072,092	5,168,020	4,539,277	4,463,637	4,542,941
<b>General Obligation Bonds</b>										
Statutory Tax Levy Limit for Debt Service	\$ 43,473	\$ 37,243	31,546	28,294	26,059	25,360	25,840	22,696	22,318	22,715
Less: Funds Restricted for Repayment of General Obligation Bonds	(330)	(169)	(186)	73	-	-	-	-	-	-
Total Net General Obligation Debt	43,143	37,074	31,360	28,367	26,059	25,360	25,840	22,696	22,318	22,715
Current Year Debt Service Requirements	2,955	2,937	2,991	-	-	-	-	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 40,188	\$ 34,137	28,369	28,367	26,059	25,360	25,840	22,696	22,318	22,715

Net Current Requirements as a % of Statutory Limit	6.04%	7.43%	8.89%	0.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

**Midland College District  
Statistical Supplement 11  
Pledged Revenue Coverage  
Last Ten Fiscal Years  
(unaudited)**

Revenue Bonds		Pledged Revenues (\$000 omitted)				Debt Service Requirements (\$000 omitted)				Coverage Ratio
		Fiscal Year Ended August 31	Tuition, Fees & Other rev	General Use Fee	Operating Expense	Total	Principal	Interest	Total	
2008	\$ 5,205	\$ 1,285	\$ -	\$ 6,490	\$ 739	\$ 339	\$ 1,078	6.02		
2007	-	1,281	-	1,281	704	373	1,077	1.19		
2006	-	1,119	-	1,119	673	405	1,078	1.04		
2005	-	1,111	-	1,111	643	435	1,078	1.03		
2004	-	1,002	-	1,002	613	465	1,078	0.93		
2003	-	828	-	828	386	397	783	1.06		
2002	-	763	-	763	370	282	652	1.17		
2001	-	730	-	730	354	299	653	1.12		
2000	-	563	-	563	258	230	488	1.15		
1999	-	547	-	547	168	156	324	1.69		

Contractual Obligation Bonds		Pledged Revenues (\$000 omitted)				Debt Service Requirements (\$000 omitted)				Coverage Ratio
		Fiscal Year Ended August 31	Ad Valorem Taxes	Interest Income	Operating Expense	Total	Principal	Interest	Total	
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0.00	
2007	-	-	-	-	-	-	-	-	0.00	
2006	-	-	-	-	-	-	-	-	0.00	
2005	-	-	-	-	-	-	-	-	0.00	
2004	-	-	-	-	-	-	-	-	0.00	
2003	286	-	-	-	286	270	6	276	1.04	
2002	275	-	-	-	275	255	17	272	1.01	
2001	277	-	-	-	277	245	27	272	1.02	
2000	271	-	-	-	271	230	37	267	1.01	
1999	262	-	-	1	263	220	44	264	1.00	

**Midland College District**  
**Statistical Supplement 12**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
(unaudited)

Calendar Year	District Population (b)	District Personal Income		District Unemployment Rate (b)
		Income (a,b) (000's)	Per Capita (b) (000's)	
2007	126,408	\$ 6,610,442	\$ 52,294	2.9%
2006	123,561	6,010,549	48,644	3.4%
2005	120,628	5,140,616	42,615	3.7%
2004	119,249	4,543,467	38,101	4.4%
2003	118,014	4,022,393	34,084	4.9%
2002	116,987	3,796,682	32,454	4.8%
2001	115,782	4,038,379	34,879	3.8%
2000	115,478	4,092,309	35,438	4.2%
1999	117,621	3,594,699	30,562	7.1%
1998	118,321	3,689,012	31,178	4.3%

**Sources:**

Population from U.S. Bureau of the Census  
Personal income from U.S. Bureau of Economic Analysis.  
Unemployment rate from Texas Workforce Commission

**Notes:**

(a) Personal Income amounts for 2007 are preliminary.  
(b) Numbers used above are for Midland County, and includes Greenwood ISD which is not in our district, as we are unable to obtain district specific information.

**Midland College District  
Statistical Supplement 13  
Principal Employers  
Current & Prior Fiscal Years**  
(unaudited)

Employer	2008		2007	
	Number of Employees	Percentage of Total Employment (A)	Number of Employees	Percentage of Total Employment (A)
Midland Independent School District	2,836	4.16%	2,826	4.15%
Midland Memorial Hospital	1,600	2.35%	1,500	2.20%
Dawson Geophysical	1,451	2.13%	1,200	1.76%
Midland College	1,318	1.93%	1,200	1.76%
City of Midland	917	1.35%	962	1.41%
Midland County	678	0.99%	583	0.86%
Key Energy	564	0.83%	500	0.73%
Warren Equipment Companies	534	0.78%	620	0.91%
Patterson-UTI Drilling Co.	-	0.00%	750	1.10%
Cingular Wireless LLC	-	0.00%	600	0.88%
<b>Total</b>	<b>9,898</b>	<b>14.53%</b>	<b>10,741</b>	<b>15.76%</b>

**Source:**  
Midland Development Corporation  
Midland Chamber of Commerce - Economic Development

**Note: A**  
Percentages are calculated using the midpoints of the ranges.  
This institution began presenting this schedule in 2006.

**Midland College District**  
**Statistical Supplement 14**  
**Faculty, Staff, and Administrators Statistics**  
**Last Ten Fiscal Years**  
(unaudited)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Faculty</b>										
Full-Time	141	134	129	119	116	110	109	100	94	89
Part-Time	156	135	120	135	125	129	134	134	141	153
Total	297	269	249	254	241	239	243	234	235	242
<b>Percent</b>										
Full-Time	47.5%	49.8%	51.8%	46.9%	48.1%	46.0%	44.9%	42.7%	40.0%	36.8%
Part-Time	52.5%	50.2%	48.2%	53.1%	51.9%	54.0%	55.1%	57.3%	60.0%	63.2%
<b>Staff and Administrators</b>										
Full-Time	249	239	241	237	226	209	206	181	179	163
Part-Time	375	358	369	354	356	361	342	335	327	284
Total	624	597	610	591	582	570	548	516	506	447
<b>Percent</b>										
Full-Time	39.9%	40.0%	39.5%	40.1%	38.8%	36.7%	37.6%	35.1%	35.4%	36.5%
Part-Time	60.1%	60.0%	60.5%	59.9%	61.2%	63.3%	62.4%	64.9%	64.6%	63.5%
Students per Full-Time Faculty	40.7	43.4	43.3	46.5	46.5	45.8	46.4	48.4	50.4	51.7
Students per Full-Time Staff Member	23.0	24.3	23.2	23.3	23.9	24.1	24.6	26.8	26.4	28.2
Average Annual Faculty Salary	\$52,021	\$50,636	49,335	49,446	47,783	47,498	47,196	44,264	41,864	41,219
<b>Notes:</b>										
Fall Headcount	5733	5819	5589	5531	5392	5041	5060	4842	4733	4602





**Midland College District  
Statistical Supplement 17  
Transfers to Senior Institutions  
2006 Fall Students as of Fall 2007  
(Includes only public senior colleges in Texas)**

	Transfer Student Count		Transfer Student Count	Transfer Student Count		Total of all Midland Transfer Students	% of all Midland Transfer Students
	Academic	Technical		Tech-Prep	all Midland Transfer Students		
1 Texas Tech University	308	23	8	339	21.03%		
2 Texas A&M University	330	7	1	338	20.97%		
3 The University of Texas of the Permian Basin	203	47	7	257	15.94%		
4 The University of Texas at Austin	226	8	0	234	14.52%		
5 Angelo State University	122	3	4	129	8.00%		
6 University of North Texas	59	2	0	61	3.78%		
7 Sam Houston State University	41	2	2	45	2.79%		
8 Texas State University	30	3	0	33	2.05%		
9 Texas Tech University Health Science Center	16	14	0	30	1.86%		
10 The University of Texas at Arlington	26	2	1	29	1.80%		
11 The University of Texas at San Antonio	14	3	3	20	1.24%		
13 Sul Ross State University	15	4	0	19	1.18%		
14 West Texas A&M University	11	1	0	12	0.74%		
15 Tarleton State University	10	0	1	11	0.68%		
16 Midwestern State University	8	2	0	10	0.62%		
17 Stephen F. Austin State University	6	1	0	7	0.43%		
18 University of Houston	5	1	0	6	0.37%		
19 Texas Women's University	4	1	0	5	0.31%		
20 Texas A&M University at Commerce	3	0	0	3	0.19%		
21 Texas A&M University at Corpus Christi	3	0	0	3	0.19%		
22 The University of Texas at El Paso	3	0	0	3	0.19%		
23 The University of Texas at Tyler	3	0	0	3	0.19%		
25 The University of Texas Medical Branch at Galveston	2	0	0	2	0.12%		
26 University of Houston-Downtown	2	0	0	2	0.12%		
28 Lamar University	1	0	0	1	0.06%		
29 Prairie View A&M University	0	1	0	1	0.06%		
30 Texas A&M University - Texarkana	0	1	0	1	0.06%		
31 Texas A&M University at Galveston	1	0	0	1	0.06%		
32 Texas A&M University System Health Science Center	1	0	0	1	0.06%		
33 The University of Texas - Pan American	1	0	0	1	0.06%		
34 The University of Texas at Brownsville	1	0	0	1	0.06%		
35 The University of Texas at Dallas	1	0	0	1	0.06%		
36 The University of Texas Health Science Center at San Antonio	1	0	0	1	0.06%		
37 The University of Texas Southwestern Medical Center at Dallas	1	0	0	1	0.06%		
38 University of Houston at Victoria	1	0	0	1	0.06%		
<b>Totals</b>	<b>1,459</b>	<b>126</b>	<b>27</b>	<b>1,612</b>	<b>100.00%</b>		

**Midland College District  
Statistical Supplement 18  
Schedule of Capital Asset Information  
Fiscal Years 2002 to 2008**

	Fiscal Year						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Academic buildings</b>							
Square footage (in thousands)	19	18	18	18	17	16	16
	462	383	383	355	355	348	348
<b>Libraries</b>							
Square footage (in thousands)	1	1	1	1	1	1	1
Number of Volumes (in thousands)	50	50	50	50	50	50	50
	62	62	64	62	63	60	60
<b>Administrative and support buildings</b>							
Square footage (in thousands)	4	4	4	4	4	4	4
	58	58	58	58	58	58	58
<b>Dormitories</b>							
Square footage (in thousands)	3	3	3	3	3	3	2
Number of Beds	91	91	91	91	91	91	62
	286	286	286	286	286	286	192
<b>Apartments</b>							
Square footage (in thousands)	10	10	10	10	10	10	10
Number of beds	12	12	12	12	12	12	12
	20	20	20	20	20	20	20
<b>Dining Facilities</b>							
Square footage (in thousands)	1	1	1	1	1	1	1
Average daily customers	11	11	11	11	11	11	11
	579	579	532	532	532	532	357
<b>Athletic Facilities</b>							
Square footage (in thousands)	3	3	3	3	3	3	3
Multipurpose Center	116	116	116	116	116	116	116
Gymnasiums	1	1	1	1	1	1	1
Tennis Pro Shop	1	1	1	1	1	1	1
<b>Plant facilities</b>							
Square footage (in thousands)	2	2	1	1	1	1	1
	19	19	7	7	7	7	7
<b>Chapel</b>							
Square footage (in thousands)	1	1	1	1	-	-	-
	2	2	2	2	-	-	-
<b>Childrens Center</b>							
Square footage (in thousands)	1	1	1	1	1	1	1
	6	6	6	6	6	6	6
<b>Transportation</b>							
Cars	3	6	6	6	7	6	6
Light Trucks/Vans	24	22	22	18	17	17	17
Heavy trucks	2	2	2	2	2	2	2
Buses	6	6	0	1	0	0	0

**Midland College District**  
**Statistical Supplement 19**  
**Head Count Enrollment Trend**  
**Credit Hour Students Only**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Fall		Spring	Sum I		Sum II	Duplicated		Unduplicated	
							Total	Total	Total	Total
1998-99	4,576	4,529	4,529	1,637	832	832	11,574	6,583	6,583	6,583
1999-00	4,733	4,749	4,749	1,530	797	797	11,809	6,656	6,656	6,656
2000-01	4,842	4,954	4,954	1,439	1,042	1,042	12,277	6,870	6,870	6,870
2001-02	5,065	5,109	5,109	1,596	1,249	1,249	13,019	6,948	6,948	6,948
2002-03	5,041	5,410	5,410	1,707	1,380	1,380	13,538	7,606	7,606	7,606
2003-04	5,392	5,666	5,666	1,974	1,410	1,410	14,442	8,086	8,086	8,086
2004-05	5,531	5,797	5,797	1,881	1,548	1,548	14,757	8,456	8,456	8,456
2005-06	5,589	5,923	5,923	2,356	1,974	1,974	15,842	8,591	8,591	8,591
2006-07	5,819	6,076	6,076	2,158	2,184	2,184	16,237	9,039	9,039	9,039
2007-08	5,733	6,288	6,288	2,381	2,411	2,411	16,813	9,453	9,453	9,453

Data Source: CBM001



*Midland College is an Equal Opportunity Employer/Educator.*

Midland College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award certificates and associate and baccalaureate degrees. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of Midland College.