

Midland College



Financial Statements and Report of Independent Certified Public Accountants

August 31, 2013

TABLE OF CONTENTS

	Page
ORGANIZATIONAL DATA	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING August 31, 2013	5
FINANCIAL STATEMENTS:	
Statements of Net Position – Exhibit 1	17
Statements of Revenues, Expenses and Changes in Net Position – Exhibit 2	19
Statements of Cash Flows – Exhibit 3	21
Notes to Financial Statements	23
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Detailed Operating Revenues – Schedule A	42
Schedule of Operating Expenses by Object – Schedule B	44
Schedule of Non-Operating Revenues and Expenses – Schedule C	45
Schedule of Net Position by Source and Availability – Schedule D	46
Schedule of Expenditures of Federal Awards – Schedule E	47
Schedule of Expenditures of State Awards – Schedule F	50
SINGLE AUDIT REPORTS:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Provisions of the State of Texas Single Audit Circular	53
Schedule of Findings and Questioned Costs	56
STATISTICAL SUPPLEMENT	
Statistical Supplement 1-9	64

MIDLAND COLLEGE DISTRICT

ORGANIZATIONAL DATA

As of August 31, 2013

BOARD OF TRUSTEES

Officers

Ms. Charlene R. McBride	President
Mr. Stephen N. Castle	Vice-President
Mr. G. Larry Lawrence	Secretary

Members

		Term Expires
Mr. Stephen N. Castle	Midland, Texas	2018
Ms. Linda Cowden	Midland, Texas	2016
Mr. Neil Florer	Midland, Texas	2018
Mr. Will R. Green	Midland, Texas	2014
Mr. Steven C. Kiser	Midland, Texas	2016
Mr. G. Larry Lawrence	Midland, Texas	2016
Ms. Charlene R. McBride	Midland, Texas	2018
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
Ms. Rita Nell Diffie	Vice President of Student Services
Mr. Dennis Sever	Vice President of Information Technology & Facilities
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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Midland College District (the "District") as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of August 31, 2013 and 2012, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and on pages 5-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The organizational data and statistical supplement on page 1 and pages 64 through 72 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 date presented in schedules A, B, C and D is presented for additional purposes and is not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 12, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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 12, 2013

Overview of the Financial Statements and Financial Analysis

The Management Discussion and Analysis is designed to provide an easy to read analysis of Midland College District's (the "District") financial activities for the years ended August 31, 2013, 2012 and 2011. 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 Position, the Statement of Revenues, Expenses, and Changes in Net Position 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 \$89.3 million and \$85.9 million for the fiscal years ended August 31, 2013 and 2012, respectively. Of these amounts, unrestricted net position was \$19.2 million for fiscal year 2013 and \$15.5 million for fiscal year 2012.
- The District's financial standing was strengthened as total net position increased by approximately \$3.4 million during fiscal year 2013 and by approximately \$4.2 million during fiscal year 2012. Of these amounts, unrestricted net position increased by approximately \$3.7 million and \$3.3 million for fiscal years 2013 and 2012, respectively.
- The net assessed valuation of the District increased by approximately \$3.1 billion, or 25%, from 2012 to 2013 and by \$776 million or 6.63% from 2011 to 2012. Taxable values were approximately \$15.7 billion in 2013 and \$12.5 billion in 2012.
- Bonds payable decreased by approximately \$2.7 million in fiscal year 2013 and by approximately \$2.3 million during fiscal year 2012.
- During 2012 \$26,840,000 of the General Obligation Bonds, Series 2005 were refunded resulting in a total present value savings of 5.64% and an average annual savings of approximately \$132,000 in years 2013 through 2026.
- During fiscal year 2013 the unduplicated head count of credit students decreased by 240 students, duplicated head count of credit students decreased by 652, and contact hours decreased by approximately 108,000.
- During fiscal year 2012 the unduplicated head count of credit students decreased by 275 students, duplicated head count of credit students decreased by 534, and contact hours decreased by approximately 192,000.

The Statement of Net Position (Continued)

restricted net position is 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 position. The final category is unrestricted net position, which is available to the institution for any lawful purpose. As of August 31, 2013, assets of the District exceeded liabilities by approximately \$89.3 million. Of this amount, approximately \$19.2 million is unrestricted and may be used to meet ongoing obligations.

In 2013 the District's assets increased by approximately \$944 thousand while liabilities decreased by approximately \$2.5 million, resulting in an increase in net position of approximately \$3.4 million. Major changes in the Statement of Net Position are as follows:

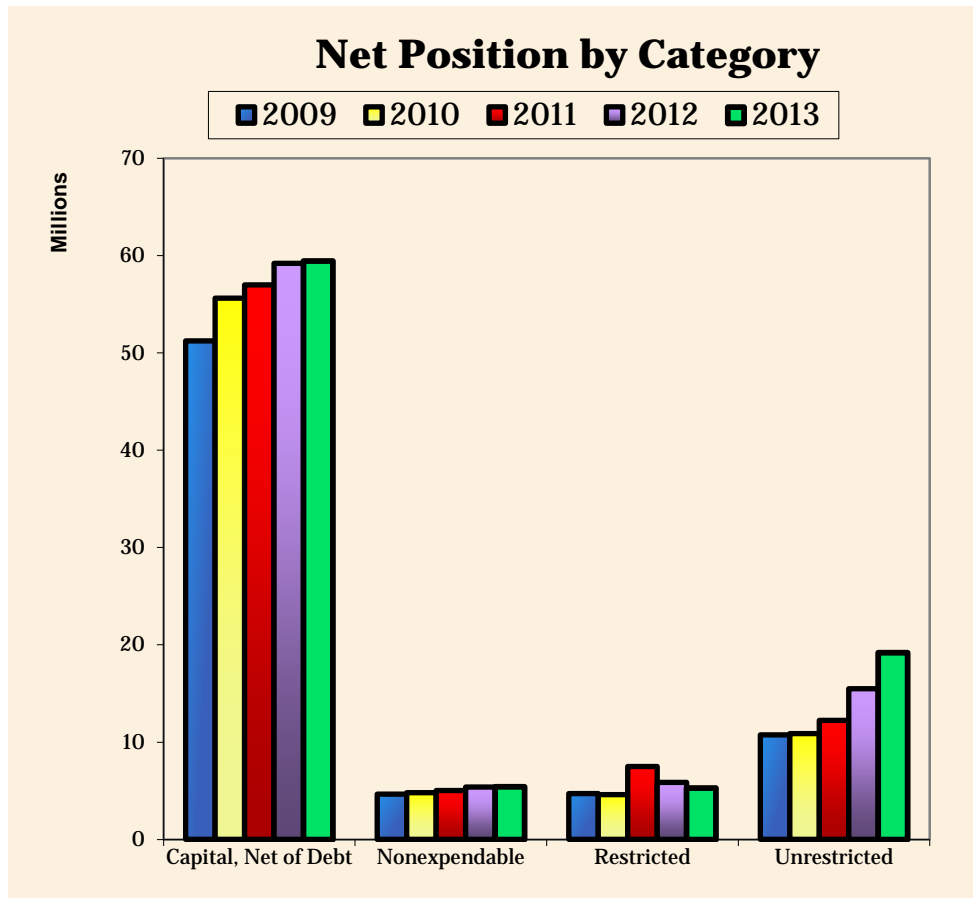
- Capital assets decreased by approximately \$870 thousand. The decrease is the result of depreciation charges totaling approximately \$3.8 million, disposals of approximately \$328 thousand, and additions of approximately \$3.3 million. Additions included renovation of the Davidson Health Sciences Building, campus automated door lock system and the addition of an emergency entrance to the F. Marie Hall SimLife Center.
- Bonds payable decreased by approximately \$2.7 million as a result of scheduled debt service payments.

In 2012 the District's assets increased by approximately \$2.1 million while liabilities decreased by approximately \$2.1 million, resulting in an increase in net position of approximately \$4.2 million. Major changes in the Statement of Net Position are as follows:

- Net increases in capital assets of approximately \$1.7 million. The increase includes additions of approximately \$5.5 million, less disposals of approximately \$55 thousand and depreciation of approximately \$3.7 million. Additions include completion of the F. Marie Hall SimLife Center, Pevehouse Administration Building, softball field complex, warehouse shade cover and improvements to the campus computer network infrastructure.
- Bonds payable decreased by approximately \$2.3 million as a result of scheduled debt service payments.

The following graph illustrates the comparative changes in net position by category over the past five years. The District's financial position is strong and stable as reflected in the chart. Unrestricted net position is critical to support the District's overall mission, therefore it is important that unrestricted net position be adequately maintained. The chart illustrates that unrestricted net position has grown in a consistent manner and that the District has not been required to use these resources to fund operations. The growth in Invested in Capital, net of debt, reflects the substantial investments the District has made in its physical plant. Restricted net position represent balances of funds that have been received to fund specific projects. Accordingly, these balances will increase and decrease as funds are received and subsequently disbursed to fund these specific projects.

The Statement of Net Position (Continued)



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position 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 with no direct relationship to the goods and services being provided. 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 Position (Continued)

The following chart reflects a summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2013, 2012 and 2011. This summary indicates the operating loss and the overall increase in net position for each of the years displayed.

Summary of Statement of Revenues, Expenses and Changes in Net Position			
(in thousands)			
	2013	2012	2011
Operating Revenues	\$ 17,943	17,455	17,955
Operating Expenses	(52,267)	(51,325)	(54,836)
Operating Loss	\$ (34,324)	(33,870)	(36,881)
Non-operating revenues	\$ 39,492	40,131	44,863
Non-operating expenses	(1,740)	(2,025)	(2,190)
Increase in Net Position	\$ 3,428	4,236	5,792

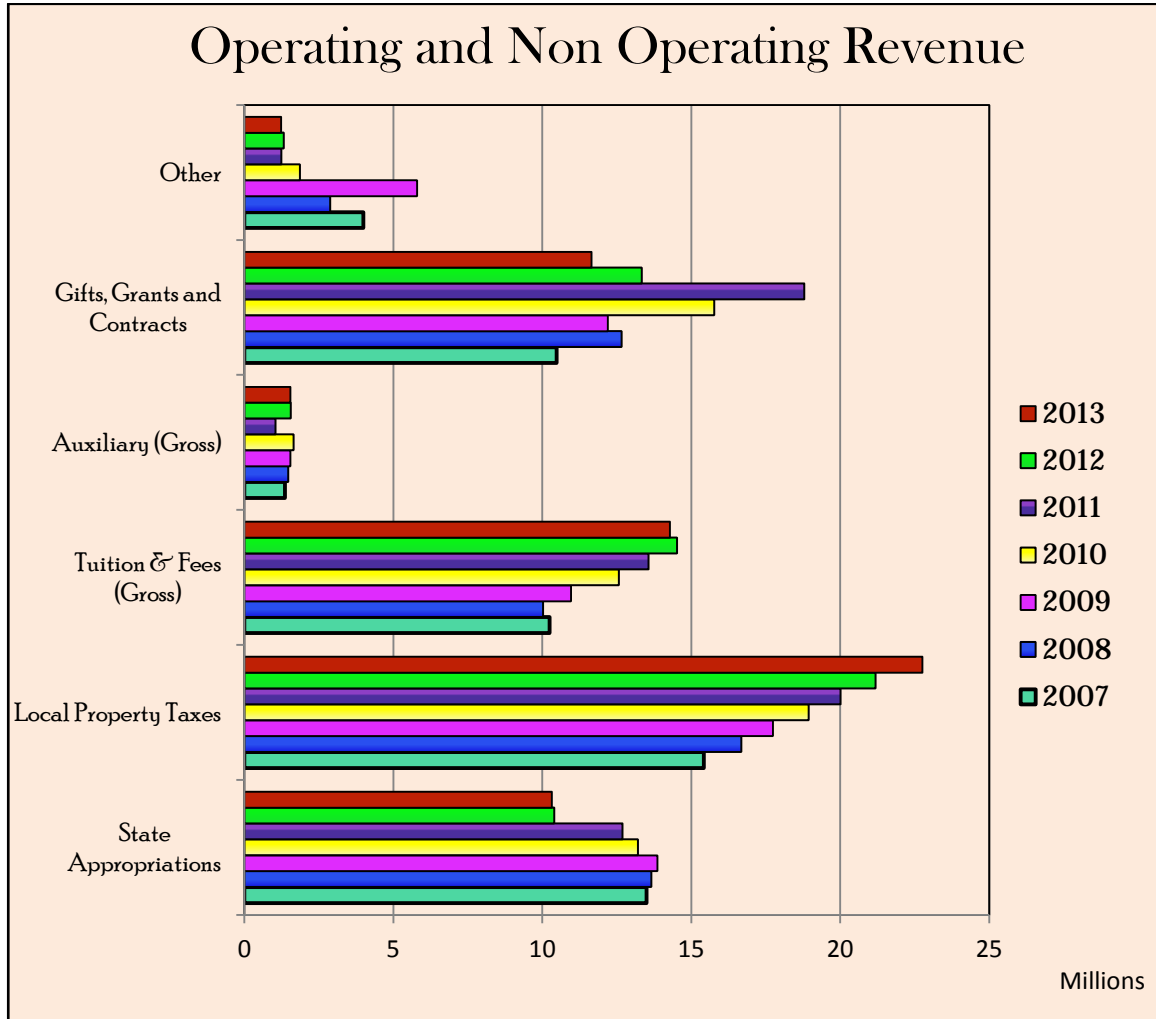
Revenues

Major changes in operating and non-operating revenue are as follows:

- Gross tuition and fee revenue for 2013 decreased by approximately \$292 thousand or 2%; however, net tuition and fees (tuition and fees less the financial aid applied to tuition and fees) increased by approximately \$169 thousand or 2%. Contact hours were down by approximately 4% from the prior year. Tuition rates for in-district students remained unchanged from the prior year; however, tuition rates for most out-of-district and nonresident students increased by approximately 10% and 7% respectively. Tuition for Pecos County students decreased by approximately 39% as a result of the citizens in that county passing a Branch Campus Maintenance Tax. (Statistical Supplements #4 and #6).
- Gross tuition and fee revenue for 2012 exceeded 2011 amounts by approximately \$957 thousand, or 7%, even though enrollments were down by approximately 2.5% from the prior year. The increase was the result of higher tuition rates and a slight shift in enrollment from in-district to out-of-district students. Out-of-district students pay a higher tuition rate. (Statistical Supplements #4 and #6).
- Total state appropriated revenue for 2013 was mostly unchanged from the prior year.
- State appropriated revenue for 2012 was approximately \$2.3 million or 18% less than 2011, primarily due to reductions in insurance and retirement funding imposed by the legislature.

The following presentation graphically displays short-term revenue trends.

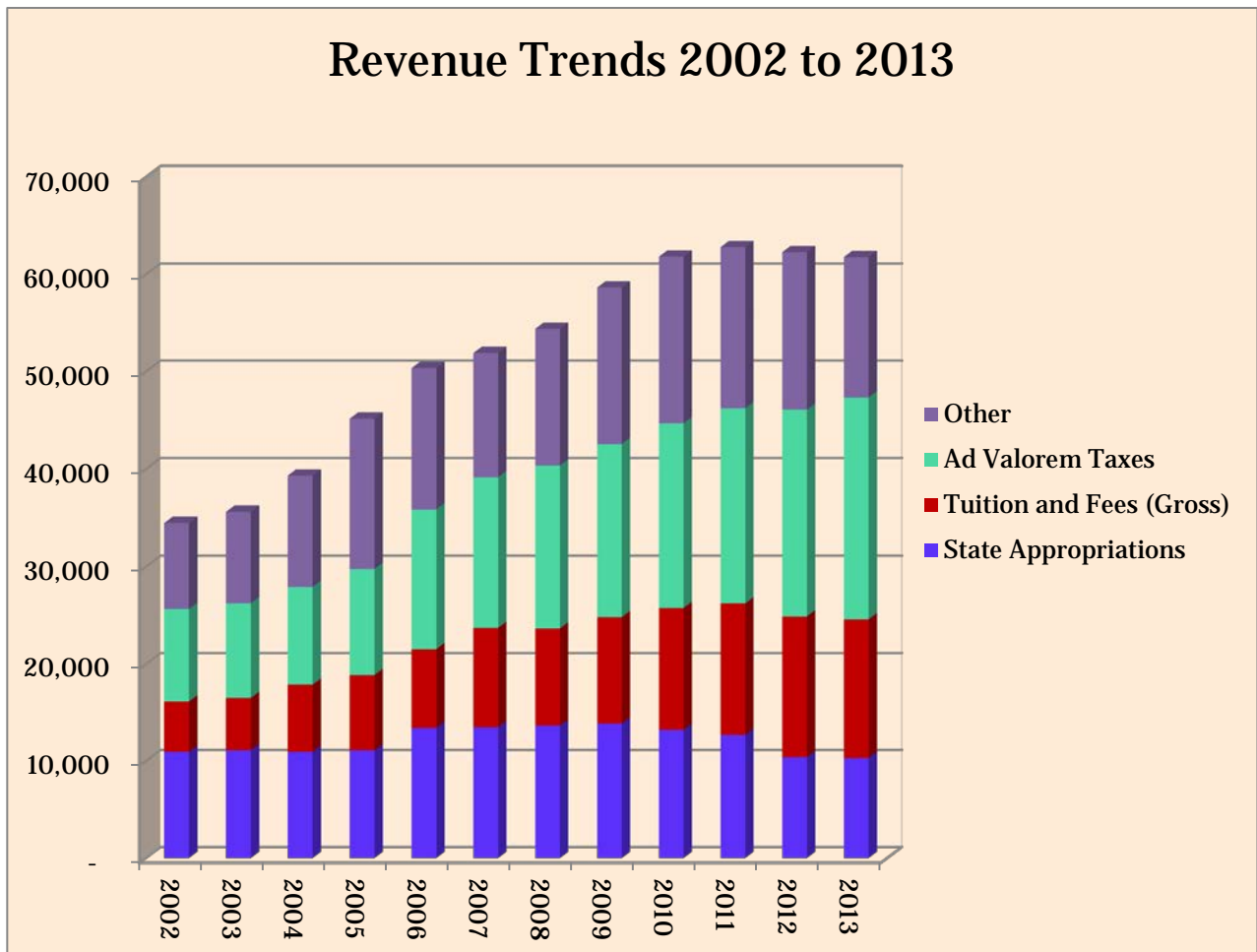
Revenues (Continued)



- Property tax revenue for maintenance and operations in 2013 exceeded the prior year by approximately \$1.8 million, or 10%, while 2012 revenues exceeded 2011 amounts by approximately \$1.2 million, or 5.9%. Revenues are higher as a result of increases in the net assessed valuation of the District of approximately 25.3% for 2013 and 6.6% for 2012. The combined tax rate was \$0.1442 per \$100 of valuation for 2013 and \$0.1679 per \$100 of valuation for 2012.
- Revenues from gifts, grants and contracts are not consistent from year to year, as private funds are given for specific purposes and many governmental grants are non-recurring. Revenue from gifts, grants and contracts in 2013 were less than 2012 primarily because of reduced Pell grants.

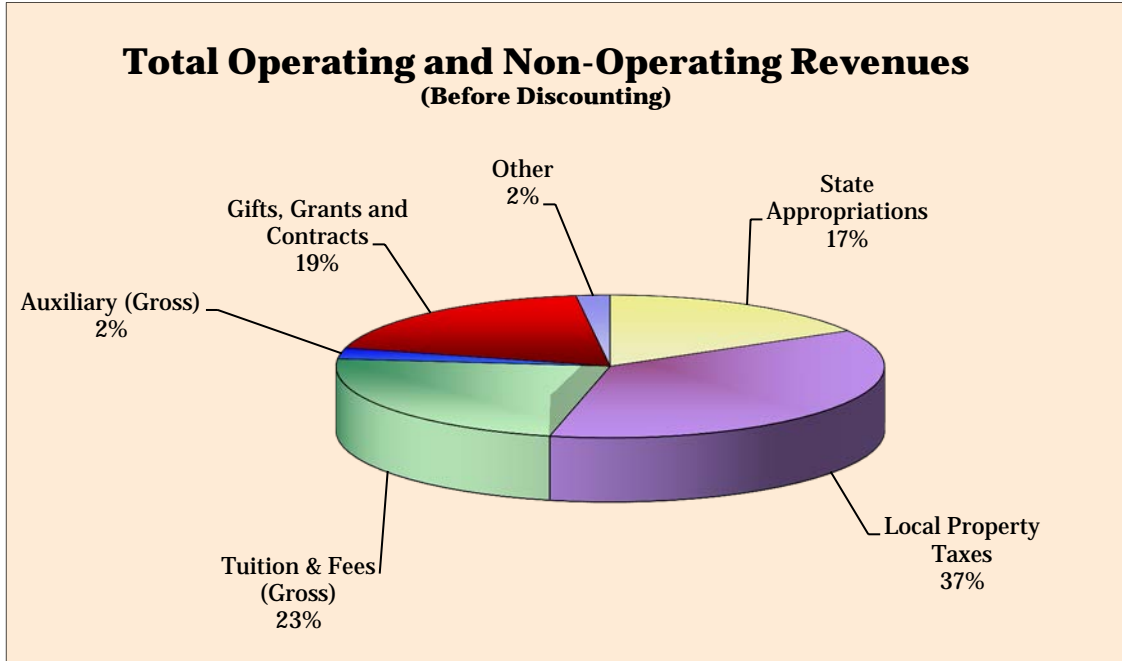
Revenues (Continued)

The following chart graphically illustrates the changes in revenues from 2002 through 2013.



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 Position reflect these revenues net of scholarships.

Revenues (Continued)



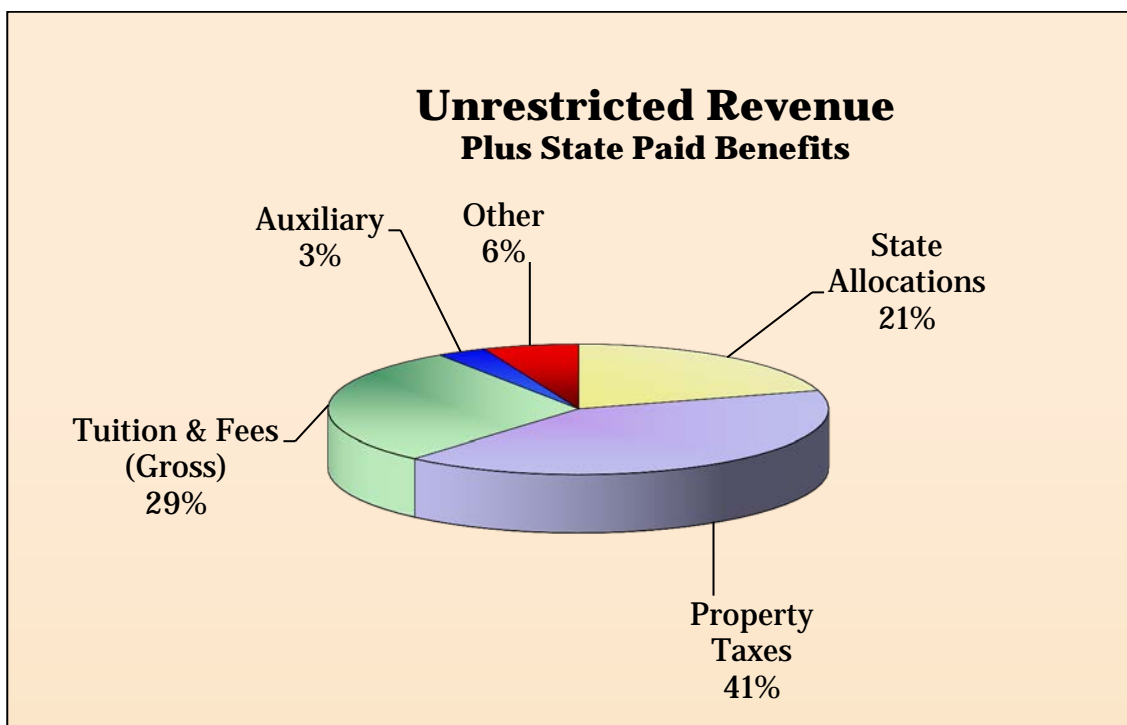
The following table illustrates the composition of total revenue for 2013 compared to 2002.

	Percentage of Total Revenues	
	2013	2002
State Appropriations	17%	30%
Local Property Taxes	37%	26%
Tuition and Fees (Gross)	23%	14%
Gifts Grants & Contracts	19%	23%
Auxiliary Services	2%	3%
Other	2%	4%
	100%	100%

A substantial portion of scholarships and capital projects are funded from private gifts, grants and contracts. This includes a growing amount of instructional equipment and operating costs which 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.

Revenues (Continued)

Restricted resources are important to accomplish specific objectives; however, unrestricted resources are critical to ensure that the institution’s core 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.



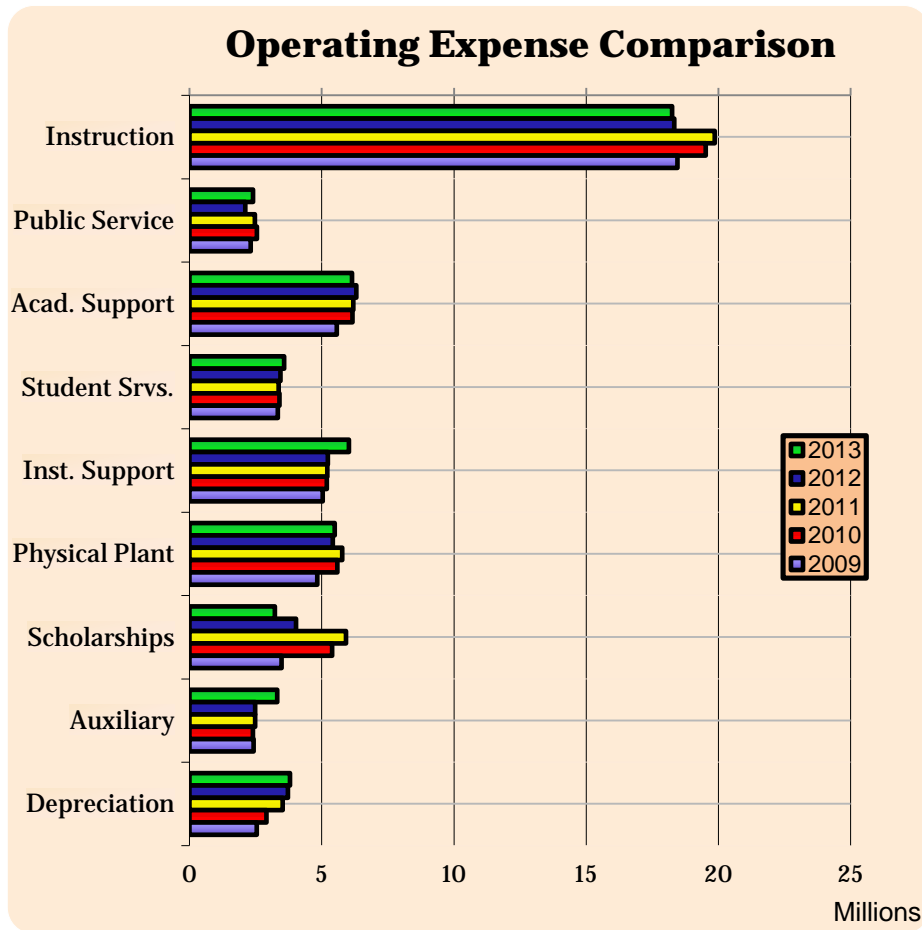
Operating Expenses by Functional Classification

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 2013 expenses compared to the 2012, 2011, 2010, and 2009 expenses.

Total expenses were approximately \$657 thousand (1.2%) more in 2013 than in 2012. Of this amount, unrestricted operating expenses increased by \$1.7 million, restricted expenses decreased by approximately \$1.1 million and non-operating expenses decreased by \$285 thousand. Unrestricted expenses increased because of across the board salary increases and increases in spending on physical plant maintenance. Restricted expenses decreased primarily as a result of a dramatic decrease in Pell grants. The decrease in non-operating expenses is due to the decreasing interest costs on capital related debt.

Operating Expenses by Functional Classification (Continued)

Total expenses for 2012 were less than 2011 amounts by approximately \$3.7 million or 6.8%. Of this amount, restricted expenses decreased by \$4.4 million and unrestricted expenses increased by approximately \$683 thousand. The decrease in restricted expenditures is primarily the result of a \$1.2 million decrease in Pell grants, the completion of a Workforce Investment Act Grant and the discontinuance of the Carl Perkins Vocation Tech Prep program by the Department of Education.



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 needed 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

	2013	2012	2011
Cash Provided By (Used in):			
Operating Activities	\$ (28,589,532)	(27,690,219)	(30,552,822)
Non-Capital Financing Activities	34,658,265	34,532,330	35,616,236
Capital and Related Financing Activities	(4,128,634)	(6,309,322)	(3,492,397)
Investing Activities	1,713,541	(2,807,901)	(3,326,729)
Changes in Cash and Cash Equivalents	<u>\$ 3,653,640</u>	<u>(2,275,112)</u>	<u>(1,755,712)</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.

Schedule of Capital Assets
(in thousands)

	2013	2012	2011	2010
Land	\$ 2,552	2,551	2,553	2,553
Library Books & Collections	481	450	505	479
Construction in Progress	1,266	921	3,143	13,716
Buildings	85,088	85,325	83,329	72,508
Land Improvements	6,421	6,411	5,503	5,313
Furniture, Equipment, Vehicles	6,718	7,738	6,642	5,886
	<u>\$ 102,526</u>	<u>103,396</u>	<u>101,675</u>	<u>100,455</u>

Capital asset additions totaled approximately \$3.3 million and \$5.5 million in 2013 and 2012, respectively. Additions during these years included construction of the F. Marie Hall SimLife Center and renovations to the Davidson Family Health Sciences Building.

Capital Assets and Debt Administration (Continued)

As of August 31, 2013 and 2012, the District’s bond rating by Moody’s Investors Service (“Moody’s”) and Standard and Poor’s (S&P) is “Aa2” and “AA”, respectively.

The District had outstanding debt of approximately \$43 million and \$46 million as of August 31, 2013 and 2012, respectively.

Schedule of Outstanding Debt
(in thousands)

	2013	2012	2011	2010
General Obligation Bonds	\$ 30,577	32,595	34,267	35,800
Revenue Bonds	12,683	13,316	13,912	14,482
	<u>\$ 43,260</u>	<u>45,911</u>	<u>48,179</u>	<u>50,282</u>

Economic Factors That Will Affect the Future

The District relies on three primary sources of revenue: ad valorem taxes, state appropriations and tuition and fees. Although the long-term trend of declining state support took a pause for the 2014-15 biennium, the District continues to address this trend through costs containment and adjustments to other revenue sources. Because of a robust local economy the District has realized significant increases in tax revenue while at the same time reducing its tax rate. Tuition and fee revenues are expected to remain stable, even though a very attractive local job market has created enrollment challenges as some students choose to defer their educational goals in order to pursue lucrative employment opportunities.

In May of 2012, the voters in Pecos County voted to authorize a Branch Campus Maintenance Tax to support the District’s operations in that county. This additional local revenue, along with increases in other local revenue sources will assist in providing the offset for reductions in state funding.

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 2013-14 or subsequent fiscal years.

Requests for Information

This annual financial report is designed to provide interested stakeholders with a general overview of the District’s finances and to show the District’s accountability for the money it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to the Vice President of Administrative Services at Midland College, 3600 N. Garfield, Midland, TX 79705.

/s/ Rick Bender
Rick Bender
Vice President of Administrative Services

FINANCIAL STATEMENTS

Midland College District**Exhibit 1****STATEMENTS OF NET POSITION****Years ended August 31,**

	<u>2013</u>	<u>2012</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 8,176,434	3,629,082
Short-term investments	21,096,422	22,075,140
Accounts receivable, net	1,759,693	2,059,697
Deferred charges	2,265,392	2,132,921
Inventories	5,303	6,495
Prepaid expenses	101,082	41,661
Deposits	<u>20,472</u>	<u>20,472</u>
Total current assets	<u>33,424,798</u>	<u>29,965,468</u>
Non-current Assets:		
Restricted cash and cash equivalents	1,751,670	2,645,382
Endowment investments	3,706,728	4,415,557
Deferred charges	364,556	408,869
Capital assets, net	102,525,722	103,396,417
Other assets-Split Interest Agreements	<u>45,967</u>	<u>43,365</u>
Total non-current assets	<u>108,394,643</u>	<u>110,909,590</u>
Total Assets	<u>141,819,441</u>	<u>140,875,058</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	1,852,239	1,543,775
Accrued liabilities	1,543,819	1,793,714
Accrued compensable absences – current portion	573,788	603,360
Funds held for others	65,517	64,084
Deferred revenues	4,102,162	3,984,684
Bonds payable – current portion	2,815,805	2,642,278
Deposits	<u>32,360</u>	<u>73,900</u>
Total current liabilities	<u>10,985,690</u>	<u>10,705,795</u>
Non-current Liabilities:		
Accrued compensable absences	1,064,372	1,002,967
Bonds payable – non-current portion	<u>40,443,744</u>	<u>43,269,068</u>
Total non-current liabilities	<u>41,508,116</u>	<u>44,272,035</u>
Total Liabilities	<u>52,493,806</u>	<u>54,977,830</u>

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

	<u>2013</u>	<u>2012</u>
NET POSITION:		
Invested in capital assets, net of related debt	59,451,588	59,195,618
Restricted for:		
Nonexpendable:		
Student aid	4,572,423	4,527,155
Instructional programs	839,609	846,473
Expendable:		
Student aid	3,126,842	3,205,225
Instructional programs	1,220,466	1,036,541
Capital projects	894,746	1,248,301
Debt service	29,607	360,484
Unrestricted	<u>19,190,354</u>	<u>15,477,431</u>
Total Net Position (Schedule D)	<u>89,325,635</u>	<u>85,897,228</u>
Total Liabilities and Net Position	<u>\$ 141,819,441</u>	<u>140,875,058</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 POSITION**

Years ended August 31,

	2013	2012
REVENUES		
Operating revenues		
Tuition and fees (net of discounts of \$4,014,244 and \$4,474,619, respectively)	\$ 10,272,180	10,103,329
Federal grants and contracts	2,384,137	2,692,944
State grants and contracts	614,072	516,938
Local grants and contracts	1,517,104	825,306
Non-governmental grants and contracts	914,759	845,240
Sales and services of educational activities	430,153	432,113
Investment income – program restricted	12,279	202,501
Auxiliary enterprises (net of discounts of \$350,299 and \$303,889, respectively)	1,191,628	1,250,901
General operating revenues	607,134	585,404
Total operating revenues (Schedule A)	17,943,446	17,454,676
EXPENSES		
Operating expenses		
Instruction	18,253,570	18,335,285
Public service	2,404,878	2,111,742
Academic support	6,148,342	6,310,875
Student services	3,581,015	3,442,219
Institutional support	6,031,236	5,234,132
Operation and maintenance of plant	5,494,064	5,421,370
Scholarships and fellowships (net of discounts of \$3,519,412 and \$3,999,001, respectively)	3,230,627	3,718,115
Auxiliary enterprises (net of discounts of \$350,299 and \$303,889, respectively)	3,320,027	3,026,757
Depreciation	3,802,719	3,724,300
Total operating expenses (Schedule B)	52,266,478	51,324,795
OPERATING LOSS	(34,323,032)	(33,870,119)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	10,323,766	10,397,190
Maintenance ad valorem taxes	19,930,539	18,111,373
Debt service ad valorem taxes	2,826,593	3,068,852
Federal revenue, non-operating	4,152,555	5,599,410
Gifts	1,797,929	1,767,159
Investment income	23,849	25,767
Contributions in aid of construction	26,880	734,717
Interest on capital related debt	(1,696,034)	(1,993,509)
Gain on disposal of fixed assets	165,293	70,356
Additions to permanent endowments	244,382	356,606
Other non-operating expenses	(44,313)	(31,466)
Net non-operating revenues (Schedule C)	37,751,439	38,106,455

Midland College District

Exhibit 2

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

Years ended August 31,

	<u>2013</u>	<u>2012</u>
Increase in net position	3,428,407	4,236,336
Net position – beginning of year	<u>85,897,228</u>	<u>81,660,892</u>
Net position – end of year	<u>\$ 89,325,635</u>	<u>85,897,228</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,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 12,068,919	11,410,010
Receipts from grants and contracts	5,641,249	5,236,355
Payments to suppliers for goods and services	(13,824,497)	(13,803,259)
Payments to or on behalf of employees	(29,648,428)	(27,642,402)
Payments for scholarships and fellowships	(3,405,401)	(3,777,014)
Other receipts	578,626	886,091
Net cash used in operating activities	(28,589,532)	(27,690,219)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	8,561,237	8,720,332
Receipts from ad valorem taxes – operating and maintenance	19,947,644	18,127,258
Receipts from non-operating federal revenue	4,152,555	5,599,410
Receipts from gifts or grants for other than capital purposes	1,797,929	1,767,159
Receipts from student organizations and other agency transactions	44,289	32,248
Payments to student organizations and other agency transactions	(42,856)	(36,762)
Receipts from private gifts for endowment purposes	241,780	354,151
Other non-operating payments	(44,313)	(31,466)
Net cash provided by non-capital financing activities	34,658,265	34,532,330
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on issuance of capital debt	-	27,676,238
Receipts from ad valorem taxes – debt services	2,837,935	3,066,944
Receipts from capital grants and gifts	26,880	734,717
Purchases of capital assets	(2,903,793)	(5,898,636)
Payments on capital debt – principal	(2,651,796)	(29,943,755)
Payments on capital debt – interest	(1,437,860)	(1,944,830)
Net cash used in financing activities	(4,128,634)	(6,309,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,500,000	449,724
Interest on investments	25,994	32,346
Purchase of investments	(2,812,453)	(3,289,971)
Net cash provided by (used in) investing activities	1,713,541	(2,807,901)
Increase (decrease) in cash and cash equivalents	3,653,640	(2,275,112)
Cash and cash equivalents – September 1	6,274,464	8,549,576
Cash and cash equivalents – August 31	\$ 9,928,104	6,274,464

Midland College District**Exhibit 3****STATEMENTS OF CASH FLOWS (CONTINUED)****Years ended August 31,**

	<u>2013</u>	<u>2012</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (34,323,032)	(33,870,119)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	3,802,719	3,724,300
Payments made directly by state for benefits	1,762,529	1,676,858
Changes in related assets and liabilities:		
Receivables, net	269,410	300,440
Deferred expenses	(132,471)	(71,868)
Inventories	1,192	(2,262)
Prepaid expenses	(59,421)	(33,804)
Accounts payable	481,872	(389,474)
Accrued liabilities	(541,641)	1,114,215
Compensated absences	31,833	89,355
Deferred revenue	117,478	(227,860)
Net cash used by operating activities	\$ <u>(28,589,532)</u>	<u>(27,690,219)</u>

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

Midland College District

NOTES TO FINANCIAL STATEMENTS

August 31, 2013 and 2012

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 record keeping 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 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, Higher Education Act 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, 2013 and 2012

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 restricted 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 non-current 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, 2013 and 2012

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 business type activity 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.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

GASBS No. 67

GASB Statement 67, *Financial Reporting for Pension plans—an Amendment of GASB No. 25*, was issued June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of Statement 67 are effect for periods beginning after December 15, 2012. Earlier application is encouraged.

GASBS No. 68

GASB Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, was issued June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

GASBS No. 69

GASB Statement 69, *Government Combinations and Disposals of Government Operations*, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfer of operations. The provisions of Statement 69 are effective for financial statements for reporting beginning after December 15, 2013, and should be applied on a prospective basis. Early application is encouraged.

GASBS No. 70

GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued April 2013. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013. Earlier application is encouraged.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

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 (Section 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.

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, 2013 and 2012, the carrying amount of the District's deposits was \$9,921,904 and \$6,268,764, respectively; and bank balances equaled \$9,046,598 and \$6,272,108. Bank balances of \$398,699 and \$426,109 are covered by federal depository insurance and \$8,647,899 and \$5,845,999 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 \$21,096,422 and \$22,075,140 in state approved public investment pools at August 31, 2013 and 2012, respectively.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Cash and Deposits

	<u>2013</u>	<u>2012</u>
Bank Deposits		
Demand Deposits	\$ 571,229	492,633
Money Market Deposits	<u>9,350,675</u>	<u>5,776,131</u>
	9,921,904	6,268,764
 Petty Cash on Hand	 <u>6,200</u>	 <u>5,700</u>
 Total Cash and Deposits	 <u>\$ 9,928,104</u>	 <u>6,274,464</u>

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	<u>August 31, 2013</u> <u>Market Value</u>	<u>August 31, 2012</u> <u>Market Value</u>
U.S Government Securities	\$ 3,657,053	4,365,825
Public Funds Investment Pools	21,096,422	22,075,140
Bond Mutual Funds	<u>49,675</u>	<u>49,732</u>
 Total Investments	 <u>\$ 24,803,150</u>	 <u>26,490,697</u>
 Total Cash and Deposits	 <u>\$ 9,928,104</u>	 <u>6,274,464</u>
Total Investments	<u>24,803,150</u>	<u>26,490,697</u>
 Total Deposits and Investments	 <u>\$ 34,731,254</u>	 <u>32,765,161</u>
 Cash and Temporary Investments (Exhibit 1)	 <u>\$ 31,024,526</u>	 <u>28,349,604</u>
Investments (Exhibit 1)	<u>3,706,728</u>	<u>4,415,557</u>
 Total Deposits and Investments	 <u>\$ 34,731,254</u>	 <u>32,765,161</u>

As of August 31, 2013 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	\$ 21,096,422	21,096,422	-	-	-
U.S. Government Securities	3,657,053	717,365	212,357	1,699,945	1,027,386
Bond Mutual Funds	<u>49,675</u>	-	<u>49,675</u>	-	-
 Total Fair Value	 <u>\$ 24,803,150</u>	 <u>21,813,787</u>	 <u>262,032</u>	 <u>1,699,945</u>	 <u>1,027,386</u>

As of August 31, 2012 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	\$ 22,075,140	22,075,140	-	-	-
U.S. Government Securities	4,365,825	509,476	747,563	1,697,607	1,411,179
Bond Mutual Funds	<u>49,732</u>	-	<u>49,732</u>	-	-
 Total Fair Value	 <u>\$ 26,490,697</u>	 <u>22,584,616</u>	 <u>797,295</u>	 <u>1,697,607</u>	 <u>1,411,179</u>

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2013 and 2012 are reported below:

Investment Type	Credit Rating
U.S. Government Securities	S&P: AA+
TexPool	S&P: AAAm
Lone Star Government Overnight	S&P: AAAm
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 (29%), Texas Daily Local Government Investment Pool (16%), TexSTAR Local Government Investment Pool (9%) and Lone Star Government Overnight Pool (6%).

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, 2013	
Assessed valuation of the District	\$ 16,560,424,641
Less exemptions	<u>902,788,092</u>
Net assessed valuation of the District	<u>\$ 15,657,636,549</u>
At August 31, 2012	
Assessed valuation of the District	\$ 13,392,178,730
Less exemptions	<u>894,062,066</u>
Net assessed valuation of the District	<u>\$ 12,498,116,664</u>

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 5 – AD VALOREM TAXES RECEIVABLE (CONTINUED)

At August 31, 2013

	Maintenance and Operation	Debt Service	Total
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$.3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$.1264	.0178	.1442

At August 31, 2012

	Maintenance and Operation	Debt Service	Total
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$.3000	.50000	.8000
Assessed tax rate per \$100 valuation	\$.1438	.0241	.1679

Taxes levied for the years ended August 31, 2013 and 2012 are \$22,575,180 and \$20,979,214, 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, 2013

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 19,515,455	2,753,524	22,268,979
Delinquent taxes collected	426,539	60,183	486,722
Penalties and interest collected	171,722	24,229	195,951
Total collections	\$ 20,113,716	2,837,936	22,951,652

At August 31, 2012

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 17,604,247	2,951,350	20,555,597
Delinquent taxes collected	526,886	88,333	615,219
Penalties and interest collected	162,604	27,260	189,864
Total collections	\$ 18,293,737	3,066,943	21,360,680

Tax collections (including penalties, interest and delinquent collections) for the years ended August 31, 2013 and 2012 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.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 5 – AD VALOREM TAXES RECEIVABLE (CONTINUED)

Ad valorem taxes receivable includes the following:

	2013	2012
Current unrestricted fund	\$ 465,845	492,160
Debt service fund	67,951	85,401
	533,796	577,561
Allowance for uncollectible taxes	(186,829)	(202,146)
Net ad valorem taxes receivable	\$ 346,967	375,415

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2013, was as follows:

	Balance September 1, 2012	Increases	Decreases	Balance August 31, 2013
<u>Not Depreciated:</u>				
Land	\$ 2,551,412	248	-	2,551,660
Collectibles	42,000	-	-	42,000
Construction in process	920,542	2,489,849	2,144,052	1,266,339
Subtotal	3,513,954	2,490,097	2,144,052	3,859,999
<u>Other Capital Assets:</u>				
Buildings	107,705,513	1,791,522	-	109,497,035
Land improvements	7,533,370	352,530	-	7,885,900
Library books	1,917,247	47,209	-	1,964,456
Furniture, machinery, vehicles and other equipment	15,727,160	722,799	1,230,830	15,219,129
Subtotal	132,883,290	2,914,060	1,230,830	134,566,520
<u>Accumulated Depreciation:</u>				
Buildings	22,380,297	2,029,067	-	24,409,364
Land improvements	1,122,192	342,460	-	1,464,652
Library books	1,466,898	58,556	-	1,525,454
Furniture, machinery, vehicles and other equipment	8,031,440	1,372,636	902,749	8,501,327
Subtotal	33,000,827	3,802,719	902,749	35,900,797
Net other capital assets	99,882,463	(888,659)	328,081	98,665,723
Net capital assets	\$ 103,396,417	1,601,438	2,472,133	102,525,722

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended August 31, 2012, was as follows:

	Balance September 1, 2011	Increases	Decreases	Balance August 31, 2012
<u>Not Depreciated:</u>				
Land	\$ 2,553,002	-	1,590	2,551,412
Collectibles	42,000	-	-	42,000
Construction in process	3,143,374	2,984,530	5,207,362	920,542
Subtotal	<u>5,738,376</u>	<u>2,984,530</u>	<u>5,208,952</u>	<u>3,513,954</u>
<u>Other Capital Assets:</u>				
Buildings	103,722,806	3,982,707	-	107,705,513
Land improvements	6,308,716	1,224,654	-	7,533,370
Library books	1,869,394	47,853	-	1,917,247
Furniture, machinery, vehicles and other equipment	13,559,372	2,470,122	302,334	15,727,160
Subtotal	<u>125,460,288</u>	<u>7,725,336</u>	<u>302,334</u>	<u>132,883,290</u>
<u>Accumulated Depreciation:</u>				
Buildings	20,394,286	1,986,011	-	22,380,297
Land improvements	806,192	316,000	-	1,122,192
Library books	1,406,245	60,653	-	1,466,898
Furniture, machinery, vehicles and other equipment	6,917,389	1,361,636	247,585	8,031,440
Subtotal	<u>29,524,112</u>	<u>3,724,300</u>	<u>247,585</u>	<u>33,000,827</u>
Net other capital assets	<u>95,936,176</u>	<u>4,001,036</u>	<u>54,749</u>	<u>99,882,463</u>
Net capital assets	<u>\$ 101,674,552</u>	<u>6,985,566</u>	<u>5,263,701</u>	<u>103,396,417</u>

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2013, was as follows:

	Balance September 1, 2012	Additions	Reductions	Balance August 31, 2013	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 32,595,346	-	2,018,797	30,576,549	2,161,805
Revenue bonds	13,316,000	-	633,000	12,683,000	654,000
Total bonds	<u>45,911,346</u>	<u>-</u>	<u>2,651,797</u>	<u>43,259,549</u>	<u>2,815,805</u>
<u>Other liabilities</u>					
Compensated absences	1,606,327	227,097	195,264	1,638,160	573,788
Total long-term liabilities	<u>\$ 47,517,673</u>	<u>227,097</u>	<u>2,847,061</u>	<u>44,897,709</u>	<u>3,389,593</u>

Midland College District
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
August 31, 2013 and 2012

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

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

	Balance September 1, 2011	Additions	Reductions	Balance August 31, 2012	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 34,266,862	27,676,239	29,347,755	32,595,346	2,009,278
Revenue bonds	13,912,000	-	596,000	13,316,000	633,000
Total bonds	<u>48,178,862</u>	<u>27,676,239</u>	<u>29,943,755</u>	<u>45,911,346</u>	<u>2,642,278</u>
<u>Other liabilities</u>					
Compensated absences	1,516,972	258,283	168,928	1,606,327	603,360
Total long-term liabilities	\$ <u>49,695,834</u>	<u>27,934,522</u>	<u>30,112,683</u>	<u>47,517,673</u>	<u>3,245,638</u>

NOTE 8 – DEBT OBLIGATIONS

Bonds Payable

Debt service requirements at August 31, 2013, were as follows:

For the Year Ended August 31,	Revenue Bonds		General Obligation Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 654,000	617,623	1,850,000	1,067,194	2,504,000	1,684,817
2015	689,000	583,693	1,940,000	993,850	2,629,000	1,577,543
2016	720,000	551,428	889,052	2,063,048	1,609,052	2,614,476
2017	755,000	515,366	2,050,000	916,100	2,805,000	1,431,466
2018	795,000	477,698	2,135,000	843,075	2,930,000	1,320,773
2019-2023	3,985,000	1,817,179	12,310,000	2,821,200	16,295,000	4,638,379
2024-2028	5,085,000	716,300	8,855,000	404,625	13,940,000	1,120,925
Total cash payments	<u>12,683,000</u>	<u>5,279,287</u>	<u>30,029,052</u>	<u>9,109,092</u>	<u>42,712,052</u>	<u>14,388,379</u>
Unamortized Prem/Disc	<u>-</u>	<u>-</u>	<u>547,497</u>	<u>(547,497)</u>	<u>547,497</u>	<u>(547,497)</u>
Total	\$ <u>12,683,000</u>	<u>5,279,287</u>	<u>30,576,549</u>	<u>8,561,595</u>	<u>43,259,549</u>	<u>13,840,882</u>

NOTE 9 – BONDS 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 was paid in 2013.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 9 – BONDS PAYABLE (CONTINUED)

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.

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 were used for constructing & equipping 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 partial interest rates ranging from 3.5% to 5.0%. The final installment was originally due in 2026, but due to refunding the final installment will now be in 2015.

2012 General Obligation Refunding Bonds

- General Obligation Refunding Bonds, Series 2012
- The bonds were used for an advance refunding of the General Obligation Bonds, Series 2005.
- Issued May 23, 2012
- Original amount issued 26,839,052; amount authorized 26,839,052.
- Bond issued at a net premium of \$3,443,375.
- Source of payment – Ad valorem taxes

Bonds payable are due at semi-annual installments varying from \$648,181 to \$3,234,766 with interest rates ranging from 2% to 22.9%. The average coupon rate is 3.7%. The final installment is due in 2026.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 10 – ADVANCE REFUNDING BONDS

- Refunded \$26,840,000 of General Obligation Bonds, Series 2005.
- Issued refunding bonds on May 23, 2012.
- \$26,839,052, all authorized bonds have been issued.
- General Obligation Bonds – Refunding Series 2012.
- Average interest rate of bonds refunded – 4.85%.
- Net proceeds from Refunding Series – \$29,939,453; after payment of \$342,973 in underwriting fees, insurance, and other issuance costs.
- Additional \$427,441 of 2005 Series sinking fund monies was used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 2005 Series bonds.
- The 2005 Series bonds refunded are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group.
- Advance refunding of the 2005 Series bonds reduced the District’s debt service payments over the next 15 years by approximately \$1,848,132.
- Economic Gain – \$1,514,536 difference between the net present value of the old and new debt service payments.
- Debt service requirements decreased by \$2,275,573 as a result from the advanced refunding.

NOTE 11 – DEFEASED BONDS OUTSTANDING

Bond Issue	Year Refunded	Par Value Outstanding
General Bonds Series 2005	2012	\$26,840,000
Total		\$26,840,000

NOTE 12 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, were as follows:

	2013	2012
Student Receivables	\$ 973,876	777,294
Taxes Receivable	533,796	577,561
State Receivable	130,117	174,559
Federal Receivable	342,168	379,297
Accounts Receivable	570,669	868,151
Interest Receivable	36,260	38,405
Subtotal	2,586,886	2,815,267
Allowance for Doubtful Accounts	(827,193)	(755,570)
Total Receivables	\$ 1,759,693	2,059,697

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 12 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES (CONTINUED)

Payables

Payables at August 31, were as follows:

	2013	2012
Vendors Payable	\$ 1,716,228	1,364,099
Students Payable	136,011	179,676
Total Payables	\$ 1,852,239	1,543,775

NOTE 13 – EMPLOYEES’ RETIREMENT PLANS

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

Teacher Retirement System of Texas

Plan Description. The 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 actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% 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 2013 and 2012 and a state contribution rate of 6.4% and 6.0% for fiscal years 2013 and 2012, respectively. In certain instances the reporting district is required to make all or a portion of the state’s 6.4% contribution for fiscal year 2013 and 6.0% for fiscal year 2012.

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 actuarially determined but are established and amended by Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The District contributes 1.31% for employees who were participating in the Optional Retirement Program prior to September 1, 1995 and .4% for all other employees. 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.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 13 – EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Optional Retirement Plan (Continued)

Funding Policy (Continued). The total payroll for all District employees was \$24,008,318 and \$23,287,067 for fiscal years 2013 and 2012, respectively. The total payroll of employees covered by the Teacher Retirement System was \$13,300,981 and \$12,436,613 and the total payroll of employees covered by the Optional Retirement System was \$7,231,688 and \$7,484,338 for fiscal years 2013 and 2012, respectively.

The retirement expense for both the teacher retirement system and the optional retirement program to the State for the District was \$556,473 and \$532,793 for the fiscal years ended August 31, 2013 and 2012, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

NOTE 14 – 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 \$1,206,056 and \$1,144,065 for the years ended August 31, 2013 and 2012, 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 15 – 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 \$574,000 and \$560,000 on August 31, 2013 and 2012, 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 \$1,020,000 and \$991,000 on August 31, 2013 and 2012, respectively.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 16 – 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, 2013 and 2012 was \$2,260 and \$2,828, 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, 2013, the District had an estimated claims accrual of approximately \$2,260 for workers compensation claims and had paid claims in 2013 totaling approximately \$50.

NOTE 17 – FUND BALANCES

Ending fund balances at August 31 were as follows:

	<u>2013</u>	<u>2012</u>
Current funds:		
Fund balance, unrestricted	\$ 18,003,939	14,291,016
Fund balance, auxiliary enterprises	1,186,415	1,186,415
Fund balance, restricted	<u>5,271,661</u>	<u>5,850,551</u>
Total, current fund balance	24,462,015	21,327,982
Fund balance, endowment and similar funds	5,412,032	5,373,628
Fund balance, plant funds	<u>59,451,588</u>	<u>59,195,618</u>
Fund balance, primary government	<u>\$ 89,325,635</u>	<u>85,897,228</u>

NOTE 18 – 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 19 – 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*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2013 and 2012 for which monies have not been received nor funds expended total \$1,412,244 and \$2,816,254. All of these amounts were from Federal Contract and Grant Awards.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 20 – 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, 2013 and 2012.

NOTE 21 – SPLIT INTEREST AGREEMENTS

The District has a beneficial interest in a split interest agreement in which it will receive 25% of the remaining assets upon the death of the lead beneficiaries. The District recognized \$2,602 and \$2,455 representing the discounted present value of the expected distributions for the years ended August 31, 2013 and 2012, respectively. The contribution receivable was approximately \$46,000 and \$43,000 as of August 31, 2013 and 2012, respectively.

NOTE 22 – COMMITMENTS

As of August 31, 2013, the District has awarded the following contracts for construction projects:

Magnetic Door Locks	\$	1,332,091
---------------------	----	-----------

NOTE 23 – RELATED PARTY

Midland College Foundation, Inc. (the “Foundation”), an independent corporation organized for the purpose of fund raising to benefit the District, made contributions of \$1,852,450 and \$677,190 in fiscal years 2013 and 2012, respectively. The Foundation advanced funds to the District for the completion of the expansion of the Cogdell Learning Center. Future allocation from a Federal Title V grant was used to repay the funds advanced. At year end 2013, the advance had been repaid in full by the District. Two trustees of the District are also on the Board of Directors of the Foundation.

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

Plan Description. The District contributes to the State Retiree Health Plan (“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/>.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

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

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.

The District's contributions to SRHP for the years ended August 31, 2013, 2012 and 2011 were \$66,540, \$62,441 and \$59,286, 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, 2013, 2012 and 2011 were \$44,819, \$41,422 and \$37,092, respectively, which equaled the required contributions each year.

NOTE 25 – CONTINGENCY

Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the State's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP).

During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted general revenue appropriation for each year of the biennium state budget.

For the fiscal year ending August 31, 2012, there was no pending litigation to resolve the constitutional funding requirements nor had there been an attempt to collect any shortfall contributions from any community college district.

The District had recorded a liability of approximately \$447,249 for the fiscal year ending August 31, 2012, pending the resolution of this issue. During the fiscal year ending August 31, 2013, the issue was resolved and the District paid the contribution at issue to TRS. No liability existed at fiscal year end 2013.

Midland College District

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2013 and 2012

NOTE 26 – BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax that is established by election is levied by Pecos County. It 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 county. Collections are transferred to the college to be used for operation of a Branch Campus at Fort Stockton, Texas. This revenue is reported under Local Grants and Contracts. This tax was levied for the first time for fiscal year 2013.

	<u>2013</u>	<u>2012</u>
County or Independent School District:	Collections (including penalties and interest)	Collections (including penalties and interest)
Pecos County	\$ 999,001	-

NOTE 27 – SUBSEQUENT EVENTS

Management of the District has performed an evaluation of the District's activity through December 12, 2013, the date these financial statements were available for issuance and noted no significant event that would require recording or disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

Midland College District

Schedule A

SCHEDULE OF DETAILED OPERATING REVENUES

**Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2013 Total</u>	<u>2012 Memorandum Total</u>
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,441,969	-	3,441,969	-	3,441,969	3,709,361
Out-of-district resident tuition	3,949,174	-	3,949,174	-	3,949,174	3,859,204
Non-resident tuition	646,492	-	646,492	-	646,492	647,101
TPEG – credit (set aside) *	367,663	-	367,663	-	367,663	396,216
State-funded continuing education						
TPEG – non-credit (set aside) *	1,546,997	-	1,546,997	-	1,546,997	1,488,790
TPEG – non-credit (set aside) *	100,144	-	100,144	-	100,144	95,030
Non-state funded continuing educational programs	293,728	-	293,728	-	293,728	281,651
Total tuition	<u>10,346,167</u>	<u>-</u>	<u>10,346,167</u>	<u>-</u>	<u>10,346,167</u>	<u>10,477,353</u>
Fees:						
General use fee	2,368,148	-	2,368,148	-	2,368,148	2,517,862
Lab fees	615,783	-	615,783	-	615,783	480,439
Distance learning fee	748,297	-	748,297	-	748,297	766,962
Installment plan fees	-	-	-	-	-	20
Private flight instruction	11,057	-	11,057	-	11,057	140,401
Other	196,972	-	196,972	-	196,972	194,911
Total fees	<u>3,940,257</u>	<u>-</u>	<u>3,940,257</u>	<u>-</u>	<u>3,940,257</u>	<u>4,100,595</u>
Scholarship allowances and discounts:						
Bad debt allowance	(51,724)	-	(51,724)	-	(51,724)	(60,254)
Scholarships	(1,736,946)	-	(1,736,946)	-	(1,736,946)	(1,576,333)
Remissions and exemptions - state	(168,675)	-	(168,675)	-	(168,675)	(228,802)
Remissions and exemptions - local	(274,432)	-	(274,432)	-	(274,432)	(186,562)
Title IV federal grants	(1,463,064)	-	(1,463,064)	-	(1,463,064)	(2,149,219)
TPEG awards	(296,865)	-	(296,865)	-	(296,865)	(185,835)
Other state grants	(17,760)	-	(17,760)	-	(17,760)	(73,916)
Other local grants	(4,778)	-	(4,778)	-	(4,778)	(13,698)
Total scholarship allowances	<u>(4,014,244)</u>	<u>-</u>	<u>(4,014,244)</u>	<u>-</u>	<u>(4,014,244)</u>	<u>(4,474,619)</u>
Total net tuition and fees	<u>10,272,180</u>	<u>-</u>	<u>10,272,180</u>	<u>-</u>	<u>10,272,180</u>	<u>10,103,329</u>

Midland College District

Schedule A

SCHEDULE OF DETAILED OPERATING REVENUES (CONTINUED)

**Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2013 Total	2012 Memorandum Total
Additional operating revenues:						
Federal grants and contracts	82,152	2,301,985	2,384,137	-	2,384,137	2,692,944
State grants and contracts	-	614,072	614,072	-	614,072	516,938
Local grants and contracts	1,353,124	163,980	1,517,104	-	1,517,104	825,306
Non-governmental grants and contracts	548,202	356,207	904,409	10,350	914,759	845,240
Sales and services of educational activities	430,153	-	430,153	-	430,153	432,113
Investment income (program restricted)	-	(5,741)	(5,741)	18,020	12,279	202,501
General operating revenues	404,014	203,120	607,134	-	607,134	585,404
Total additional operating revenues	2,817,645	3,633,623	6,451,268	28,370	6,479,638	6,100,446
Auxiliary enterprises:						
Bookstore **	-	-	-	219,419	219,419	234,847
Residential/food service	-	-	-	1,166,676	1,166,676	1,160,856
Less discounts	-	-	-	(350,299)	(350,299)	(303,889)
Athletics	-	-	-	12,215	12,215	19,146
Other	-	-	-	143,617	143,617	139,941
Total net auxiliary enterprises	-	-	-	1,191,628	1,191,628	1,250,901
Total Operating Revenues (Exh. 2)	\$ 13,089,825	3,633,623	16,723,448	1,219,998	17,943,446 (Exhibit 2)	17,454,676 (Exhibit 2)

* In accordance with Education Code 56.033, \$467,807 and \$491,246 for years ended August 31, 2013 and 2012, 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, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Operating Expenses				2013 Total	2012 Memorandum Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 11,567,342	-	2,607,938	1,933,963	16,109,243	15,958,899
Public service	817,430	-	104,154	177,962	1,099,546	882,699
Academic support	2,979,036	-	663,672	1,860,899	5,503,607	5,445,780
Student services	1,987,696	-	483,939	369,425	2,841,060	2,701,264
Institutional support	3,183,748	-	759,013	1,795,189	5,737,950	4,980,290
Operation and maintenance of plant	973,039	-	349,087	4,037,431	5,359,557	4,993,526
Scholarships and fellowships	-	-	-	11,375	11,375	16,648
Total Unrestricted Educational Activities	21,508,291	-	4,967,803	10,186,244	36,662,338	34,979,106
Restricted – Educational Activities						
Instruction	490,101	1,077,508	63,257	513,461	2,144,327	2,376,386
Public service	422,706	-	113,978	768,648	1,305,332	1,229,043
Academic support	205,193	159,241	54,836	225,465	644,735	865,095
Student services	189,102	193,044	55,363	302,446	739,955	740,955
Institutional support	-	293,286	-	-	293,286	253,842
Operation and maintenance of plant	-	39,450	-	95,057	134,507	427,844
Scholarships and fellowships	-	-	-	3,219,252 *	3,219,252	3,701,467
Total Restricted Educational Activities	1,307,102	1,762,529	287,434	5,124,329	8,481,394	9,594,632
Total Educational Activities	22,815,393	1,762,529	5,255,237	15,310,573	45,143,732	44,573,738
Auxiliary Enterprises	914,844	-	238,051	2,167,132 **	3,320,027	3,026,757
Depreciation Expense – Buildings and other real estate improvements	-	-	-	2,371,527	2,371,527	2,302,011
Depreciation Expense – Equipment and furniture	-	-	-	1,431,192	1,431,192	1,422,289
Total Operating Expenses	\$ 23,730,237	1,762,529	5,493,288	21,280,424	52,266,478 (Exhibit 2)	51,324,795 (Exhibit 2)

* Net of discount of \$3,519,412

** Net of discounts of \$350,299

Midland College District

Schedule C

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2013 Total</u>	<u>2012 Memorandum Total</u>
NON-OPERATING REVENUES:					
State appropriations					
Education and general state support	\$ 8,205,912	-	-	8,205,912	8,526,507
State group insurance	-	1,206,056	-	1,206,056	1,144,065
State retirement matching	-	556,473	-	556,473	532,793
Professional nursing shortage reduction	-	-	-	-	(161,500)
American Airpower Heritage Museum	-	355,325	-	355,325	355,325
Total state appropriations	<u>8,205,912</u>	<u>2,117,854</u>	<u>-</u>	<u>10,323,766</u>	<u>10,397,190</u>
Maintenance ad valorem taxes					
	19,930,539	-	-	19,930,539	18,111,373
Debt service ad valorem taxes					
	-	2,826,593	-	2,826,593	3,068,852
Federal Revenue, non-operating					
	-	4,152,555	-	4,152,555	5,599,410
Gifts					
	-	1,797,929	-	1,797,929	1,767,159
Investment income					
	22,178	1,671	-	23,849	25,767
Gain on disposal of capital assets					
	165,293	-	-	165,293	70,356
Contributions in aid of construction					
	-	26,880	-	26,880	734,717
Additions to permanent endowments					
	-	244,382	-	244,382	356,606
Total non-operating revenues	<u>28,323,922</u>	<u>11,167,864</u>	<u>-</u>	<u>39,491,786</u>	<u>40,131,430</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt					
	-	(1,696,034)	-	(1,696,034)	(1,993,509)
Other non-operating expense					
	-	(44,313)	-	(44,313)	(31,466)
Total non-operating expense	<u>-</u>	<u>(1,740,347)</u>	<u>-</u>	<u>(1,740,347)</u>	<u>(2,024,975)</u>
Net non-operating revenues	<u>\$ 28,323,922</u>	<u>9,427,517</u>	<u>-</u>	<u>37,751,439</u> (Exhibit 2)	<u>38,106,455</u> (Exhibit 2)

Midland College District

Schedule D

SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY

Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ -	-	-	-	-	-	-
Board designated	18,003,939	-	-	-	18,003,939	18,003,939	-
Restricted	-	5,242,054	-	-	5,242,054	5,242,054	-
Auxiliary enterprises	1,186,415	-	-	-	1,186,415	1,186,415	-
Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Endowment:							
True	-	-	5,412,032	-	5,412,032	-	5,412,032
Plant:							
Debt service	-	29,607	-	-	29,607	-	29,607
Investment in plant	-	-	-	59,451,588	59,451,588	-	59,451,588
Total Net Position							
August 31, 2013	19,190,354	5,271,661	5,412,032	59,451,588	89,325,635	24,432,408	64,893,227
Total Net Position							
August 31, 2012	15,477,431	5,850,551	5,373,628	59,195,618	85,897,228 (Exhibit 1)	20,967,498	64,929,730
Net Increase in							
Net Position	\$ 3,712,923	(578,890)	38,404	255,970	3,428,407 (Exhibit 2)	3,464,910	(36,503)

Midland College District

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Document/ Pass-Through Grantor's Number	Pass-Through Disbursement and Expenditures
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Education Opportunity Grant	84.007	P007A124070	\$ 23,704
Federal College Work-Study Program	84.033	P033A124070	87,366
Federal Pell Grant Program	84.063	P063P123245	4,041,485
Federal Direct Student Loans	84.268	P268K133245	338,258
Higher Education – Institutional Aid – Title V Cooperative Hispanic Serving Institutions	84.031S	P031S080021	518,507
TRIO Cluster:			
Student Support Services	84.042A	P042A100039	243,784
Upward Bound	84.047A	P047A090014	257,632
Pass-Through From:			
Texas Education Agency			
Adult Basic Education – Federal/Corrections	84.002A	134100017110468	235,017
Sul Ross State University			
Title V Cooperative Hispanic Institutions Transfer Access Project	84.031S	P031S100067	151,371
Texas Higher Education Coordinating Board			
Carl Perkins – Voc. Ed. – Basic	84.048	134245	155,812
Carl Perkins – WECM	84.048	131108	142,190
Subtotal – CFDA 84.048			<u>298,002</u>
Total U.S. Department of Education			<u>6,195,126</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-Through From:			
Texas Tech University			
Area Health Education Centers Point of Service Maintenance and Enhancement	93.107	U77HP16497	98,661
Texas Education Agency			
Adult Basic Education – Federal TANF	93.558	133625017110442	61,571
Pitt Community College			
ARRA-Health Information Technology	93.721	90CC078/02-04	285,267
Total Department of Health and Human Services			<u>445,499</u>

Midland College District

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended August 31, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Document/ Pass-Through Grantor's Number	Pass-Through Disbursement and Expenditures
<u>U.S. Department of Housing and Urban Development</u> Hispanic Serving Institutions Assisting Communities	14.514	HSIAC-10-TX-04	154,323
<u>U.S. Department of Labor</u> Development Training Pass-Through From: Harris County Department of Education Workforce Incentive Act Counseling to Careers	17.267	SAS-#323-12	9,161
ICA Training	17.267	SAS-#323-12	10,340
Subtotal – CFDA 17.267			<u>19,501</u>
Marketing Pass-Through From: Employment Service/Wagner-Peyser Act Funded Activities	17.207	C120-12	25,000
Workforce Investment Act Youth Activities	17.259	C120-12	2,500
Workforce Investment Act Dislocated Worker Formula Grants	17.278	C120-12	<u>22,500</u>
Total U.S. Department of Labor			<u>69,501</u>
<u>National Science Foundation</u> Pass-Through From: University of Texas System LSAMP	47.076	HRD-12022008	<u>10,501</u>
Total Federal Financial Assistance			\$ <u>6,874,950</u>
<i>Note 1: Federal Assistance Reconciliation</i>			
Federal Grants and Contracts revenue – per Schedule A			\$ 2,301,985
Add: Indirect/Administrative Cost Recoveries-per Schedule A			82,152
Add: Non-Operating Federal Revenue from Schedule C			<u>4,152,555</u>
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Position			<u>6,536,692</u>
Reconciling Item: Add: Federal Direct Student Loans			<u>338,258</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards			\$ <u>6,874,950</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended August 31, 2013

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 that 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 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.

Midland College District

Schedule F

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended August 31, 2013

State Grantor/Pass-Through Grantor/ Title	Program Grant/Contract Number	Pass-Through Disbursement and Expenditures
Direct Programs:		
Texas Education Agency Adult Basic Education	130100017110468	\$ 52,002
Texas Higher Education Coordinating Board Intensive College Readiness Program		99,470
Nursing Shortage Reduction		3,131
Texas College Work Study		10,782
Texas Grant		119,500
Texas Education Opportunity Grant		71,500
Subtotal Texas Higher Education Coordinating Board		304,383
Pass-Through From:		
Texas Tech University Area Health Education Center	04183-9	216,538
Total State Financial Assistance		\$ 572,923
Note 1: <u>State Assistance Reconciliation</u>		
Total State Financial Assistance		\$ 572,923
Nursing Shortage Reduction-program receipts prior years		(3,131)
Intensive College Readiness -program receipts in excess of expenditures		25,530
IP-AES-program receipts in excess of expenditures		18,750
Total State Revenues per Schedule A		\$ 614,072

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



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

The Board of Trustees
Midland College District
Midland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Midland College District (the "District"), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon December 12, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

We have performed tests designed to verify the District's compliance with the requirements of the Texas Public Funds Investment Act. During the year ended August 31, 2013, no instances of noncompliance were noted.

This report is intended solely for the information and use of management, the District's trustees, audit committee, 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 12, 2013



**Independent Auditors' Report on
Compliance With Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133
and the Provisions of the State of Texas Single Audit Circular**

The Board of Trustees
Midland College District
Midland, Texas

Report on Compliance for Each Major Federal or State Program

We have audited Midland College District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Provisions of the State of Texas Single Audit Circular* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2013. The District's major federal or state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal or state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Provisions of the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the Provisions of the State of Texas Single Audit Circular 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 or state program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal or State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-01 to 2013-05. Our opinion on each major federal or state program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that were considered to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-01 to 2013-05 to be significant deficiencies.

Report on Internal Control Over Compliance (Continued)

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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

Johnson Miller & Co., CPA's PC

Midland, Texas
December 12, 2013

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

August 31, 2013

The Board of Trustees
Midland College District
Midland, Texas

SECTION I - SUMMARY OF AUDITORS' RESULTS

<u>Type of Auditor's Report issued</u>	Unqualified
Internal control over financial reporting:	
Material Weaknesses Identified?	No
Significant Deficiencies Identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
<u>Federal and State Awards</u>	
Internal control over major programs:	
Material Weaknesses Identified?	No
Significant Deficiencies Identified that are not considered to be material weaknesses?	Yes
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 and State of Texas Single Audit Circular?	Yes
Any questioned costs?	Yes

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

August 31, 2013

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
84.033	Federal College Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.031S	Title V Cooperative Hispanic Servicing Institutions Transfer Access Project
14.514	Hispanic Servicing Institutions Assisting Communities
84.002A	ABE Cluster: Adult Basic Education – Federal/Corrections
93.558	Adult Basic Education – Federal TANF
84.048	Perkins Cluster: Carl Perkins – Voc. ED. Basic
84.048	Carl Perkins – WECM
93.721	Pitt Community College: ARRA – Health Information Technology
	<u>Name of State Program or Cluster</u>
N/A	Texas Grant
N/A	Area Health Education Center
Dollar threshold used to distinguish between type A and type B programs:	Federal programs threshold \$300,000; State programs threshold \$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, 2013

Section III – Federal or State Award Findings and Questioned Costs

2013-01

Cluster of Federal Programs: Financial Aid
Federal Programs: Federal Pell Grant Program, CFDA# 84.063,
Federal Direct Student Loans, CFDA# 84.268
Grantor: U.S. Department of Education

Criteria:

Each recipient of Financial Aid Cluster awards is required to be registered under Section 3 of the Military Selective Service Act (34 CFR sections 668.32, 668.37, 690.75, 675.9, 676.9, 674.9, 685.200,20 USC 1070h; 42 CFR section, 57.206(a)(1)(iv)).

Condition:

A student received funding for classes without being registered under Section 3 of the Military Selective Service Act (34 CFR sections 668.32, 668.37, 690.75, 675.9, 676.9, 674.9, 685.200,20 USC 1070h; 42 CFR section, 57.206(a)(1)(iv)). The Midland College District's officials were unable to present documentation in support of the student's selective service registration.

Questioned Costs:

The amount of the costs in question was \$5,550 awarded under the Federal Pell Grant Program and \$3,468 awarded under the Federal Direct Student Loans program.

Context:

JMCO tested a sample of Federal Pell Grant Program recipients for eligibility of program awards based on compliance with the required registration under Section 3 of the Military Selective Service Act (34 CFR sections 668.32, 668.37, 690.75, 675.9, 676.9, 674.9, 685.200,20 USC 1070h; 42 CFR section, 57.206(a)(1)(iv)) by verifying that each recipient subject to this requirement was in fact registered. JMCO identified a student who was not registered with the Selective Service. This requirement applies to recipients of Federal Direct Student Loans awards, too. Since the above mentioned recipient received a loan under the Federal Direct Student Loans program, this was considered an additional finding. JMCO identified \$5,550 over-awarded to the student under the Federal Pell Grant program, and \$3,468 over-awarded under the Federal Direct Student Loans program. In JMCO's view, the above mentioned improper awarding is not prevalent or material to either program.

Effect:

The college incurred expenses under two federal grant programs awarding funding to a student who did not qualify for it.

Cause:

The District's Financial Aid office did not retain the original letter from the Selective Services System showing that the student was eligible for Financial Aid awards without being registered for Selective Service.

Recommendation:

A plan and/or schedule should be created to ensure student accounts are monitored to ensure that students only receive funding for eligible classes.

Views of Responsible Officials and Planned Corrective Actions:

All funds associated with the two findings have been returned to the Department of Education and the financial statements reflect the return of these funds.

To prevent future unqualified awards the financial aid staff will receive additional training to recognize acceptable documentation when verifying Selective Service requirements.

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

August 31, 2013

Section III – Federal or State Award Findings and Questioned Costs (Continued)

2013-02

Federal Program: Federal Pell Grant Program, CFDA# 84.063

Grantor: U.S. Department of Education

Criteria:

The award received by each recipient of Pell grant under the Financial Aid cluster is determined based on the credit hours they take during each semester in which they are eligible for PELL grant. The number of the credit hours a student is earning in a given semester and their expected family contribution are used to determine a level of award that the student is eligible to receive for the given semester.

Condition:

Three students received funding for classes they subsequently withdrew from which placed them at lower award levels and left their accounts with funding in excess of eligibility.

Questioned Costs:

The amount of the costs in question was \$3,469.

Context:

JMCO tested a sample of Pell Grant recipients for appropriateness of the amount of their Pell Grant awards by verifying that they correspond to the credit hours completed by the students during the semesters chosen for testing. JMCO identified a total of \$3,469 over-awarded to three students. In JMCO's view, the above mentioned improper awarding was not prevalent with respect to the population of Federal Pell Grant program award recipients.

Effect:

The college incurred expenses under a federal grant awarding funding to students who did not qualify for it.

Cause:

The District's Financial Aid office was not notified in a timely manner that these students had withdrawn from certain number of classes which placed them at lower amount levels of award eligibility.

Recommendation:

A plan and/or schedule should be created to ensure student accounts are monitored to ensure that students only receive funding for eligible classes.

Views of Responsible Officials and Planned Corrective Actions:

All funds associated with the findings have been returned to the Department of Education and the financial statements reflect the return of these funds.

To prevent future unearned award distributions, the following steps are being implemented: (1) a report has been developed to list all students with financial aid that have dropped hours, (2) the procedure for locking awards is being modified (3) the financial aid director will review all drops after the census date for financial aid implications.

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

August 31, 2013

Section III – Federal or State Award Findings and Questioned Costs (Continued)

2013-03

State Program: Texas Grant

Grantor: Texas Higher Education Coordinating Board

Criteria:

According to TITLE 19, PART 1, CHAPTER 22, SUBCHAPTER L, RULE §22.228, (a), (7), (A) of the Texas Code, to receive an initial award through the TEXAS Grant Program, a student must enroll in an undergraduate degree or certificate program at an approved institution on at least a three-quarter time basis not later than the end of the 16th month after high school graduation, if an entering undergraduate student (eligibility based on high school graduation date).

Condition:

Two students received funding for classes under the Texas Grant despite that they enrolled in an undergraduate degree program more than sixteen months after graduating from high school without being granted hardship exceptions.

Questioned Costs:

The amount of the costs in question was \$3,600.

Context:

JMCO tested a sample of Texas Grant award recipients for eligibility and appropriateness of the amount of their individual awards. JMCO performed tests on eligibility for awarding based on high school graduation date by verifying the graduation date on the official high school diploma or transcript of each tested recipient. JMCO noted a total of \$3,600 awarded to recipients who had graduated high school prior to the earliest allowed date (16 months before enrolling in an institution of higher education). JMCO tested majority of the population of Texas grant recipients noting no cases of improper awarding similar to this one. In JMCO's view, the above mentioned improper awarding is not prevalent or material to the program.

Effect:

The college incurred expenses under a state grant award to students who did not qualify for it.

Cause:

The District's Financial Aid office did not verify the high school graduation dates for the two students.

Recommendation:

A plan should be developed to ensure that the proper personal documentation is gathered and reviewed for each student who is considered for Texas Grant awards.

Views of Responsible Officials and Planned Corrective Actions:

All funds associated with the finding have been returned to the Texas Grant program and the financial statements reflect the return of these funds.

To prevent future unqualified awards the financial aid staff will receive training on how to properly review high school transcripts for the requirements needed to receive the Texas Grant.

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

August 31, 2013

Section III – Federal or State Award Findings and Questioned Costs (Continued)

2013-04

State Program: Texas Grant

Grantor: Texas Higher Education Coordinating Board

Criteria:

According to TITLE 19, PART 1, CHAPTER 22, SUBCHAPTER L, RULE §22.228, (a), (4) of the Texas Code, to receive an initial award through the TEXAS Grant Program, a student must not have previously obtained a baccalaureate degree.

Condition:

A student received funding for classes even though they had received a baccalaureate degree.

Questioned Costs:

The amount of the costs in question was \$1,200.

Context:

JMCO tested a sample of Texas Grant award recipients for eligibility and appropriateness of the amount of their individual awards. JMCO performed tests on eligibility for awarding based on high school graduation date by verifying the graduation date on the official high school diploma or transcript of each tested recipient. JMCO noted a total of \$3,600 awarded to recipients who had graduated high school prior to the earliest allowed date (16 months before enrolling in an institution of higher education). JMCO selected a sample from the population of Texas grant recipients noting no cases of improper awarding similar to this one. In JMCO's view, the above mentioned improper awarding is not prevalent or material to the program.

Effect:

The college incurred expenses under a state grant award to a student who did not qualify for it.

Cause:

The District's Financial Aid office did not consider all records related to the student's attendance of institutions of higher education.

Recommendation:

A plan should be developed to ensure that the proper personal documentation is gathered and reviewed for each student who is considered for Texas Grant awards.

Views of Responsible Officials and Planned Corrective Actions:

All funds associated with the findings have been returned to the Texas Grant program and the financial statements reflect the return of these funds.

To prevent future unqualified awards the financial aid staff will receive training on how to properly review college transcripts for the requirements needed to receive the Texas Grant.

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

August 31, 2013

Section III – Federal or State Award Findings and Questioned Costs (Continued)

2013-05

State Program: Texas Grant

Grantor: Texas Higher Education Coordinating Board

Criteria:

According to TITLE 19, PART 1, CHAPTER 22, SUBCHAPTER L, RULE §22.228, (a), (1) and (5), to receive an initial award through the TEXAS Grant Program, a student must be a resident of Texas; be a graduate of an accredited high school in this state not earlier than the 1998-99 school year.

Condition:

A student received funding for classes even though they were a legal resident of another state and did not graduate from a high school in the state of Texas.

Questioned Costs:

The amount of the costs in question was \$1,200.

Context:

JMCO tested a sample of Texas Grant award recipients for eligibility and appropriateness of their award amount. JMCO tested each recipient's eligibility to receive an award under the grant based on their state residency and location of high-school which they graduated by examining their ISIR documents and their high school transcripts. JMCO noted a total of \$1,200 awarded to a recipient who was a resident of a different state and a graduate of a high school located in a different state. JMCO selected a sample from the population of Texas grant recipients noting no cases of improper awarding similar to this one. In JMCO's view, the above mentioned improper awarding is not prevalent or material to the program.

Effect:

The college incurred expenses under a state grant award to a student who did not qualify for it.

Cause:

The District's Financial Aid office did not verify the student's residence and high school information.

Recommendation:

A plan should be developed to ensure that the proper personal documentation is gathered and reviewed for each student who is considered for Texas Grant awards.

Views of Responsible Officials and Planned Corrective Actions:

All funds associated with the findings have been returned to the Texas Grant program and the financial statements reflect the return of these funds.

To prevent future unqualified awards the financial aid staff will receive training on how to properly review high school transcripts for residency requirements needed to receive the Texas Grant.

Midland College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

August 31, 2012

Section III – Federal or State Award Findings and Questioned Costs

No matters were reported.

STATISTICAL SUPPLEMENT

**Midland College District
Statistical Supplement 1
Net Position by Component
Fiscal Years 2004-2013**
(unaudited)
(amounts expressed in thousands)

	For the Fiscal Year Ended August 31,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Invested in capital assets, net of related debt	\$ 59,452	59,196	56,980	55,616	51,224	45,506	41,441	37,892	34,671	31,788
Restricted - expendable	5,272	5,850	7,485	4,594	4,702	7,008	6,680	5,225	3,395	2,723
Restricted - nonexpendable	5,412	5,374	5,016	4,793	4,644	4,400	3,965	3,795	3,167	3,069
Unrestricted	19,190	15,477	12,180	10,866	10,735	10,634	9,275	7,096	6,228	5,807
Total primary government net position	\$ 89,326	85,897	81,661	75,869	71,305	67,548	61,361	54,008	47,461	43,387

**Midland College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2004-2013
(unaudited)**

For the Year Ended August 31,

(amounts in 000's)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees (net of discounts)	\$ 10,272	10,103	9,595	9,365	8,024	7,522	7,603	5,803	5,344	4,617
Federal Grants and Contracts	2,384	2,693	3,787	4,844	3,202	2,013	2,690	3,867	4,036	3,875
State Grants and Contracts	614	517	653	565	271	278	183	275	228	289
Local Grants and Contracts	1,517	825	817	894	829	861	736	612	756	633
Non-Governmental Grants and Contracts	915	845	885	578	722	1,073	699	796	271	152
Sales and services of educational activities	430	432	399	283	194	200	217	240	239	236
Investment income-program restricted	12	203	277	339	499	615	624	306	171	223
Auxiliary enterprises (net of discounts)	1,192	1,251	1,042	1,132	1,040	1,030	942	859	873	824
Other operating revenues	607	586	499	694	737	673	698	614	475	520
Total Operating Revenues	17,943	17,455	17,954	18,694	15,518	14,265	14,392	13,372	12,393	11,369
State Appropriations	10,324	10,397	12,687	13,206	13,862	13,656	13,498	13,418	11,113	10,954
Ad Valorem Taxes	22,757	21,180	20,004	18,936	17,743	16,676	15,419	14,312	10,917	10,068
Federal Revenue, non-operating	4,153	5,599	6,850	6,123	3,873	3,780	3,849	4,303	4,678	4,581
Gifts	1,798	1,767	2,083	1,802	1,622	1,505	1,443	1,882	2,138	1,176
Investment income	24	26	33	68	334	1,389	2,456	2,201	215	87
Contributions in aid of construction	27	735	3,044	931	1,572	2,313	731	176	3,557	1,048
Gain on disposal of fixed assets	165	70	-	16	-	-	-	16	-	-
Additions to permanent endowments	244	357	161	29	103	348	145	700	171	52
Other non-operating revenues	-	-	-	462	4,031	487	-	-	-	-
Total Non-Operating Revenues	39,492	40,131	44,862	41,573	43,140	40,154	37,541	37,008	32,789	27,966
Total Revenues	\$ 57,435	57,586	62,816	60,267	58,658	54,419	51,933	50,380	45,182	39,335

**Midland College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004-2013
(unaudited)**

For the Year Ended August 31,

(amounts in 000's)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	\$ 18,254	18,336	19,866	19,525	18,456	17,676	17,266	16,686	16,042	13,840
Public service	2,405	2,112	2,475	2,551	2,316	1,887	2,242	2,430	2,195	2,054
Academic support	6,148	6,311	6,197	6,166	5,572	5,014	4,834	4,688	4,465	4,433
Student services	3,581	3,442	3,374	3,405	3,342	3,077	2,948	2,706	2,608	2,393
Institutional support	6,031	5,234	5,214	5,195	5,040	4,630	4,292	3,908	3,526	3,266
Operation and maintenance of plant	5,494	5,421	5,778	5,594	4,835	5,173	4,000	4,118	3,581	3,142
Scholarships & fellowships(net of discounts)	3,230	3,718	5,921	5,396	3,484	3,498	3,296	3,760	3,905	4,099
Auxiliary enterprises (net of discounts)	3,320	3,027	2,485	2,401	2,427	2,482	1,929	1,813	1,753	1,639
Depreciation	3,803	3,724	3,526	2,912	2,545	1,856	1,680	1,599	1,520	1,477
Total Operating Expenses	52,266	51,325	54,836	53,145	48,017	45,293	42,487	41,708	39,595	36,343
Interest on capital related debt	1,696	1,994	2,132	2,033	1,913	1,919	2,017	2,083	501	462
Loss on disposal of fixed assets	-	-	16	-	32	28	13	-	6	6
Other non-operating expenses	44	31	42	526	4,938	992	63	41	8	-
Total Non-Operating Expenses	1,740	2,025	2,190	2,559	6,883	2,939	2,093	2,124	515	468
Total Expenses	\$ 54,006	53,350	57,026	55,704	54,900	48,232	44,580	43,832	40,110	36,811

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

Resident Fees per Semester Credit Hour

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	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
2012-13	\$ 53	\$ 96	\$ 19	\$ 864	\$ 1,380	0.00%	8.49%
2011-12	53	87	19	864	1,272	14.29%	21.84%
2010-11	49	73	14	756	1,044	5.00%	6.10%
2009-10	46	68	14	720	984	5.26%	6.49%
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	17	19	6	363	387	-	-
1998-99	17	19	6	363	387	-	-

Non-Resident Fees per Semester Credit Hour

Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	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
2012-13	\$ 135	\$ 135	\$ 19	\$ 1,848	\$ 1,848	6.21%	6.21%
2011-12	126	126	19	1,740	1,740	20.83%	20.83%
2010-11	106	106	14	1,440	1,440	4.35%	4.35%
2009-10	101	101	14	1,380	1,380	6.48%	6.48%
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	25	25	6	459	459	-	-
1998-99	25	25	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 Fifteen Years**

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	thousands	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Total Taxes Assessed	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2012-13	\$ 16,560,425	\$ 902,788	\$ 15,657,637	94.55%	\$ 22,575	\$ 0.126390	\$ 0.017790	\$ 0.144180
2011-12	13,392,179	894,062	12,498,117	93.32%	20,979	0.143800	0.024100	0.167900
2010-11	12,792,106	1,070,270	11,721,836	91.63%	19,915	0.143940	0.025960	0.169900
2009-10	12,219,385	1,197,661	11,021,724	90.20%	18,949	0.144600	0.027328	0.171928
2008-09	11,660,357	1,293,329	10,367,028	88.91%	17,925	0.144600	0.028310	0.172910
2007-08	9,672,151	977,526	8,694,625	89.89%	16,617	0.157154	0.033966	0.191120
2006-07	7,985,268	536,613	7,448,655	93.28%	15,359	0.167481	0.038719	0.206200
2005-06	6,772,061	462,783	6,309,278	93.17%	14,177	0.179400	0.045300	0.224700
2004-05	6,120,653	461,916	5,658,737	92.45%	10,786	0.190600	-	0.190600
2003-04	5,668,701	456,955	5,211,746	91.94%	9,933	0.185200	0.005400	0.190600
2002-03	5,515,729	443,637	5,072,092	91.96%	9,667	0.185200	0.005400	0.190600
2001-02	5,580,072	412,052	5,168,020	92.62%	9,443	0.177800	0.005400	0.183200
2000-01	4,941,048	401,771	4,539,277	91.87%	7,412	0.157200	0.006100	0.163300
1999-00	4,852,382	388,745	4,463,637	91.99%	7,289	0.157200	0.006100	0.163300
1998-99	4,597,684	54,743	4,542,941	98.81%	7,418	0.157400	0.005900	0.163300

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

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

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation (000's)	FTSE (1)	State Appropriation per FTSE	Academic Contact Hours (a) (000's)	Voc/Tech Contact Hours (a,b) (000's)	Total Contact Hours (000's)	State Appropriation per Contact Hour
2012-13	\$ 8,206	4,111	\$ 1,996	1,829	899	2,728	\$ 3.01
2011-12	8,526	4,289	1,988	1,874	962	2,836	3.01
2010-11	8,879	4,518	1,965	1,966	1,062	3,028	2.93
2009-10	9,340	4,348	2,148	1,898	1,032	2,930	3.19
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
1998-99	6,594	3,177	2,076	1,194	956	2,150	3.07

(a) Source CBM001

(b) Source CBM00A

Notes:

(1) FTSE is calculated by the following formula:

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

	Voc-Tech Contact Hrs (000's)		
	Credit	CE	Total
12-13	631	268	899
11-12	750	212	962
10-11	863	199	1062
09-10	879	153	1032
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
98-99	810	146	956

**Midland College District
Statistical Supplement 7
Faculty, Staff, and Administrators Statistics
(unaudited)**

	Fiscal Year																
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Faculty																	
Full-Time	147	145	135	154	155	141	134	129	119	116	110	109	100	94	89	86	83
Part-Time	148	162	195	184	160	156	135	120	135	125	129	134	134	141	153	143	145
Total	295	307	330	338	315	297	269	249	254	241	239	243	234	235	242	229	228
Percent																	
Full-Time	49.8%	47.2%	40.9%	45.6%	49.2%	47.5%	49.8%	51.8%	46.9%	48.1%	46.0%	44.9%	42.7%	40.0%	36.8%	37.6%	36.4%
Part-Time	50.2%	52.8%	59.1%	54.4%	50.8%	52.5%	50.2%	48.2%	53.1%	51.9%	54.0%	55.1%	57.3%	60.0%	63.2%	62.4%	63.6%
Staff and Administrators																	
Full-Time	252	263	264	254	256	249	239	241	237	226	209	206	181	179	163	162	162
Part-Time	327	328	258	357	320	375	358	369	354	356	361	342	335	327	284	169	175
Total	579	591	522	611	576	624	597	610	591	582	570	548	516	506	447	331	337
Percent																	
Full-Time	43.5%	44.5%	50.6%	41.6%	44.4%	39.9%	40.0%	39.5%	40.1%	38.8%	36.7%	37.6%	35.1%	35.4%	36.5%	48.9%	48.1%
Part-Time	56.5%	55.5%	49.4%	58.4%	55.6%	60.1%	60.0%	60.5%	59.9%	61.2%	63.3%	62.4%	64.9%	64.6%	63.5%	51.1%	51.9%
Students per Full-Time Faculty	37.6	41.9	47.1	40.5	37.3	40.7	43.4	43.3	46.5	46.5	45.8	46.4	48.4	50.4	51.7	49.2	48.2
Students per Full-Time Staff Member	21.9	23.1	24.1	24.5	22.6	23.0	24.3	23.2	23.3	23.9	24.1	24.6	26.8	26.4	28.2	26.1	24.7
Average Annual Faculty Salary	\$57,463	\$52,169	55,834	55,216	54,623	52,021	50,636	49,335	49,446	47,783	47,498	47,196	44,264	41,864	41,219	40,892	\$39,395
Notes:																	
Fall Headcount	5531	6071	6358	6230	5784	5733	5819	5589	5531	5392	5041	5060	4842	4733	4602	4233	4000

**Midland College District
Statistical Supplement 8
Schedule of Capital Asset Information
Fiscal Years 2003 to 2013**

	Fiscal Year										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Academic buildings	22	22	22	22	20	19	19	19	19	17	16
Square footage (in thousands)	520	520	520	520	494	489	410	410	382	375	368
Libraries	1	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	52	52	52	52	52	50	50	50	50	50	50
Administrative and support buildings	5	5	5	4	4	4	4	4	4	4	4
Square footage (in thousands)	70	70	70	58	58	58	58	58	58	58	58
Dormitories	3	3	3	3	3	3	3	3	3	3	3
Square footage (in thousands)	91	91	91	91	91	91	91	91	91	91	91
Number of Beds	286	286	286	286	286	286	286	286	286	286	286
Apartments	10	10	10	10	10	10	10	10	10	10	10
Square footage (in thousands)	12	12	12	12	12	12	12	12	12	12	12
Number of beds	20	20	20	20	20	20	20	20	20	20	20
Dining Facilities	1	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	11	11	11	11	11	11	11	11	11	11	11
Athletic Facilities	6	6	6	5	5	3	3	3	3	3	3
Square footage (in thousands)	136	136	136	118	118	117	117	117	117	117	117
Multipurpose Center	1	1	1	1	1	1	1	1	1	1	1
Gymnasiums	2	2	2	1	1	1	1	1	1	1	1
Softball Dressing Facility	1	1	1	1	1						
Baseball Practice Facility	1	1	1	1	1						
Tennis Pro Shop	1	1	1	1	1	1	1	1	1	1	1
Plant facilities	2	2	2	2	2	2	2	1	1	1	1
Square footage (in thousands)	26	26	26	26	26	26	26	7	7	7	7
Chapel	1	1	1	1	1	1	1	1	1		
Square footage (in thousands)	2	2	2	2	2	2	2	2	2		
Childrens Center	1	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	11	11	11	11	11	6	6	6	6	6	6
Transportation											
Cars	9	9	9	4	3	3	6	6	6	7	6
Light Trucks/Vans	22	22	22	21	19	24	22	22	18	17	17
Heavy trucks	5	4	4	4	4	4	4	2	2	2	2
Buses	7	7	7	7	7	6	6	0	1	0	0

**Midland College District
Statistical Supplement 9
Head Count Enrollment Trend
Credit Hour Students Only
(Unaudited)**

Fiscal Year	Fall	Spring	Sum I	Sum II	Duplicated Total	Unduplicated Total
2012-13	5,531	6,826	3,664	2,656	18,677	10,616
2011-12	6,071	6,976	3,572	2,710	19,329	10,856
2010-11	6,358	7,316	3,507	2,682	19,863	11,131
2009-10	6,230	6,803	3,080	2,899	19,012	10,726
2008-09	5,784	6,321	2,530	2,546	17,181	9,608
2007-08	5,733	6,288	2,381	2,411	16,813	9,453
2006-07	5,819	6,076	2,158	2,184	16,237	9,039
2005-06	5,589	5,923	2,356	1,974	15,842	8,591
2004-05	5,531	5,797	1,881	1,548	14,757	8,456
2003-04	5,392	5,666	1,974	1,410	14,442	8,086
2002-03	5,041	5,410	1,707	1,380	13,538	7,606
2001-02	5,065	5,109	1,596	1,249	13,019	6,948
2000-01	4,842	4,954	1,439	1,042	12,277	6,870
1999-00	4,733	4,749	1,530	797	11,809	6,656
1998-99	4,576	4,529	1,637	832	11,574	6,583
1997-98	4,228	3,996	1,484	762	10,470	6,136

Data Source: CBM001