

MIDLAND COLLEGE



2009

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

AUGUST 31, 2009

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MIDLAND COLLEGE DISTRICT

ORGANIZATIONAL DATA

As of August 31, 2009

BOARD OF TRUSTEES

Officers

Mr. Kenneth A. Peeler	President
Mr. Steven C. Kiser	Vice-President
Ms. Charlene R. McBride	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, 2009 and 2008 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, 2009 and 2008, 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 10, 2009 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 16 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 58 through 76 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 Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

Midland, Texas
December 10, 2009

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, 2009, 2008 and 2007. 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 District 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 and Enrollment Highlights

- The District's assets exceeded liabilities by approximately \$71,305,000 and \$67,548,000 for the fiscal years ended August 31, 2009 and 2008 respectively. Of these amounts, unrestricted net assets were \$10,735,000 for fiscal year 2009 and \$10,634,000 for fiscal year 2008.
- The District's financial position as a whole was strengthened as total net assets increased by approximately \$3,757,000 during fiscal year 2009 and by approximately \$6,187,000 during fiscal year 2008. Of these amounts, unrestricted net assets increased by approximately \$101,000 and \$1,359,000 for fiscal years 2009 and 2008, respectively.
- Capital assets increased by approximately \$12,530,000 during fiscal year 2009 and by approximately \$20,812,000 during fiscal year 2008.
- Bonds and notes payable decreased by approximately \$2,262,000 in fiscal year 2009 and increased by approximately \$6,942,000 during fiscal year 2008.
- During fiscal year 2009 the unduplicated head count increased by 155 students, duplicated head count increased by 395 students and contact hours increased by approximately 35,000.
- During fiscal year 2008 the unduplicated head count increased by 414 students, duplicated head count increased by 576 students and contact hours decreased by approximately 52,000.

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 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.

		2009	2008	2007	2008 to	2007 to
Assets		(in thousands)			2009	2008
Current Assets	\$	24,275	24,209	21,081	66	3,128
Non-current Assets		17,495	27,246	37,487	(9,751)	(10,241)
Capital Assets - (Non-current)		91,810	79,281	58,469	12,529	20,812
Total Assets	\$	133,580	130,736	117,037	2,844	13,699
Liabilities:						
Current Liabilities	\$	11,086	9,983	9,364	1,103	619
Non-current Liabilities		51,189	53,205	46,311	(2,016)	6,894
Total Liabilities	\$	62,275	63,188	55,675	(913)	7,513
Net Assets:						
Invested in capital assets, net of related debt	\$	51,224	45,506	41,441	5,718	4,065
Restricted-Nonexpendable		4,644	4,400	3,965	244	435
Restricted-Expendable		4,702	7,008	6,680	(2,306)	328
Unrestricted		10,735	10,634	9,275	101	1,359
Total Net Assets	\$	71,305	67,548	61,361	3,757	6,187

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, 2009, assets of the District exceeded liabilities by approximately \$71,305,000. Of this amount, \$10,735,000 is unrestricted and may be used to meet ongoing obligations.

The Statement of Net Assets (Continued)

In 2009 the District's assets increased by approximately \$2,844,000, liabilities decreased by approximately \$913,000, resulting in an increase in net assets of approximately \$3,757,000. Major changes in the Statement of Net Assets are as follows:

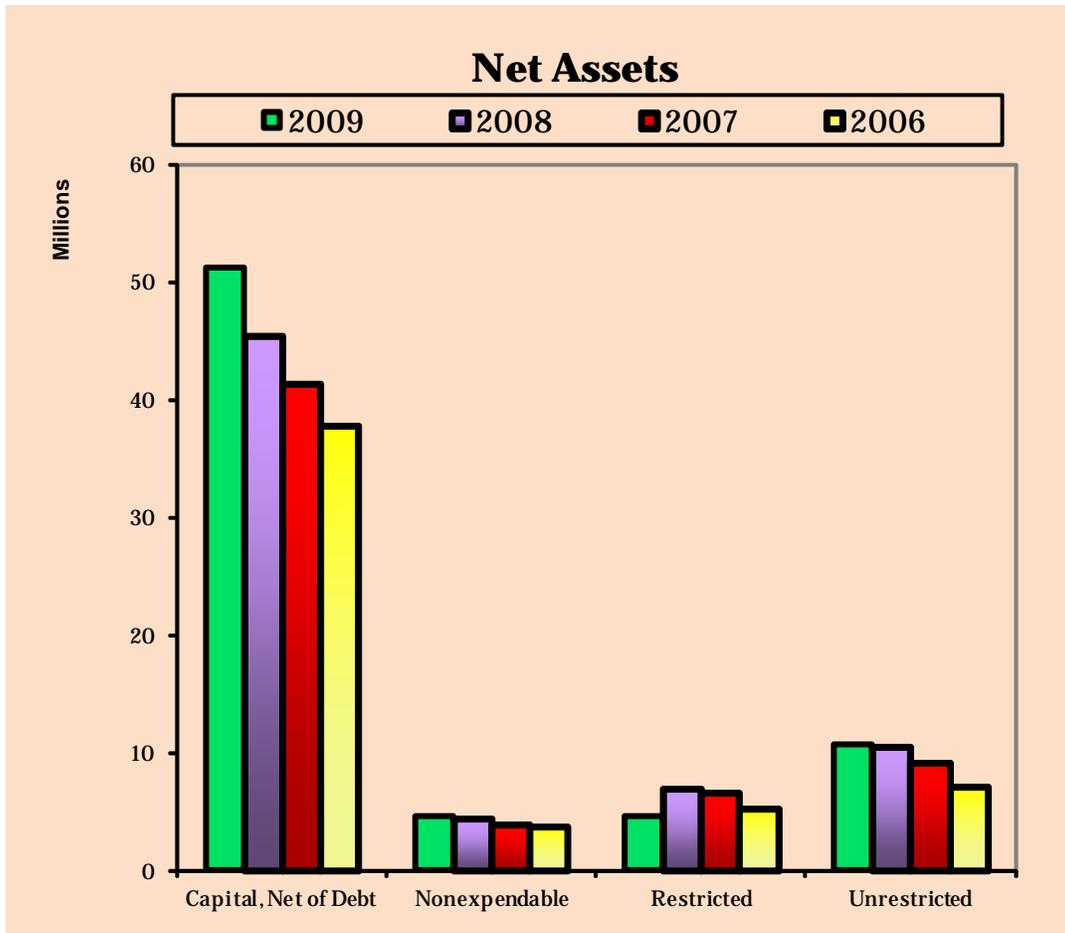
- Capital assets increased by approximately \$12,529,000. The increase includes additions of approximately \$15,107,000, depreciation of approximately \$2,546,000 and dispositions of approximately \$32,000. Additions include the construction of new facilities primarily funded by the 2005 Series general obligation bond.
- Restricted cash, cash equivalents and restricted short-term investments decreased as funds were expended on construction projects.
- Bonds and notes payable decreased by \$2,262,000 as a result of scheduled debt service payments.

In 2008, total assets of the District increased by approximately \$13,700,000 and liabilities increased by approximately \$7,513,000, resulting in an increase in net assets of approximately \$6,187,000. Changes in the Statement of Net Assets include:

- Increase in capital assets of 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 to fund construction.
- The 2008 Series Building Revenue and Refunding Bonds 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.

The Statement of Net Assets (Continued)

The following graph illustrates the comparative change in net assets by category as of August 31, 2009, 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 District, 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)

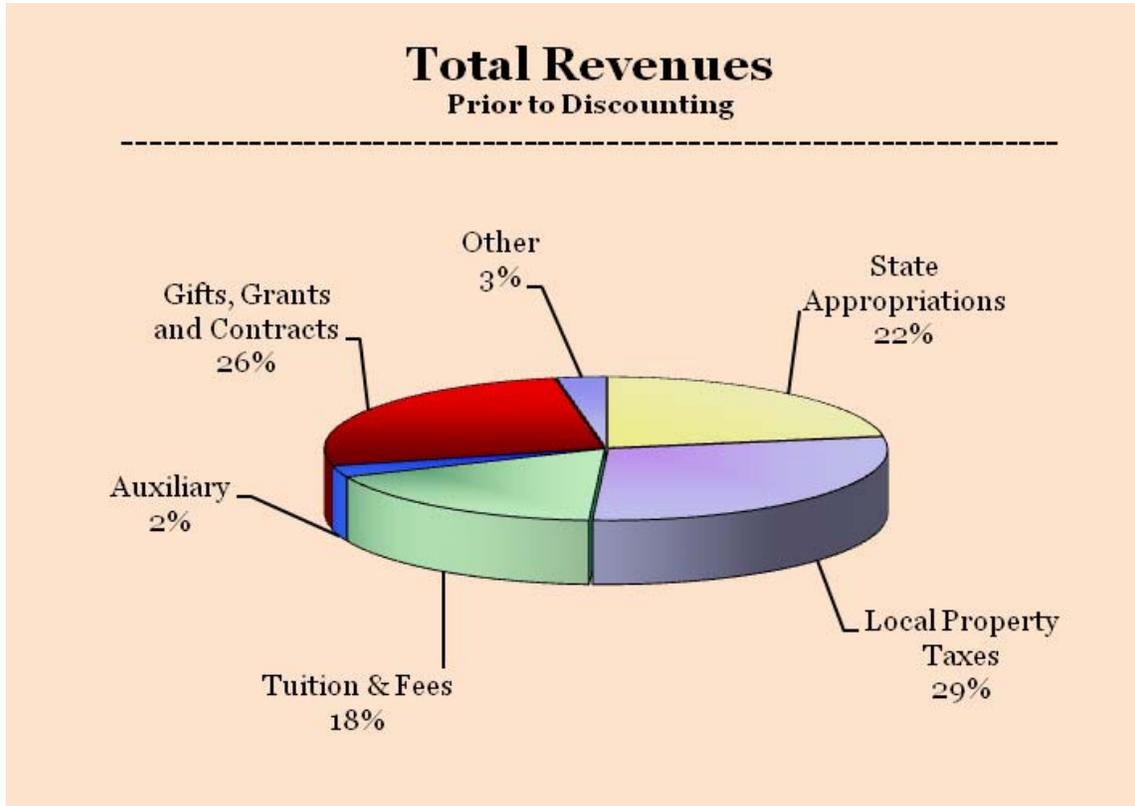
Midland College, like all other Texas community colleges, is primarily dependent upon three sources of revenue: state appropriations, ad valorem taxes and tuition and fees. Since state appropriations and ad valorem taxes are classified as non-operating revenues in accordance with generally accepted accounting 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, 2009, 2008 and 2007. This summary indicates the operating loss and the overall increase in net assets for each of the years displayed.

Summary of Statement of Revenues, Expenses and Changes in Net Assets			
(in thousands)			
	2009	2008	2007
Operating Revenues	\$ 15,518	14,265	14,392
Operating Expenses	(48,018)	(45,293)	(42,487)
Operating Loss	\$ (32,500)	(31,028)	(28,095)
Non-operating revenues	\$ 43,140	40,154	37,541
Non-operating expenses	(6,883)	(2,939)	(2,093)
Increase in Net Assets	\$ 3,757	6,187	7,353

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.

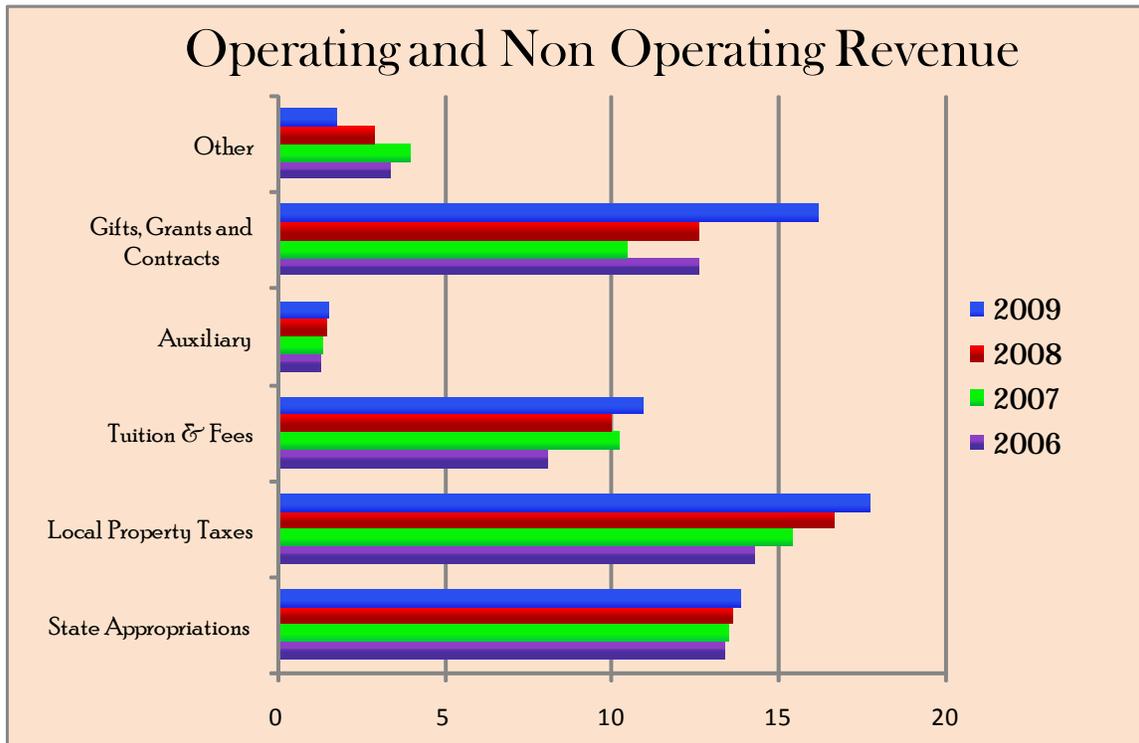


Primary changes in revenues are as follows:

- Gross tuition and fee revenue for 2009 increased by approximately \$942,000 or 9% compared to 2008. This increase is attributed to (1) an increase in enrollment and (2) an increase in tuition and fee rates. Both duplicated and unduplicated head counts increased by approximately 2% over the prior year, and contact hours increased by approximately 3%. In-district tuition and fees rates increased by approximately 7.5%, out-of-district rates increased by approximately 18.5% and nonresident rates increased by approximately 15% over the prior year. (Statistical Supplements #4, #6 and #19)
- 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)

Revenues (Continued)

The following presentation graphically displays recent revenue trends.



- For 2009 the District received an appropriation for nursing growth of approximately \$125,000 and state retirement fund payments increased by approximately \$81,000. There were no increases in formula appropriations in 2009. Overall, 2009 state appropriations exceeded the prior year by approximately \$206,000 or 1.51%. For 2008 formula funds were approximately \$961,000 more than 2007; however, special appropriations for the bachelor of applied technology program, astronomy education and nursing growth were not continued in 2008. As a result, net increases in state appropriations for 2008 were approximately \$157,000, or 1.2% more than 2007.
- Property tax revenue for maintenance and operations in 2009 exceeded the prior year by approximately \$1,098,000, or 8% and 2008 revenues exceeded 2007 amounts by approximately \$1,060,000, or 8.4%. The increases are primarily due to increases in the net assessed value of the District of approximately 19% and 17% for 2009 and 2008, respectively. The maintenance and operations portion of the tax rate was \$0.1446 per \$100 of valuation in 2009 compared to \$0.1571 per \$100 of valuation for 2008.
- Property tax revenue for debt service was approximately \$31,000 less in 2009 than 2008, and the 2008 revenue was approximately \$197,000 more than the 2007 revenue. The debt service portion of the tax rate was \$0.0283 and \$0.0340 per \$100 of valuation for 2009 and 2008, respectively.

Revenues (Continued)

- 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. In 2009 federal grants and contracts exceeded the prior year by approximately \$1,283,000. This increase is attributed to the District receiving a Title V Hispanic Serving Institutions Grant and a Rural Science Cooperative Hispanic Servicing Institutions grant.
- 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.
- During 2009, the District recognized Other Non-Operating Revenue of approximately \$4,031,000. This amount exceeded the prior year by \$3,543,000. This is primarily the result of proceeds received pursuant to an agreement, whereby funds were received from Texas Tech Health Sciences Center to expand that institution's facility on the Midland College campus. This amount is offset by a similar amount of Other Non-Operating Expenses.

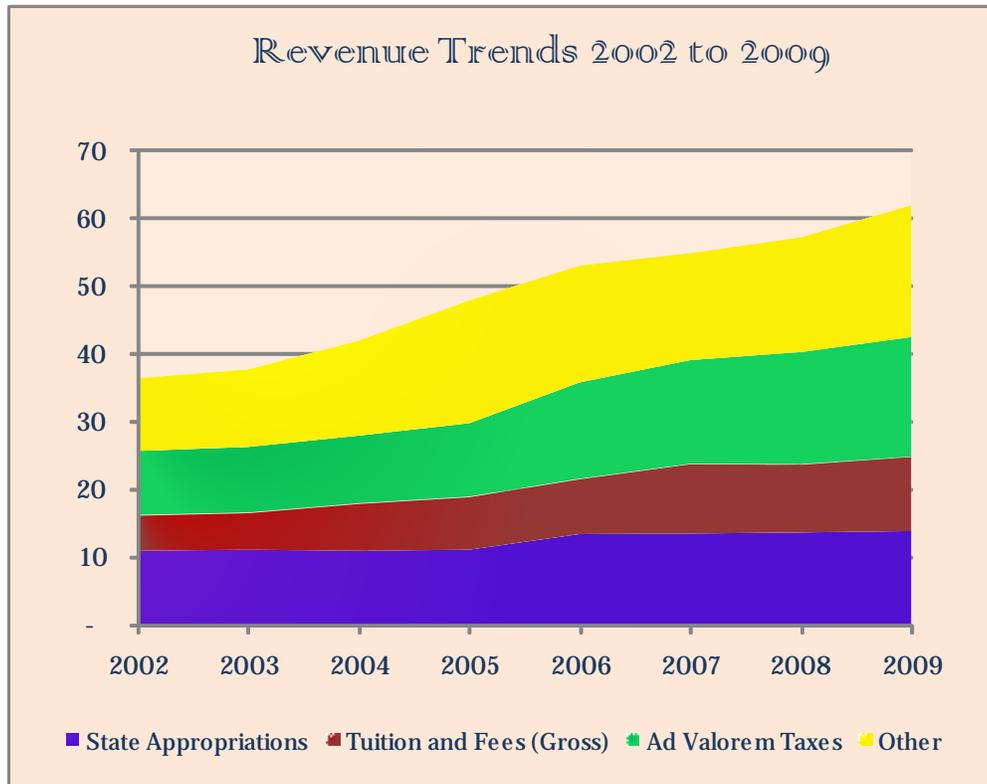
The preceding discussion illustrates short-term trends in institutional funding. A review of longer term trends indicates that although state appropriations have increased in total over time, the rate of increase has not kept pace with other sources of income. As a result, state appropriations represent 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 2009.

Tuition and fees	127%
State appropriations	27%
Property tax (excluding tax for 2005 bond)	60%
Property tax (including tax for 2005 bond)	75%

During the same period of time (2002 through 2009), Statistical Supplement #6 reflects a 13% increase in student contact hours and Statistical Supplement #19 reflects a 38% increase in annual unduplicated credit student headcount and a 32% increase in the annual duplicated headcount.

Revenues (Continued)

The following chart graphically illustrates the changes in revenues from 2002 through 2009.

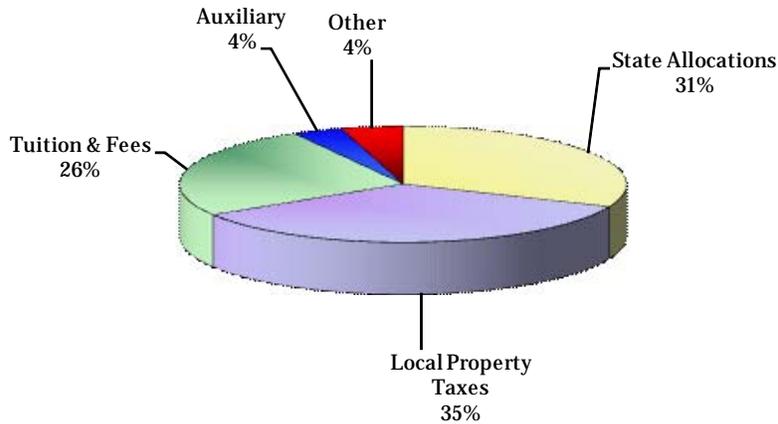


A substantial portion of scholarships and capital projects are funded from private gifts and grants and a growing amount of instructional equipment and operating costs are funded from annual grants made by the Midland College Foundation, Inc. While each year the District receives substantial revenue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

Restricted resources are important to accomplish specific objectives; 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 District's unrestricted operations. Benefits provided by the state are considered restricted, but are included in the graphic because they support the District's unrestricted operations.

Revenues (Continued)

**Unrestricted Revenue
Plus State Paid Benefits**



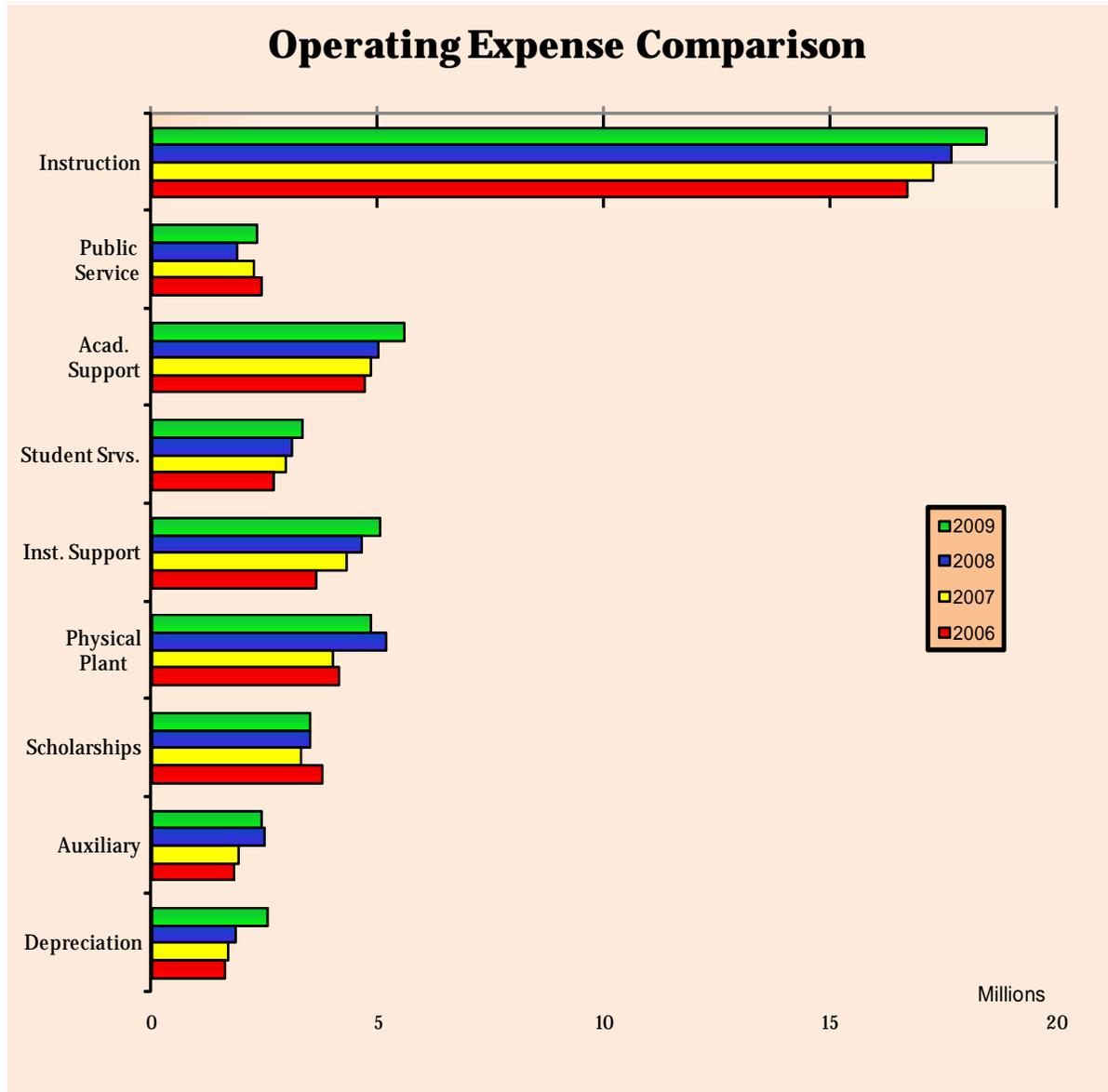
Operating Expenses by Functional Classification

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 2009 expenses compared to the 2008, 2007 and 2006 expenses.

During 2009 total operating expenses increased from the prior year by approximately \$2,725,000, or 6%. As a part of this increase, unrestricted expenses increased by approximately \$1,754,000 or 6%, and restricted expenses increased by approximately \$337,000, or 3%. Salaries and benefits increased from the prior year by approximately \$2,158,000, or 8%. During 2009, full-time faculty, administrative and professional employees received a 5% salary increase and clerical and service personnel received a 6% salary increase. Increases in unrestricted salaries and benefits account for approximately 94% of the total change in unrestricted expenses.

During 2008 total operating expenses increased from the prior year by approximately \$2,806,000, or 6.6%. As a part of this increase, unrestricted expenses increased by approximately \$1,364,300 or 4.7% and restricted expenses increased by approximately \$713,000, or 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.

Operating Expenses by Functional Classification (Continued)



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 District’s ability to generate net cash flows, to meet its obligations as they come due and its need for external financing.

Statement of Cash Flows (Continued)

Summary of Statement of Cash Flows			
	2009	2008	2007
Cash Provided By (Used in):			
Operating Activities	\$ (29,555,922)	(28,326,666)	(25,870,690)
Non-Capital Financing Activities	33,455,075	32,477,086	31,485,676
Capital and Related Financing Activities	(14,571,196)	(13,038,642)	(12,552,332)
Investing Activities	5,440,847	25,592,538	8,680,634
Changes in Cash and Cash Equivalents	<u>\$ (5,231,196)</u>	<u>16,704,316</u>	<u>1,743,288</u>

The primary cash receipts from operating activities consist of tuition and fees, 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 District'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 District's year-end capital asset balances, net of accumulated depreciation.

	2009	2008	2007
Land	\$2,553,002	2,552,246	2,552,246
Library Books	477,139	481,475	477,365
Construction in Progress	16,598,846	32,175,253	12,005,083
Buildings	63,940,973	38,004,090	38,290,600
Land Improvements	3,136,500	1,693,797	1,630,337
Furniture, Equipment, Vehicles	5,103,704	4,373,775	3,513,361
	<u>\$91,810,164</u>	<u>79,280,636</u>	<u>58,468,992</u>

Capital assets additions totaled approximately \$15,107,000 and \$20,812,000 in 2009 and 2008, respectively. New buildings include the F. Marie Hall Academic Building, Helen Greathouse Child Development Center and the Fox Science Building addition. Major improvements and renovations were made to the Al G. Langford Chaparral Center, Cogdell Learning Center, Fasken Learning Center, Technical Center, physical plant, pedestrian walkways and the campus irrigation system. Construction in progress at August 31, 2009 includes additions and renovations to the Scharbauer Student Center, Cogdell Classroom addition and the physical education building.

Capital Assets and Debt Administration (Continued)

As of August 31, 2009 and 2008, the District’s bond rating by Moody’s Investors Service (“Moody’s”) and Standard and Poor’s (S&P) is “Aa3” and “AA”, respectively.

The District had outstanding debt of approximately \$52,295,000 and \$54,556,000 as of August 31, 2009 and 2008, respectively. The decrease of approximately \$ 2,262,000 in 2009 was the result of scheduled debt service payments. In 2008 outstanding debt increased by approximately \$6,942,000. This change is the result of the issuance of revenue bonds for \$12,355,000. Principal retirements during 2008 totaled \$5,413,000, including \$3,212,000 of refunding. The following table summarizes outstanding long-term liabilities by type as of August 31, 2009, 2008 and 2007.

	2009	2008	2007
General Obligation Bonds	\$ 37,267,625	38,671,288	40,017,175
Revenue Bonds	15,027,000	15,735,000	7,331,000
Notes	-	149,968	265,779
	\$ 52,294,625	54,556,256	47,613,954

Economic Factors That Will Affect the Future

State formula appropriations for fiscal year 2010 are projected to be unchanged from 2009; however, management has been informed that the State of Texas is anticipating a revenue budget shortfall that may result in state funding contractions. The timing of any potential reduction is not known. The District is prepared to adjust internal budget allocations and other funding sources to absorb the impact of this potential action, with the objective of minimizing its impact upon the core mission of the institution.

The District’s overall financial position is strong as indicated by a number of indicators. Enrollment for Fall 2009 reflects a new high for a fall semester, and taxable values remain strong.

The District is not aware of any additional facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations during 2010-11 or subsequent fiscal years.

Rick Bender
Vice President of Administrative Services

FINANCIAL STATEMENTS

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

Exhibit 1

	<u>2009</u>	<u>2008</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents (Note 4)	\$ 3,548,310	3,795,199
Short-term investments (Note 4)	16,065,266	16,527,489
Accounts receivable, net (Notes 5 and 11)	2,957,681	2,218,816
Deferred charges (Note 2)	1,635,066	1,586,723
Inventories (Note 2)	5,324	5,535
Prepaid expenses	43,101	54,850
Deposits	<u>20,472</u>	<u>20,472</u>
Total current assets	<u>24,275,220</u>	<u>24,209,084</u>
Non-current Assets:		
Restricted cash and cash equivalents (Note 4)	12,022,074	17,006,381
Restricted short-term investments (Note 4)	841,514	5,703,976
Endowment investments (Note 4)	3,934,410	3,604,183
Other long-term investments (Note 4)	-	106,416
Deferred charges (Note 2)	513,685	560,668
Capital assets, net (Note 6)	91,810,164	79,280,636
Other assets-Split Interest Agreements (Note 20)	<u>183,063</u>	<u>265,104</u>
Total non-current assets	<u>109,304,910</u>	<u>106,527,364</u>
Total Assets	\$ <u>133,580,130</u>	<u>130,736,448</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable (Note 11)	\$ 4,121,858	3,072,198
Accrued liabilities	710,733	408,709
Accrued compensable absences – current portion (Notes 7 and 14)	567,777	520,266
Funds held for others	53,773	48,200
Deferred revenues	3,561,603	3,655,446
Notes payable – current portion (Notes 7, 8 and 9)	-	119,582
Bonds payable – current portion (Notes 7, 8 and 9)	2,012,974	2,111,662
Deposits	<u>56,938</u>	<u>47,289</u>
Total current liabilities	<u>11,085,656</u>	<u>9,983,352</u>
Non-current Liabilities:		
Accrued compensable absences (Notes 7 and 14)	907,551	879,859
Notes payable – non-current portion (Notes 7, 8 and 9)	-	30,386
Bonds payable – non-current portion (Notes 7, 8 and 9)	<u>50,281,651</u>	<u>52,294,626</u>
Total non-current liabilities	<u>51,189,202</u>	<u>53,204,871</u>
Total Liabilities	\$ <u>62,274,858</u>	<u>63,188,223</u>

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

	<u>2009</u>	<u>2008</u>
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 51,224,283	45,506,015
Restricted:		
Nonexpendable:		
Student aid	3,799,096	3,555,518
Instructional programs	845,129	844,620
Expendable:		
Student aid	2,953,452	2,863,353
Instructional programs	819,053	650,745
Capital projects	865,805	2,475,499
Debt service	63,472	330,263
Other	-	688,013
Unrestricted	<u>10,734,982</u>	<u>10,634,199</u>
Total Net Assets	<u>71,305,272</u>	<u>67,548,225</u>
Total Liabilities and Net Assets	\$ <u>133,580,130</u>	<u>130,736,448</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,

	2009	2008
REVENUES		
Operating revenues		
Tuition and fees (net of discounts of \$2,939,303 and \$2,500,065, respectively)	\$ 8,024,336	7,521,467
Federal grants and contracts	3,202,155	2,012,513
State grants and contracts	271,003	278,144
Local grants and contracts	828,835	860,774
Non-governmental grants and contracts	722,307	1,073,153
Sales and services of educational activities	194,250	199,519
Investment income – program restricted	498,444	615,389
Auxiliary enterprises (net of discounts of \$502,659 and \$439,142, respectively)	1,039,502	1,030,224
General operating revenues	<u>737,101</u>	<u>673,378</u>
Total operating revenues (Schedule A)	<u>15,517,933</u>	<u>14,264,561</u>
EXPENSES		
Operating expenses		
Instruction	18,456,101	17,675,965
Public service	2,316,367	1,887,204
Academic support	5,572,162	5,014,375
Student services	3,342,205	3,076,826
Institutional support	5,039,769	4,629,527
Operating and maintenance of plant	4,834,757	5,173,320
Scholarships and fellowships (net of discounts of \$2,693,697 and \$2,357,605, respectively)	3,483,808	3,497,635
Auxiliary enterprises (net of discounts of \$505,959 and \$419,614, respectively)	2,426,878	2,482,210
Depreciation	<u>2,545,458</u>	<u>1,855,596</u>
Total operating expenses (Schedule B)	<u>48,017,505</u>	<u>45,292,658</u>
OPERATING LOSS	<u>(32,499,572)</u>	<u>(31,028,097)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	13,861,837	13,655,686
Maintenance ad valorem taxes	14,805,935	13,707,713
Debt service ad valorem taxes	2,936,716	2,967,790
Federal revenue, non-operating	3,873,174	3,779,848
Gifts	1,621,605	1,504,728
Investment income	334,486	1,389,314
Contributions in aid of construction	1,571,565	2,313,296
Other non-operating revenue	4,030,844	487,491
Interest on capital related debt	(1,913,087)	(1,919,397)
Loss on disposal of fixed assets	(31,952)	(27,547)
Additions to permanent endowments	103,463	348,279
Other non-operating expenses	<u>(4,937,967)</u>	<u>(991,800)</u>
Net non-operating revenues (Schedule C)	<u>36,256,619</u>	<u>37,215,401</u>

Midland College District

Exhibit 2

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

Years ended August 31,

	<u>2009</u>	<u>2008</u>
Increase in net assets	\$ 3,757,047	6,187,304
Net assets – beginning of year	<u>67,548,225</u>	<u>61,360,921</u>
Net assets – end of year	\$ <u>71,305,272</u>	<u>67,548,225</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>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 9,431,658	9,219,111
Receipts from grants and contracts	4,108,413	4,167,037
Payments to suppliers for goods and services	(11,506,124)	(12,261,633)
Payments to or on behalf of employees	(29,197,771)	(27,077,851)
Payments for scholarships and fellowships	(3,533,687)	(3,631,927)
Other receipts	<u>1,141,589</u>	<u>1,258,597</u>
Net cash used by operating activities	<u>(29,555,922)</u>	<u>(28,326,666)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	13,861,837	13,713,414
Receipts from ad valorem taxes	14,814,505	13,655,686
Receipts from non-operating federal revenue	3,873,174	3,779,848
Receipts from gifts or grants for other than capital purposes	1,621,605	1,504,728
Receipts from student organizations and other agency transactions	42,990	43,317
Payments to student organizations and other agency transactions	(37,417)	(48,872)
Receipts from private gifts for endowment purposes	185,504	333,274
Other non-operating receipts	4,030,844	487,491
Other non-operating payments	<u>(4,937,967)</u>	<u>(991,800)</u>
Net cash provided by non-capital financing activities	<u>33,455,075</u>	<u>32,477,086</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on issuance of capital debt	-	12,355,000
Receipts from ad valorem taxes – debt services	2,935,874	2,963,716
Receipts from capital grants and gifts	1,571,565	2,513,296
Purchases of capital assets	(15,136,639)	(23,457,920)
Payments on capital debt – principal	(2,261,632)	(5,412,697)
Payments on capital debt – interest	<u>(1,680,364)</u>	<u>(2,000,037)</u>
Net cash used by financing activities	<u>(14,571,196)</u>	<u>(13,038,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	19,507,007	57,285,131
Interest on investments	339,973	1,467,722
Purchase of investments	<u>(14,406,133)</u>	<u>(33,160,315)</u>
Net cash provided by investing activities	<u>5,440,847</u>	<u>25,592,538</u>
(Decrease) increase in cash and cash equivalents	(5,231,196)	16,704,316
Cash and cash equivalents – September 1	<u>20,801,580</u>	<u>4,097,264</u>
Cash and cash equivalents – August 31	\$ <u>15,570,384</u>	<u>20,801,580</u>

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

Years ended August 31,

	<u>2009</u>	<u>2008</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (32,499,572)	(31,028,097)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	2,545,458	1,855,596
Changes in related assets and liabilities:		
Receivables, net	(752,079)	(354,596)
Deferred expenses	(46,634)	(137,932)
Inventories	211	870
Prepaid expenses	10,040	(31,034)
Accounts payable	1,207,084	601,551
Accrued liabilities	(1,788)	(8,842)
Compensated absences	75,202	47,329
Deferred revenue	<u>(93,844)</u>	<u>728,489</u>
Net cash used by operating activities	\$ <u>(29,555,922)</u>	<u>(28,326,666)</u>

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

Midland College District

NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

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 §56.033). 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, 2009 and 2008

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, 2009 and 2008

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 recorded 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. 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.

Characterization of Title IV Grant Revenue

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

Certain Reclassifications

Certain reclassifications for 2008 have been made to conform to the 2009 presentation.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

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 other postemployment benefits (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 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, 2009 and 2008

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, 2009 and 2008, the carrying amount of the District's deposits was \$15,565,284 and \$20,795,980, respectively; and bank balances equaled \$15,063,155 and \$20,351,267. Bank balances of \$413,609 and \$216,045 are covered by federal depository insurance and \$14,649,546 and \$20,135,222 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 \$15,840,507 and \$19,155,246 in state approved public investment pools at August 31, 2009 and 2008, respectively.

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

	Cash and Deposits	
	<u>2009</u>	<u>2008</u>
Bank Deposits		
Demand Deposits	\$ 501,356	876,917
Money Market Deposits	<u>15,063,928</u>	<u>19,919,063</u>
	15,565,284	20,795,980
Petty Cash on Hand	<u>5,100</u>	<u>5,600</u>
Total Cash and Deposits	\$ <u>15,570,384</u>	<u>20,801,580</u>

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	<u>August 31, 2009 Market Value</u>	<u>August 31, 2008 Market Value</u>
U.S. Government Securities	\$ 3,934,410	3,673,799
Public Funds Investment Pools	15,840,506	19,155,246
Certificates of Deposit	<u>1,066,274</u>	<u>3,113,019</u>
Total Investments	\$ <u>20,841,190</u>	<u>25,942,064</u>
Total Cash and Deposits	\$ 15,570,384	20,801,580
Total Investments	<u>20,841,190</u>	<u>25,942,064</u>
Total Deposits and Investments	\$ <u>36,411,574</u>	<u>46,743,644</u>
Cash and Temporary Investments (Exhibit 1)	\$ 32,477,164	43,033,045
Investments (Exhibit 1)	<u>3,934,410</u>	<u>3,710,599</u>
Total Deposits and Investments	\$ <u>36,411,574</u>	<u>46,743,644</u>

As of August 31, 2009 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	\$ 15,840,506	15,840,506	-	-	-
U.S. Government Securities	3,934,410	307,280	422,720	1,482,485	1,721,925
Certificates of Deposit	<u>1,066,274</u>	<u>1,066,274</u>	-	-	-
Total Fair Value	\$ <u>20,841,190</u>	<u>17,214,060</u>	<u>422,720</u>	<u>1,482,485</u>	<u>1,721,925</u>

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>	-	-
Total Fair Value	\$ <u>25,942,064</u>	<u>21,864,579</u>	<u>1,229,526</u>	<u>1,148,377</u>	<u>1,699,582</u>

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, 2009 and 2008

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, 2009 and 2008 are reported below:

<u>Investment Type</u>	<u>Credit Rating</u>
U.S. Government Securities	S&P: AAA
TexPool	S&P: AAAm
Lone Star Government Overnight	S&P: AAAf
TexSTAR	S&P: AAAm
Texas Daily	S&P: AAAm

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 (19%), Texas Daily Local Government Investment Pool (13%) and TexSTAR Local Government Investment Pool (9%).

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, 2009:			
Assessed valuation of the District	\$	11,660,356,970	
Less exemptions		<u>1,293,328,536</u>	
Net assessed valuation of the District	\$	<u><u>10,367,028,434</u></u>	
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><u>8,694,625,274</u></u>	

At August 31, 2009:			
	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$.3000	.50000	.8000
Assessed tax rate per \$100 valuation	\$.1446	.0283	.1729

At August 31, 2008:			
	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$.3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$.1571	.0340	.1911

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

NOTE 5 – AD VALOREM TAXES RECEIVABLE (CONTINUED)

Taxes levied for the years ended August 31, 2009 and 2008 are \$17,925,318 and \$16,617,168, 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, 2009:

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 14,509,110	2,835,267	17,344,377
Delinquent taxes collected	394,124	77,640	471,764
Penalties and interest collected	<u>116,583</u>	<u>22,966</u>	<u>139,549</u>
Total collections	\$ <u>15,019,817</u>	<u>2,935,873</u>	<u>17,955,690</u>

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>

Tax collections (including penalties, interest and delinquent collections) for the years ended August 31, 2009 and 2008 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>2009</u>	<u>2008</u>
Current unrestricted fund	\$ 475,454	488,638
Debt service fund	<u>74,137</u>	<u>72,842</u>
	549,591	561,480
Allowance for uncollectible taxes	<u>192,357</u>	<u>196,518</u>
Net ad valorem taxes receivable	\$ <u>357,234</u>	<u>364,962</u>

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2009 was as follows:

	<u>Balance September 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2009</u>
<u>Not Depreciated:</u>				
Land	\$ 2,552,246	756	-	2,553,002
Construction in process	<u>32,175,253</u>	<u>10,543,207</u>	<u>26,119,614</u>	<u>16,598,846</u>
Subtotal	<u>34,727,499</u>	<u>10,543,963</u>	<u>26,119,614</u>	<u>19,151,848</u>

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance September 1, 2008	Increases	Decreases	Balance August 31, 2009
<u>Other Capital Assets:</u>				
Buildings	\$ 53,366,437	27,401,555	-	80,767,992
Land improvements	1,905,398	1,562,864	-	3,468,262
Library books	1,703,542	56,643	-	1,760,185
Furniture, machinery, vehicles, and other equipment	<u>9,368,033</u>	<u>1,661,528</u>	<u>516,198</u>	<u>10,513,363</u>
Subtotal	<u>66,343,410</u>	<u>30,682,590</u>	<u>516,198</u>	<u>96,509,802</u>
<u>Accumulated Depreciation:</u>				
Buildings	15,362,347	1,464,672	-	16,827,019
Land improvements	211,601	120,161	-	331,762
Library books	1,222,067	60,979	-	1,283,046
Furniture, machinery, vehicles and other equipment	<u>4,994,258</u>	<u>899,646</u>	<u>484,245</u>	<u>5,409,659</u>
Subtotal	<u>21,790,273</u>	<u>2,545,458</u>	<u>484,245</u>	<u>23,851,486</u>
Net other capital assets	<u>44,553,137</u>	<u>28,137,132</u>	<u>31,953</u>	<u>72,658,316</u>
Net capital assets	\$ <u>79,280,636</u>	<u>38,681,095</u>	<u>26,151,567</u>	<u>91,810,164</u>

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

	Balance September 1, 2007	Increases	Decreases	Balance August 31, 2008
<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>
<u>Other Capital Assets:</u>				
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>
<u>Accumulated Depreciation:</u>				
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>

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2009, was as follows:

	Balance September 1, 2008	Additions	Reductions	Balance August 31, 2009	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 38,671,288	-	1,403,663	37,267,625	1,467,974
Revenue bonds	<u>15,735,000</u>	-	<u>708,000</u>	<u>15,027,000</u>	<u>545,000</u>
Total bonds	<u>54,406,288</u>	-	<u>2,111,663</u>	<u>52,294,625</u>	<u>2,012,974</u>
<u>Notes</u>					
Equipment notes	<u>149,968</u>	-	<u>149,968</u>	-	-
<u>Other liabilities</u>					
Compensated absences	<u>1,400,125</u>	<u>228,046</u>	<u>152,843</u>	<u>1,475,328</u>	<u>567,777</u>
Total long-term liabilities	\$ <u>55,956,381</u>	<u>228,046</u>	<u>2,414,474</u>	<u>53,769,953</u>	<u>2,580,751</u>

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>

NOTE 8 – DEBT OBLIGATIONS

Bonds Payable

Debt service requirements at August 31, 2009, 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>
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	813,000	617,623	1,750,954	1,296,518	2,404,954	1,914,141
2015-2019	3,520,000	2,567,473	10,117,924	5,346,786	13,796,924	7,914,259
2020-2024	4,185,000	1,617,850	12,954,674	2,882,115	17,139,674	4,499,965
2025-2028	<u>4,165,000</u>	<u>476,340</u>	<u>6,172,304</u>	<u>271,000</u>	<u>10,337,304</u>	<u>747,340</u>
Total	\$ <u>15,027,000</u>	<u>8,031,206</u>	<u>37,267,625</u>	<u>15,563,367</u>	<u>52,294,625</u>	<u>23,594,573</u>

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

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 was paid in October 2008 due to a current refunding.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

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 note was paid in full in March 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 note was paid in full in March 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 note was paid in full in March 2009.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

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>2009</u>	<u>2008</u>
Student Receivables	\$ 569,650	657,009
Taxes Receivable	549,591	561,480
State Receivable	133,459	110,055
Federal Receivable	1,032,849	540,258
Accounts Receivable	1,243,282	846,613
Interest Receivable	<u>43,713</u>	<u>49,200</u>
Subtotal	3,572,544	2,764,615
Allowance for Doubtful Accounts	<u>(614,863)</u>	<u>(545,799)</u>
Total Receivables	\$ <u>2,957,681</u>	<u>2,218,816</u>

Payables

Payables at August 31, were as follows:

	<u>2009</u>	<u>2008</u>
Vendors Payable	\$ 3,959,563	2,892,977
Students Payable	<u>162,295</u>	<u>179,221</u>
Total Payables	\$ <u>4,121,858</u>	<u>3,072,198</u>

NOTE 12 – EMPLOYEES' RETIREMENT PLANS

The State of Texas has joint contributory retirement plans for almost all its employees.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

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, 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 2009 and 2008 and a state contribution rate of 6.58% for the fiscal year 2009 and 6.58% for the fiscal year 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal year 2009 and 6.58% for fiscal year 2008.

Optional Retirement Plan

Plan Description. 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 \$1,296,000 and \$1,211,000 for the fiscal years ended August 31, 2009 and 2008, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the College.

The total payroll for all District employees was \$23,010,000 and \$21,383,000 for fiscal years 2009 and 2008, respectively. The total payroll of employees covered by the Teacher Retirement System was \$11,887,000 and \$10,640,000 and the total payroll of employees covered by the Optional Retirement System was \$7,812,000 and \$7,767,000 for fiscal years 2009 and 2008, respectively.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

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 \$2,065,163 for the years ended August 31, 2009 and 2008, 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 \$543,000 and \$475,000 on August 31, 2009 and 2008, 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 \$932,000 and \$925,000 on August 31, 2009 and 2008, 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, 2009 and 2008 was \$1,593 and \$2,200, 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, 2009, the District had an estimated claims accrual of approximately \$1,593 for workers compensation claims and had paid claims in 2009 totaling approximately \$179.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

NOTE 16 – FUND BALANCES

Ending fund balances at August 31 were as follows:

	<u>2009</u>	<u>2008</u>
Current funds:		
Fund balance, unrestricted	\$ 9,548,567	9,447,784
Fund balance, auxiliary enterprises	1,186,415	1,186,415
Fund balance, restricted	<u>4,701,782</u>	<u>5,989,597</u>
Total, current fund balance	15,436,764	16,623,796
Fund balance, endowment and similar funds	4,644,225	5,088,151
Fund balance, plant funds	<u>51,224,283</u>	<u>45,836,278</u>
Fund balance, primary government	\$ <u>71,305,272</u>	<u>67,548,225</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 2009 and 2008 for which monies have not been received or funds expended totaled \$884,526 and \$256,562, 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, 2009 and 2008.

NOTE 20 – 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. During the year ended August 31, 2009 the District received \$143,394 due to the death of a lead beneficiary. In addition, the District recognized \$10,362 and \$15,005 representing the discounted present value of the expected distributions for the year ended August 31, 2009 and 2008, respectively.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009 and 2008

NOTE 21 – COMMITMENTS

As of August 31, 2009, the District has awarded the following contracts for construction projects:

Fox Science Building Renovations	\$	562,223
Fox Science Building Phase II		4,666,302
PE Building		5,266,650
Scharbauer Student Center		5,885,247
Al G. Langford Chaparral Center Renovation		2,670,249
Aaron Medical Center		4,205,000
Irrigation Improvements		925,831
Cogdell Classroom Building		906,112
Magnetic Door Locks		266,905

NOTE 22 – 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 \$2,128,624 and \$3,043,305 in fiscal years 2009 and 2008, respectively. Two trustees of the District are also on the Board of Directors of the Foundation.

NOTE 23 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (IN ACCORDANCE WITH GASB STATEMENT NO. 45)

Plan Description. The District contributes to the State Retiree Health Plan ("SRHP"), 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, 2009 and 2008

NOTE 23 – 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, 2009, 2008 and 2007 were \$34,612, \$32,809 and \$33,771, 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, 2009, 2008 and 2007 were \$32,665, \$30,401 and \$29,606, 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, 2009
(With Memorandum Totals for the Year Ended August 31, 2008)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2009 Total</u>	<u>2008 Memorandum Total</u>
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 2,869,570	-	2,869,570	-	2,869,570	2,960,364
Out-of-district resident tuition	2,575,462	-	2,575,462	-	2,575,462	2,057,075
Non-resident tuition	489,387	-	489,387	-	489,387	365,302
TPEG – credit (set aside) *	301,261	-	301,261	-	301,261	296,920
State-funded continuing education	1,064,904	-	1,064,904	-	1,064,904	1,215,770
TPEG – non-credit (set aside) *	67,973	-	67,973	-	67,973	77,602
Non-state funded continuing educational programs	<u>247,776</u>	<u>-</u>	<u>247,776</u>	<u>-</u>	<u>247,776</u>	<u>254,400</u>
Total tuition	<u>7,616,333</u>	<u>-</u>	<u>7,616,333</u>	<u>-</u>	<u>7,616,333</u>	<u>7,227,433</u>
Fees:						
General use fee	1,720,818	-	1,720,818	-	1,720,818	1,284,770
Lab fees	396,522	-	396,522	-	396,522	389,180
Distance learning fee	563,416	-	563,416	-	563,416	272,069
Installment plan fees	65	-	65	-	65	10
Private flight instruction	565,274	-	565,274	-	565,274	716,920
Other	<u>101,211</u>	<u>-</u>	<u>101,211</u>	<u>-</u>	<u>101,211</u>	<u>131,150</u>
Total fees	<u>3,347,306</u>	<u>-</u>	<u>3,347,306</u>	<u>-</u>	<u>3,347,306</u>	<u>2,794,099</u>
Scholarship allowances and discounts:						
Scholarships	(1,283,053)	-	(1,283,053)	-	(1,283,053)	(966,813)
Remissions and exemptions - state	(238,411)	-	(238,411)	-	(238,411)	(158,959)
Remissions and exemptions - local	(3,894)	-	(3,894)	-	(3,894)	(3,030)
Title IV federal grants	(1,146,866)	-	(1,146,866)	-	(1,146,866)	(1,027,839)
TPEG awards	(141,938)	-	(141,938)	-	(141,938)	(189,050)
Other state grants	(103,133)	-	(103,133)	-	(103,133)	(117,275)
Other local grants	<u>(22,008)</u>	<u>-</u>	<u>(22,008)</u>	<u>-</u>	<u>(22,008)</u>	<u>(37,099)</u>
Total scholarship allowances	<u>(2,939,303)</u>	<u>-</u>	<u>(2,939,303)</u>	<u>-</u>	<u>(2,939,303)</u>	<u>(2,500,065)</u>
Total net tuition and fees	<u>8,024,336</u>	<u>-</u>	<u>8,024,336</u>	<u>-</u>	<u>8,024,336</u>	<u>7,521,467</u>

Midland College District

Schedule A

SCHEDULE OF DETAILED OPERATING REVENUES (CONTINUED)

**Year Ended August 31, 2009
(With Memorandum Totals for the Year Ended August 31, 2008)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2009 Total	2008 Memorandum Total
Additional operating revenues:						
Federal grants and contracts	\$ -	3,202,155	3,202,155	-	3,202,155	2,012,513
State grants and contracts	-	271,003	271,003	-	271,003	278,144
Local grants and contracts	558,249	270,586	828,835	-	828,835	860,774
Non-governmental grants and contracts	445,698	276,609	722,307	-	722,307	1,073,153
Sales and services of educational activities	194,250	-	194,250	-	194,250	199,519
Investment income (program restricted)	-	433,231	433,231	65,213	498,444	615,389
General operating revenues	<u>473,984</u>	<u>263,117</u>	<u>737,101</u>	<u>-</u>	<u>737,101</u>	<u>673,378</u>
Total additional operating revenues	<u>1,672,181</u>	<u>4,716,701</u>	<u>6,388,882</u>	<u>65,213</u>	<u>6,454,095</u>	<u>5,712,870</u>
Auxiliary enterprises:						
Bookstore **	-	-	-	217,337	217,337	228,564
Residential/food service (net of discounts of \$502,659 and \$439,142, respectively)	-	-	-	695,459	695,459	674,555
Athletics	-	-	-	20,629	20,629	15,321
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,077</u>	<u>106,077</u>	<u>111,784</u>
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,039,502</u>	<u>1,039,502</u>	<u>1,030,224</u>
Total Operating Revenues (Exh. 2)	<u>\$ 9,696,517</u>	<u>4,716,701</u>	<u>14,413,218</u>	<u>1,104,715</u>	<u>15,517,933</u> (Exhibit 2)	<u>14,264,561</u> (Exhibit 2)

* In accordance with Education Code 56.033, \$369,233 and \$374,522 for years ended August 31, 2009 and 2008, 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, 2009
(With Memorandum Totals for the Year Ended August 31, 2008)**

	Operating Expenses			2009 Total	2008 Memorandum Total
	Salaries and Wages	Benefits	Other Expenses		
		State	Local		
Unrestricted - Educational Activities					
Instruction	\$ 12,166,003	-	1,313,310	2,133,611	15,612,924
Public service	388,242	-	78,862	168,650	635,754
Academic support	2,857,722	-	445,406	1,235,050	4,538,178
Student services	1,728,376	-	204,503	304,586	2,237,465
Institutional support	2,747,681	-	336,317	1,442,984	4,526,982
Operation and maintenance of plant	811,129	-	344,462	3,334,935	4,490,526
Scholarships and fellowships	-	-	-	21,696	21,696
Total Unrestricted Educational Activities	20,699,153	-	2,722,860	8,641,512	32,063,525
Restricted – Educational Activities					
Instruction	368,144	2,113,749	36,388	324,896	2,843,177
Public service	405,845	-	100,293	1,174,475	1,680,613
Academic support	274,893	363,903	68,123	327,065	1,033,984
Student services	236,458	387,380	64,595	416,307	1,104,740
Institutional support	-	496,324	-	16,463	512,787
Operation and maintenance of plant	-	-	-	344,231	344,231
Scholarships and fellowships	-	-	-	3,462,112 *	3,462,112
Total Restricted Educational Activities	1,285,340	3,361,356	269,399	6,065,549	10,981,644
Total Educational Activities	21,984,493	3,361,356	2,992,259	14,707,061	43,045,169
Auxiliary Enterprises	751,456	-	175,216	1,500,206 **	2,426,878
Depreciation Expense – Buildings and other real estate improvements	-	-	-	1,584,833	1,584,833
Depreciation Expense – Equipment and furniture	-	-	-	960,625	960,625
Total Operating Expenses	\$ 22,735,949	3,361,356	3,167,475	18,752,725	48,017,505
				(Exhibit 2)	(Exhibit 2)

* net of discounts of \$2,693,697

** net of discounts of \$505,959

Midland College District

Schedule C

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

**Year Ended August 31, 2009
(With Memorandum Totals for the Year Ended August 31, 2008)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2009 Total</u>	<u>2008 Memorandum Total</u>
NON-OPERATING REVENUES:					
State appropriations	\$ 9,876,868	3,984,969	-	13,861,837	13,655,686
Maintenance ad valorem taxes	14,805,935	-	-	14,805,935	13,707,713
Debt service ad valorem taxes	-	2,936,716	-	2,936,716	2,967,790
Federal Revenue, Non Operating	-	3,873,174	-	3,873,174	3,779,848
Gifts	54,200	1,567,405	-	1,621,605	1,504,728
Investment income	191,786	142,700	-	334,486	1,389,314
Contributions in aid of construction	-	1,571,565	-	1,571,565	2,313,296
Additions to permanent endowments	-	103,463	-	103,463	348,279
Other non-operating revenue	<u>-</u>	<u>4,030,844</u>	<u>-</u>	<u>4,030,844</u>	<u>487,491</u>
Total non-operating revenues	24,928,789	18,210,836	-	43,139,625	40,154,145
NON-OPERATING EXPENSES:					
Interest on capital related debt	(1,913,087)	-	-	(1,913,087)	(1,919,397)
Loss on disposal of capital assets	(31,952)	-	-	(31,952)	(27,547)
Other non-operating expense	<u>(20,768)</u>	<u>(4,917,199)</u>	<u>-</u>	<u>(4,937,967)</u>	<u>(991,800)</u>
Total non-operating expenses	<u>(1,965,807)</u>	<u>(4,917,199)</u>	<u>-</u>	<u>(6,883,006)</u>	<u>(2,938,744)</u>
Net non-operating revenues	\$ <u>22,962,982</u>	<u>13,293,637</u>	<u>-</u>	<u>36,256,619</u> (Exhibit 2)	<u>37,215,401</u> (Exhibit 2)

Midland College District

Schedule D

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

Year Ended August 31, 2009
(With Memorandum Totals for the Year Ended August 31, 2008)

	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	\$ 8,748,567	-	-	-	8,748,567	8,748,567	-
Board designated	800,000	-	-	-	800,000	800,000	-
Restricted	-	4,638,310	-	-	4,638,310	4,638,310	-
Auxiliary enterprises	1,186,415	-	-	-	1,186,415	1,186,415	-
Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Endowment:							
True	-	-	4,644,225	-	4,644,225	-	4,644,225
Plant:							
Debt service	-	63,472	-	-	63,472	-	63,472
Investment in plant	-	-	-	51,224,283	51,224,283	-	51,224,283
Total Net Assets, August 31, 2009	10,734,982	4,701,782	4,644,225	51,224,283	71,305,272 (Exhibit 1)	15,373,292	55,931,980
Total Net Assets, August 31, 2008	<u>10,634,199</u>	<u>7,007,873</u>	<u>4,400,138</u>	<u>45,506,015</u>	<u>67,548,225</u> (Exhibit 1)	<u>16,623,796</u>	<u>50,924,429</u>
Increase in Net Assets	\$ <u>100,783</u>	<u>(2,306,091)</u>	<u>244,087</u>	<u>5,718,268</u>	<u>3,757,047</u> (Exhibit 2)	<u>(1,250,504)</u>	<u>5,007,551</u>

Midland College District

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2009

<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.S. Department of Education			
Direct Programs:			
Federal Supplemental Education Opportunity Grant	84.007	P007A084070	\$ 69,300
Higher Education – Institution Aid – Rural Science Education Cooperative Hispanic Serving Institutions	84.031C	P031C080077	595,322
Higher Education – Institutional Aid – Title V Cooperative Hispanic Serving Institutions	84.031S	P031S080021	432,077
Stafford Loans	84.032	-	310,568
Federal College Work-Study Program	84.033	P033A084070	95,102
TRIO Cluster:			
Student Support Services	84.042	P042A050380	250,622
Upward Bound	84.047	P047A041103	259,193
Federal Pell Grant Program	84.063	P063P083245	3,315,327
Fund for the Improvement of Post Secondary Education – State of the Art Equipment for the Advanced Technology Center	84.116Z	P116Z090026	142,056
Academic Competitiveness Grant	84.375	P375A083245	<u>69,350</u>
Subtotal Direct Programs			<u>5,538,917</u>
Pass-Through From:			
Texas Education Agency			
Adult Basic Education – Federal TANF	84.002	93625017110238	45,072
Adult Basic Education – Federal/Corrections	84.002	94100017110241	<u>151,347</u>
Subtotal – CFDA 84.002			196,419
Texas Higher Education Coordinating Board			
Carl Perkins – Voc. Ed. – Basic	84.048	94231	397,649
Carl Perkins – WECM	84.048	91104	<u>111,082</u>
Subtotal – CFDA 84.048			508,731
Leveraging Education Assistance Partnership (LEAP)	84.069A	-	5,452
Special Leveraging Education Assistance Partnership (SLEAP)	84.069B	-	7,013
BYRD	84.185A		1,062
Carl Perkins – Voc. Ed. Tech Prep.	84.243	91715	<u>234,751</u>
Total U.S. Department of Education			\$ <u>6,492,345</u>

Midland College District

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended August 31, 2009

<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 Health and Human Services</u>			
Model State Supported Area Health Education Centers	93.107	5U79HP007736-03-00	\$ 202,573
<u>U.S. Department of Housing and Urban Development</u>			
Hispanic Serving Institutions Assisting Communities	14.514	HSIAC-07-TX-29	258,805
<u>U.S. Department of Labor</u>			
Nursing – Distance Learning	17.261	CB-15219-06-60	110,083
<u>National Science Foundation</u>			
Pass-Through University of Texas System Alliance for Minority Participation	47.076	HRD-0703584	<u>11,523</u>
Total Federal Financial Assistance			\$ <u>7,075,329</u>

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts revenue – per Schedule A	\$ 3,202,155
Non Operating Federal Revenue from Schedule C	<u>3,873,174</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ <u>7,075,329</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>80,381</u>
Total amounts passed-through Midland College District	\$ <u>80,381</u>

Midland College District

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended August 31, 2009

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	\$	72,998
Odessa Junior College		65,606
Greenwood Independent School District		5,818
Iraan-Sheffield Independent School District		<u>11,685</u>
Total amounts passed-through Midland College District	\$	<u>156,107</u>

Midland College District

Schedule F

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended August 31, 2009

State Grantor/Pass Through Grantor/ Program Title	Grant/Contract Number	Pass Through Disbursement and Expenditures
Direct Programs:		
Texas Education Agency Adult Basic Education	90100017110241	\$ 26,126
Texas Higher Education Coordinating Board 2009 Intensive Summer Programs for General Education Students		22,306
P-16 College Readiness		887
Texas College Work Study	-	17,311
Texas Grant	-	131,063
Texas Education Opportunity Grant	-	49,305
Subtotal Texas Higher Education Coordinating Board		220,872
Pass-Through From:		
Texas Tech University Area Health Education Center	ALEW041835	24,892
Total State Financial Assistance		\$ 271,890
Note 1: <u>State Assistance Reconciliation</u>		
Total State Financial Assistance		\$ 271,890
P-16 College Readiness revenue received in prior year		(887)
Total State Revenues per Schedule A		\$ 271,003

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, 2009, and have issued our report thereon dated December 10, 2009. 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, 2009, 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.

Johnson Miller & Co., CPA's PC

Midland, Texas
December 10, 2009



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, 2009. 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, 2009.

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 in 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., CPA's PC

Midland, Texas
December 10, 2009

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

August 31, 2009

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, 2009

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007	Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant
84.032	Stafford Loans
84.033	Federal College Workstudy Program
84.063	Federal Pell Grant Program
84.042	Trio Cluster: Student Support Services
84.047	Upward Bound
84.031C	Rural Science Education Cooperative Hispanic Serving Institutions
84.031S	Title V - Cooperative Hispanic Serving Institutions
84.116Z	State of the Art Equipment for the Advanced Technology Center
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, 2009

Section III – Federal Award Findings and Questioned Costs

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.

STATISTICAL SUPPLEMENT

**Midland College District
Statistical Supplement 1
Net Assets by Component
Fiscal Years 2002-2009**
(unaudited)
(amounts expressed in thousands)

For the Fiscal Year Ended August 31,

	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 51,224	\$ 45,506	\$ 41,441	37,892	34,671	31,788	29,545	29,793
Restricted - expendable	4,702	7,008	6,680	5,225	3,395	2,723	3,387	2,811
Restricted - nonexpendable	4,644	4,400	3,965	3,795	3,167	3,069	3,053	3,037
Unrestricted	10,735	10,634	9,275	7,096	6,228	5,807	4,825	4,805
Total primary government net assets	\$ 71,305	\$ 67,548	\$ 61,361	54,008	47,461	43,387	40,810	40,446

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available.

**Midland College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002-2009
(unaudited)**

For the Year Ended August 31,								
(amounts in 000's)								
	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (net of discounts)	\$ 8,024	\$ 7,522	\$ 7,603	5,803	5,344	4,617	3,564	3,541
Federal Grants and Contracts	3,202	2,013	2,690	3,867	4,036	3,875	2,997	2,351
State Grants and Contracts	271	278	183	275	228	289	983	1,856
Local Grants and Contracts	829	861	736	612	756	633	399	470
Non-Governmental Grants and Contracts	722	1,073	699	796	271	152	119	26
Sales and services of educational activities	194	200	217	240	239	236	353	407
Investment income-program restricted	499	615	624	306	171	223	230	296
Auxiliary enterprises (net of discounts)	1,040	1,030	942	859	873	824	699	794
Other operating revenues	737	673	698	614	475	520	574	487
Total Operating Revenues	15,518	14,265	14,392	13,372	12,393	11,369	9,918	10,228
State Appropriations	13,862	13,656	13,498	13,418	11,113	10,954	11,117	10,941
Ad Valorem Taxes	17,743	16,676	15,419	14,312	10,917	10,068	9,763	9,519
Federal Revenue, non-operating	3,873	3,780	3,849	4,303	4,678	4,581	3,871	2,834
Gifts	1,622	1,505	1,443	1,882	2,138	1,176	833	837
Investment income	334	1,389	2,456	2,201	215	87	102	89
Contributions in aid of construction	1,572	2,313	731	176	3,557	1,048	-	-
Gain on disposal of fixed assets	-	-	-	16	-	-	-	-
Additions to permanent endowments	103	348	145	700	171	52	-	-
Other non-operating revenues	4,031	487	-	-	-	-	-	-
Total Non-Operating Revenues	43,140	40,154	37,541	37,008	32,789	27,966	25,686	24,220
Total Revenues	\$ 58,658	\$ 54,419	\$ 51,933	50,380	45,182	39,335	35,604	34,448

For the Year Ended August 31,								
(% of total)								
	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (net of discounts)	13.68%	13.83%	14.64%	11.52%	11.83%	11.74%	10.01%	10.28%
Federal Grants and Contracts	5.45%	3.69%	5.17%	7.67%	8.93%	9.85%	8.42%	6.82%
State Grants and Contracts	0.46%	0.51%	0.35%	0.55%	0.50%	0.73%	2.76%	5.39%
Local Grants and Contracts	1.40%	1.57%	1.41%	1.20%	1.67%	1.61%	1.12%	1.36%
Non-Governmental Grants and Contracts	1.23%	1.97%	1.35%	1.58%	0.60%	0.39%	0.33%	0.08%
Sales and services of educational activities	0.33%	0.37%	0.42%	0.48%	0.53%	0.60%	0.99%	1.18%
Investment income-program restricted	0.85%	1.13%	1.20%	0.61%	0.38%	0.57%	0.65%	0.86%
Auxiliary enterprises (net of discounts)	1.77%	1.89%	1.81%	1.71%	1.93%	2.09%	1.96%	2.30%
Other operating revenues	1.26%	1.24%	1.34%	1.22%	1.05%	1.32%	1.62%	1.42%
Total Operating Revenues	26.43%	26.20%	27.69%	26.54%	27.43%	28.90%	27.86%	29.69%
State Appropriations	23.64%	25.10%	26.00%	26.63%	24.60%	27.85%	31.22%	31.76%
Ad Valorem Taxes	30.26%	30.65%	29.70%	28.41%	24.16%	25.60%	27.42%	27.63%
Federal Revenue, non-operating	6.60%	6.95%	7.41%	8.54%	10.35%	11.65%	10.87%	8.23%
Gifts	2.77%	2.77%	2.78%	3.74%	4.73%	2.99%	2.34%	2.43%
Investment income	0.57%	2.55%	4.73%	4.37%	0.48%	0.22%	0.29%	0.26%
Contributions in aid of construction	2.68%	4.25%	1.41%	0.35%	7.87%	2.66%	-	-
Gain on disposal of fixed assets	-	-	-	0.03%	-	-	-	-
Additions to permanent endowments	0.18%	0.64%	0.28%	1.39%	0.38%	0.13%	-	-
Other non-operating revenues	6.87%	0.89%	-	-	-	-	-	-
Total Non-Operating Revenues	73.57%	73.80%	72.31%	73.46%	72.57%	71.10%	72.14%	70.31%
Total Revenues	100.00%							

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available.

**Midland College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002-2009
(unaudited)**

For the Year Ended August 31,

(amounts in 000's)

	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	\$ 18,456	\$ 17,676	\$ 17,266	16,686	16,042	13,840	14,014	13,513
Public service	2,316	1,887	2,242	2,430	2,195	2,054	2,699	1,964
Academic support	5,572	5,014	4,834	4,688	4,465	4,433	2,580	3,529
Student services	3,342	3,077	2,948	2,706	2,608	2,393	2,444	2,399
Institutional support	5,040	4,630	4,292	3,908	3,526	3,266	3,015	2,952
Operation and maintenance of plant	4,835	5,173	4,000	4,118	3,581	3,142	3,383	4,385
Scholarships & fellowships(net of discounts)	3,484	3,498	3,296	3,760	3,905	4,099	3,610	2,798
Auxiliary enterprises (net of discounts)	2,427	2,482	1,929	1,813	1,753	1,639	1,480	1,326
Depreciation	2,545	1,856	1,680	1,599	1,520	1,477	1,299	1,236
Total Operating Expenses	48,017	45,293	42,487	41,708	39,595	36,343	34,524	34,102
Interest on capital related debt	1,913	1,919	2,017	2,083	501	462	483	331
Loss on disposal of fixed assets	32	28	13	-	6	6	21	69
Other non-operating expenses	4,938	992	63	41	8	-	39	12
Total Non-Operating Expenses	6,883	2,939	2,093	2,124	515	468	543	412
Total Expenses	\$ 54,900	\$ 48,232	\$ 44,580	43,832	40,110	36,811	35,067	34,514

For the Year Ended August 31,

(% of total)

	2008	2008	2007	2006	2005	2004	2003	2002
Instruction	33.61%	36.64%	38.74%	38.07%	40.00%	37.60%	39.96%	39.15%
Public service	4.22%	3.91%	5.03%	5.54%	5.47%	5.58%	7.70%	5.69%
Academic support	10.15%	10.40%	10.84%	10.70%	11.13%	12.04%	7.36%	10.23%
Student services	6.09%	6.38%	6.61%	6.17%	6.50%	6.50%	6.97%	6.95%
Institutional support	9.18%	9.60%	9.63%	8.92%	8.79%	8.87%	8.60%	8.55%
Operation and maintenance of plant	8.81%	10.72%	8.97%	9.39%	8.93%	8.54%	9.65%	12.70%
Scholarships and fellowships	6.35%	7.25%	7.39%	8.58%	9.74%	11.14%	10.29%	8.12%
Auxiliary enterprises	4.42%	5.15%	4.33%	4.14%	4.37%	4.45%	4.22%	3.84%
Depreciation	4.64%	3.85%	3.77%	3.65%	3.79%	4.01%	3.70%	3.58%
Total Operating Expenses	87.47%	93.90%	95.31%	95.16%	98.72%	98.73%	98.45%	98.81%
Interest on capital related debt	3.48%	3.98%	4.52%	4.75%	1.25%	1.25%	1.38%	0.96%
Loss on disposal of fixed assets	0.06%	0.06%	0.03%	-	0.01%	0.02%	0.06%	0.20%
Other non-operating expenses	8.99%	2.06%	0.14%	0.09%	0.02%	-	0.11%	0.03%
Total Non-Operating Expenses	12.53%	6.10%	4.69%	4.84%	1.28%	1.27%	1.55%	1.19%
Total Expenses	100.00%							

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 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
2008-09	\$ -	\$ 43	\$ 63	\$ -	\$ -	\$ 14	\$ 684	\$ 924	7.55%	18.46%
2007-08	-	43	55	-	-	10	636	780	-	-
2006-07	-	43	55	-	-	10	636	780	17.78%	14.04%
2005-06	-	37	49	-	-	8	540	684	-	14.00%
2004-05	-	37	42	-	-	8	540	600	4.65%	4.17%
2003-04	-	36	41	-	-	7	516	576	16.22%	23.08%
2002-03	-	31	33	-	-	6	444	468	-	-
2001-02	-	31	33	-	-	6	444	468	8.82%	8.33%
2000-01	-	28	30	-	-	6	408	432	12.40%	11.63%
1999-00	15	17	19	3	3	6	363	387	-	-

Non - Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee	Non-Resident Tuition Out of State	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
2008-09	\$ -	\$ 94	\$ 94	\$ -	\$ -	\$ 14	\$ 1,296	\$ 1,296	14.89%	14.89%
2007-08	-	84	84	-	-	10	1,128	1,128	-	-
2006-07	-	84	84	-	-	10	1,128	1,128	9.30%	9.30%
2005-06	-	78	78	-	-	8	1,032	1,032	2.38%	2.38%
2004-05	-	76	76	-	-	8	1,008	1,008	23.53%	23.53%
2003-04	-	61	61	-	-	7	816	816	15.25%	15.25%
2002-03	-	53	53	-	-	6	708	708	-	-
2001-02	-	53	53	-	-	6	708	708	5.36%	5.36%
2000-01	-	50	50	-	-	6	672	672	46.41%	46.41%
1999-00	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**

Fiscal Year	(amounts expressed in thousands)				Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2008-09	\$ 11,660,357	\$ 1,293,329	\$ 10,367,028	88.91%	\$ 0.144600	\$ 0.028310	\$ 0.172910
2007-08	9,672,151	977,526	8,694,625	89.89%	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

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	State Appropriation (000's)	Appropriation per FTSE		Appropriation per Contact Hour			
		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
2008-09	\$ 9,877	3,989	\$ 2,476	1,742	939	2,681	\$ 3.68
2007-08	9,877	3,988	2,477	1,673	973	2,646	3.73
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

(a) Source CBM001

(b) Source CBM00A

Notes:

(1) FTSE is calculated by the following formula:

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

	Voc-Tech Contact Hrs (000's)		
	Credit	CE	Total
08-09	782	157	939
07-08	779	194	973
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

**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)									
		2008	2007	2006	2005	2004	2003	2002	2001	2000	
Pioneer Natural Res	Oil & Gas	\$ 625,549	488,618	481,708	357,957	268,212	241,937	254,337	290,553	141,512	
Chevron USA Inc	Oil & Gas	194,148	185,222	178,526	152,643	125,693	64,441				
LCX Energy LLC	Oil & Gas	180,265	150,369	146,258							
Endeavor Energy Res LP	Oil & Gas	178,262	130,594	144,955	85,373	49,153	34,054	30,006	26,246		
Oxy USA WTP LP	Oil & Gas	97,815			39,428	28,040	29,764	27,455	22,159		
BP America Prod Co	Oil & Gas	93,550	85,107	79,680	71,756	54,782	59,521	67,940			
Big Dog Drilling Co	Oil & Gas	83,559									
Dawson Geophysical	Oil & Gas	67,634	72,273	55,815							
TXU Electric Delivery Co	Utility	67,490	64,594	63,446							
TRA Midland Properties	Investment	66,020									
Henry Petroleum LP	Oil & Gas	-	59,226	61,276	40,159						
Southwestern Bell Tele	Utility	-	52,745	48,996	51,470	50,653	55,870	62,096	61,201	59,099	
Mobil Producing Tx & NM-Dev/Gas	Oil & Gas	-	47,193	50,716	44,193	38,984	35,964	41,213	48,549	31,898	
Perenco LLC	Oil & Gas				73,253	50,758	26,302				
Oncor Elec Delivery LP	Utility				61,072	59,315	57,366	59,376	58,982	56,895	
Mobil Producing Tx & NM	Oil & Gas					27,851			28,539	18,254	
Texaco E & P Inc	Oil & Gas						34,499	96,992	130,609	64,697	
CMS Oil & Gas Company	Oil & Gas							24,667			
Midland Park Mall LP	Retail							24,571	24,571	24,340	
ARCO Permian	Oil & Gas								113,906	51,537	
A T & T Communications	Utility									24,306	
Duke Energy Fld Svc	Oil & Gas									18,905	
Totals		\$ 1,654,292	1,335,941	1,311,376	977,304	753,441	639,718	688,653	805,315	491,443	
Total Taxable Assessed Value		\$ 8,694,625	7,448,655	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									
		2008	2007	2006	2005	2004	2003	2002	2001	2000	
Pioneer Natural Res	Oil & Gas	7.19%	5.62%	5.54%	6.33%	5.15%	4.77%	4.92%	6.40%	3.17%	
Chevron USA Inc	Oil & Gas	2.23%	2.13%	2.05%	2.70%	2.41%	1.27%				
LCX Energy LLC	Oil & Gas	2.07%	1.73%	1.68%							
Endeavor Energy Res LP	Oil & Gas	2.05%	1.50%	1.67%	1.51%	0.94%	0.67%	0.58%	0.58%		
Oxy USA Inc	Oil & Gas	1.13%			0.70%	0.54%	0.59%	0.53%	0.49%		
BP America Prod Co	Oil & Gas	1.08%	0.98%	0.92%	1.27%	1.05%	1.17%	1.31%			
Big Dog Drilling Co	Oil & Gas	0.96%									
Dawson Geophysical	Oil & Gas	0.78%	0.83%	0.64%							
TXU Electric Delivery Co	Utility	0.78%	0.74%	0.73%							
TRA Midland Properties	Investment	0.76%									
Henry Petroleum LP	Oil & Gas		0.68%	0.70%	0.71%						
Southwestern Bell Tele	Utility		0.61%	0.56%	0.91%	0.97%	1.10%	1.20%	1.35%	1.32%	
Mobil Producing Tx & NM-Dev/Gas	Oil & Gas		0.54%	0.58%	0.78%	0.75%	0.71%	0.80%	1.07%	0.71%	
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%	
Mobil Producing Tx & NM	Oil & Gas					0.53%			0.63%	0.41%	
Texaco E & P Inc	Oil & Gas						0.68%	1.88%	2.88%	1.45%	
CMS Oil & Gas Company	Oil & Gas							0.48%			
Midland Park Mall LP	Tretail							0.48%	0.54%	0.55%	
A T & T Communications	Utility									0.54%	
ARCO Permian	Oil & Gas								2.51%	1.15%	
Duke Energy Fld Svc	Oil & Gas									0.42%	
Totals		19.03%	15.37%	15.08%	17.28%	14.45%	12.61%	13.33%	17.75%	10.99%	

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 (c)	Percentages	Prior Collections of Prior Levies* (d)	Current Collections of Prior Levies* (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2008-09	\$ 17,925	\$ (3)	\$ 17,922	\$ 17,574	98.06%	\$ -	\$ -	\$ 17,574	98.06%
2007-08	16,617	(17)	16,600	16,326	98.35%	-	146	16,472	99.23%
2006-07	15,359	(6)	15,353	15,142	98.63%	154	38	15,334	99.88%
2005-06	14,177	(9)	14,168	13,979	98.67%	194	16	14,189	100.15%
2004-05	10,786	11	10,797	10,576	97.95%	185	10	10,771	99.76%
2003-04	9,933	48	9,981	9,750	97.69%	217	5	9,972	99.91%
2002-03	9,667	(1)	9,666	9,469	97.96%	196	2	9,667	100.01%
2001-02	9,468	(11)	9,457	9,225	97.55%	190	(4)	9,411	99.51%
2000-01	7,413	(6)	7,407	7,253	97.92%	134	1	7,388	99.74%
1999-00	7,289	(8)	7,281	7,080	97.24%	163	1	7,244	99.49%

* "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)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Bonded Debt										
General Obligation Bonds	\$ 37,268	38,671	40,017	41,307	42,391	-	-	-	-	-
Contractual Obligation Bonds	-	-	-	-	-	-	-	270	525	770
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds Restricted for Debt Service	(85)	(174)	(95)	(110)	(246)	-	-	(4)	(5)	(66)
Net General Bonded Debt	<u>37,183</u>	<u>38,497</u>	<u>39,922</u>	<u>41,197</u>	<u>42,145</u>	<u>-</u>	<u>-</u>	<u>266</u>	<u>520</u>	<u>704</u>
Other Debt										
Revenue Bonds	15,027	15,735	7,331	8,035	8,708	9,351	9,964	9,850	6,220	6,574
Notes	-	150	266	378	487	109	213	311	398	486
Capital Lease Obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	<u>\$ 52,210</u>	<u>54,382</u>	<u>47,519</u>	<u>49,610</u>	<u>51,340</u>	<u>9,460</u>	<u>10,177</u>	<u>10,427</u>	<u>7,138</u>	<u>7,764</u>
Per Capita	\$ 403.18	430.72	382.05	408.38	428.04	79.73	86.70	89.85	61.78	66.01
Per Student	13,087	13,638	11,759	12,365	12,736	2,385	2,760	2,891	2,103	2,383
As a % of Taxable Assessed Value	0.50%	0.63%	0.64%	0.79%	0.91%	0.18%	0.20%	0.20%	0.16%	0.17%

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)									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Taxable Assessed Value	\$ 10,367,028	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
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 51,835	43,473	37,243	31,546	28,294	26,059	25,360	25,840	22,696	22,318
Less: Funds Restricted for Repayment of General Obligation Bonds	(85)	(174)	(95)	(110)	(246)	-	-	-	-	-
Total Net General Obligation Debt	51,750	43,299	37,148	31,436	28,048	26,059	25,360	25,840	22,696	22,318
Current Year Debt Service Requirements	2,970	2,955	2,937	2,991	-	-	-	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 48,780	40,344	34,211	28,445	28,048	26,059	25,360	25,840	22,696	22,318
Net Current Requirements as a % of Statutory Limit	5.57%	6.40%	7.63%	9.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)				Debt Service Requirements (\$000 omitted)			
	Tuition, Fees & Other Rev	General Use Fee	Operating Expense	Total	Principal	Interest	Total	Coverage Ratio
2009	\$ 4,762	\$ 1,721	\$ -	\$ 6,483	\$ 708	\$ 555	\$ 1,263	5.13
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

Contractual Obligation Bonds

Fiscal Year Ended August 31	Ad Valorem Taxes	Interest Income	Operating Expense	Total	Principal	Interest	Total	Coverage Ratio
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00
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

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

Calendar Year	District Population (b)	District Personal Income (a,b) (000's)	District Personal Income Per Capita (b) (000's)	District Unemployment Rate (b)
2008	129,494	\$ 7,460,836	\$ 57,615	6.1%
2007	126,259	6,688,449	52,974	2.9%
2006	123,433	6,047,216	48,992	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%

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 2008 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	2009		2008		2007		2006	
	Number of Employees	Percentage of Total Employment (A)	Number of Employees	Percentage of Total Employment (A)	Number of Employees	Percentage of Total Employment (A)	Number of Employees	Percentage of Total Employment (A)
Midland Independent School District	2,887	3.93%	2,836	4.16%	2,826	4.15%	2,847	4.80%
Midland Memorial Hospital	1,645	2.24%	1,600	2.35%	1,500	2.20%	1,382	2.33%
Midland College	1,170	1.59%	1,230	1.81%	1,258	1.85%	1,262	2.13%
City Of Midland	937	1.27%	917	1.35%	962	1.41%	881	1.49%
Warren Equipment Companies	620	0.84%	534	0.78%	620	0.91%	629	1.06%
Midland County	608	0.83%	678	0.99%	583	0.86%	560	0.94%
Key Energy	480	0.65%	564	0.83%	500	0.73%	2,200	3.71%
Texas Health & Human Services Call Center	440	0.60%	-	-	-	-	-	-
Basic Energy Services	429	0.58%	-	-	-	-	-	-
Halliburton	400	0.54%	-	-	-	-	-	-
Dawson Geophysical	-	-	1,451	2.13%	1,200	1.76%	609	1.03%
Patterson-UTI Drilling Co.	-	-	-	-	750	1.10%	-	-
Cingular Wireless LLC	-	-	-	-	600	0.88%	1,100	1.86%
Oxy Permian Basin	-	-	-	-	-	-	800	1.35%
Total	9,616	13.08%	9,810	14.39%	10,799	15.85%	12,270	20.69%

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Faculty										
Full-Time	155	141	134	129	119	116	110	109	100	94
Part-Time	160	156	135	120	135	125	129	134	134	141
Total	315	297	269	249	254	241	239	243	234	235
Percent										
Full-Time	49.2%	47.5%	49.8%	51.8%	46.9%	48.1%	46.0%	44.9%	42.7%	40.0%
Part-Time	50.8%	52.5%	50.2%	48.2%	53.1%	51.9%	54.0%	55.1%	57.3%	60.0%
Staff and Administrators										
Full-Time	256	249	239	241	237	226	209	206	181	179
Part-Time	320	375	358	369	354	356	361	342	335	327
Total	576	624	597	610	591	582	570	548	516	506
Percent										
Full-Time	44.4%	39.9%	40.0%	39.5%	40.1%	38.8%	36.7%	37.6%	35.1%	35.4%
Part-Time	55.6%	60.1%	60.0%	60.5%	59.9%	61.2%	63.3%	62.4%	64.9%	64.6%
Students per Full-Time Faculty	37.3	40.7	43.4	43.3	46.5	46.5	45.8	46.4	48.4	50.4
Students per Full-Time Staff Member	22.6	23.0	24.3	23.2	23.3	23.9	24.1	24.6	26.8	26.4
Average Annual Faculty Salary	\$54,623	52,021	50,636	49,335	49,446	47,783	47,498	47,196	44,264	41,864
Notes:										
Fall Headcount	5784	5733	5819	5589	5531	5392	5041	5060	4842	4733

**Midland College District
Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)**

Student Classification	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
CE Students	1,462	20.18%	1,671	23.06%	2,501	30.14%	2,311	29.27%	2,052	27.06%
00-30 hours	4,503	62.15%	4,425	61.08%	4,548	54.80%	4,397	55.69%	4,240	55.91%
31-60 hours	837	11.55%	878	12.12%	820	9.88%	642	8.13%	835	11.01%
> 60 hours	444	6.13%	417	5.75%	430	5.18%	545	6.90%	456	6.01%
Total	7,246	100.00%	7,391	102.00%	8,299	100.00%	7,895	100.00%	7,583	100.00%

Semester Hour Load	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
CE Students	1462	20.18%	1671	23.06%	2501	30.14%	2311	29.27%	2052	27.06%
Less than 3	67	0.92%	74	1.02%	69	0.83%	62	0.79%	83	1.09%
3-5 semester hours	1,868	25.78%	1,806	24.92%	1,752	21.11%	1,584	20.06%	1,547	20.40%
6-8 semester hours	1,277	17.62%	1,295	17.87%	1,265	15.24%	1,209	15.31%	1,164	15.35%
9-11 semester hours	771	10.64%	791	10.92%	745	8.98%	758	9.60%	710	9.36%
12-14 semester hours	1,391	19.20%	1,341	18.51%	1,493	17.99%	1,495	18.94%	1,540	20.31%
15-17 semester hours	353	4.87%	359	4.95%	394	4.75%	401	5.08%	410	5.41%
18 & over	57	0.79%	54	0.75%	80	0.96%	75	0.95%	77	1.02%
Total	7,246	100.00%	7,391	102.00%	8,299	100.00%	7,895	100.00%	7,583	100.00%

Average course load	8.2	8.2	8.5	8.7	8.7
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Tuition Status	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
CE Students	1,462	20.17%	1,671	23.05%	2,501	30.14%	2,311	29.27%	2,052	27.06%
Texas Resident (in-District)	3,720	51.34%	3,786	52.25%	3,846	46.34%	3,824	48.44%	3,855	50.84%
Texas Resident (out-of-District)	1,882	25.97%	1,711	23.61%	1,714	20.65%	1,675	21.22%	1,585	20.90%
Non-Resident Tuition	182	2.51%	223	3.08%	238	2.87%	85	1.08%	91	1.20%
Total	7,246	100.00%	7,391	102.00%	8,299	100.00%	7,895	100.00%	7,583	100.00%

Data Source: CBM001
CBM00A

**Midland College District
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)**

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
Gender										
Female	4,062	56.06%	3,937	53.27%	4,522	54.49%	4,301	54.48%	4,069	53.66%
Male	3,184	43.94%	3,454	46.73%	3,777	45.51%	3,594	45.52%	3,514	46.34%
Total	7,246	100.00%	7,391	100.00%	8,299	100.00%	7,895	100.00%	7,583	100.00%

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
Ethnic Origin										
White	4,389	60.58%	4,593	62.15%	5,177	62.39%	5,027	63.68%	4,820	63.56%
African American	389	5.37%	345	4.67%	355	4.28%	385	4.88%	360	4.75%
Hispanic	2,200	30.36%	2,219	30.02%	2,443	29.44%	2,237	28.33%	2,165	28.55%
Asian	137	1.89%	117	1.58%	120	1.45%	112	1.42%	98	1.29%
Native American	27	0.37%	31	0.42%	37	0.45%	42	0.53%	35	0.46%
International	50	0.69%	52	0.70%	126	1.52%	65	0.82%	62	0.82%
Unknown	54	0.75%	34	0.46%	41	0.49%	27	0.34%	43	0.57%
Total	7,246	100.00%	7,391	100.00%	8,299	100.00%	7,895	100.00%	7,583	100.00%

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
Age										
Under 18	1,102	15.21%	1,352	18.29%	1,298	15.64%	1,178	14.92%	1,190	15.69%
18 - 21	2,442	33.70%	2,332	31.55%	2,457	29.61%	2,384	30.20%	2,379	31.37%
22 - 24	909	12.54%	830	11.23%	887	10.69%	857	10.85%	755	9.96%
25 - 35	1,382	19.07%	1,379	18.66%	1,676	20.20%	1,555	19.70%	1,442	19.02%
36 - 50	894	12.34%	933	12.62%	1,238	14.92%	1,192	15.10%	1,212	15.98%
51 & over	517	7.13%	565	7.64%	743	8.95%	729	9.23%	605	7.98%
Total	7,246	100.00%	7,391	100.00%	8,299	100.00%	7,895	100.00%	7,583	100.00%

Average Age	24.0	23.0	24.0	23.8	24.1
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Data Source: CBM001
CBM00A

**Midland College District
Statistical Supplement 17
Transfers to Senior Institutions
2007 Fall Students as of Fall 2008
(Includes only public senior colleges in Texas)**

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Midland Transfer Students	% of all Midland Transfer Students
1 Texas A&M University	365	9	2	376	21.18%
2 The University of Texas at Austin	303	9	0	312	17.58%
3 Texas Tech University	276	30	3	309	17.41%
4 The University of Texas of the Permian Basin	219	26	11	256	14.42%
5 Angelo State University	91	7	2	100	5.63%
6 University of North Texas	89	5	1	95	5.35%
7 The University of Texas at Arlington	58	0	0	58	3.27%
8 Texas State University	49	2	1	52	2.93%
9 Sam Houston State University	43	1	0	44	2.48%
10 Texas Tech University Health Science Center	28	3	0	31	1.75%
11 The University of Texas at San Antonio	24	2	1	27	1.52%
12 Tarleton State University	18	1	1	20	1.13%
13 Sul Ross State University	18	0	1	19	1.07%
14 University of Houston	11	0	0	11	0.62%
15 West Texas A&M University	11	0	0	11	0.62%
16 Midwestern State University	5	0	0	5	0.28%
17 Texas A&M University at Corpus Christi	5	0	0	5	0.28%
18 The University of Texas at El Paso	5	0	0	5	0.28%
19 The University of Texas at Dallas	4	0	0	4	0.23%
20 Texas A&M University System Health Science Center	2	1	0	3	0.17%
21 Texas Women's University	3	0	0	3	0.17%
22 The University of Texas at Tyler	3	0	0	3	0.17%
23 Baylor College of Medicine	2	0	0	2	0.11%
24 Prairie View A&M University	0	1	1	2	0.11%
25 Stephen F. Austin State University	2	0	0	2	0.11%
26 Texas A&M University at Galveston	2	0	0	2	0.11%
27 The University of Texas Health Science Center at Houston	2	0	0	2	0.11%
28 The University of Texas Medical Branch at Galveston	2	0	0	2	0.11%
29 University of Houston at Victoria	2	0	0	2	0.11%
30 University of Houston-Clearlake	1	1	0	2	0.11%
31 University of Houston-Downtown	1	1	0	2	0.11%
32 Texas A&M International University	0	1	0	1	0.06%
33 Texas A&M University - Commerce	0	1	0	1	0.06%
34 Texas A&M University - Kingsville	1	0	0	1	0.06%
35 Texas Southern University	1	0	0	1	0.06%
36 The University of Texas at Brownsville	1	0	0	1	0.06%
37 The University of Texas Health Science Center at San Antonio	1	0	0	1	0.06%
38 The University of Texas Southwestern Medical Center at Dallas	1	0	0	1	0.06%
39 University of North Texas Health Science Center at Fort Worth	1	0	0	1	0.06%
Totals	1,650	101	24	1,775	100.00%

**Midland College District
Statistical Supplement 18
Schedule of Capital Asset Information
Fiscal Years 2002 to 2009**

	Fiscal Year							
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Academic buildings	19	18	18	18	18	17	16	16
Square footage (in thousands)	486	482	403	403	375	375	368	368
Libraries	1	1	1	1	1	1	1	1
Square footage (in thousands)	52	50	50	50	50	50	50	50
Number of Volumes (in thousands)	64	62	62	64	62	63	60	60
Administrative and support buildings	4	4	4	4	4	4	4	4
Square footage (in thousands)	58	58	58	58	58	58	58	58
Dormitories	3	3	3	3	3	3	3	2
Square footage (in thousands)	91	91	91	91	91	91	91	62
Number of Beds	286	286	286	286	286	286	286	192
Apartments	10	10	10	10	10	10	10	10
Square footage (in thousands)	12	12	12	12	12	12	12	12
Number of beds	20	20	20	20	20	20	20	20
Dining Facilities	1	1	1	1	1	1	1	1
Square footage (in thousands)	11	11	11	11	11	11	11	11
Average daily customers	579	579	579	532	532	532	532	357
Athletic Facilities	3	3	3	3	3	3	3	3
Square footage (in thousands)	118	117	117	117	117	117	117	117
Multipurpose Center	1	1	1	1	1	1	1	1
Gymnasiums	1	1	1	1	1	1	1	1
Softball Dressing Facility	1							
Baseball Practice Facility	1							
Tennis Pro Shop	1	1	1	1	1	1	1	1
Plant facilities	2	2	2	1	1	1	1	1
Square footage (in thousands)	26	26	26	7	7	7	7	7
Chapel	1	1	1	1	1	-	-	-
Square footage (in thousands)	2	2	2	2	2	-	-	-
Childrens Center	1	1	1	1	1	1	1	1
Square footage (in thousands)	11	6	6	6	6	6	6	6
Transportation								
Cars	3	3	6	6	6	7	6	6
Light Trucks/Vans	19	24	22	22	18	17	17	17
Heavy trucks	2	2	2	2	2	2	2	2
Buses	7	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 Total	Unduplicated Total
1999-00	4,733	4,749	1,530	797	11,809	6,656
2000-01	4,842	4,954	1,439	1,042	12,277	6,870
2001-02	5,065	5,109	1,596	1,249	13,019	6,948
2002-03	5,041	5,410	1,707	1,380	13,538	7,606
2003-04	5,392	5,666	1,974	1,410	14,442	8,086
2004-05	5,531	5,797	1,881	1,548	14,757	8,456
2005-06	5,589	5,923	2,356	1,974	15,842	8,591
2006-07	5,819	6,076	2,158	2,184	16,237	9,039
2007-08	5,733	6,288	2,381	2,411	16,813	9,453
2008-09	5,811	6,321	2,530	2,546	17,208	9,608

Data Source: CBM001