

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

**ODESSA JUNIOR COLLEGE DISTRICT**

**AUGUST 31, 2005 and 2004**

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**ODESSA JUNIOR COLLEGE DISTRICT**

**ORGANIZATIONAL DATA**

**For the Year Ended August 31, 2005**

**BOARD OF TRUSTEES**

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**OFFICERS**

Mr. Bruce Shearer	President
Mr. Gary S. Johnson	Vice President
Ms. Sandra Shaw	Secretary
Mr. Richard C. Abalos	Assistant Secretary

**MEMBERS**

**TERM EXPIRES MAY,**

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Mr. James Gilliland	Odessa, Texas	2006
Mr. Gary S. Johnson	Odessa, Texas	2008
Mr. Ralph McCain	Odessa, Texas	2006
Mr. J.E. "Coach" Pressly	Odessa, Texas	2008
Ms. Sandra Shaw	Odessa, Texas	2010
Mr. Bruce Shearer	Odessa, Texas	2010
Mr. Walter Smith	Odessa, Texas	2006
Mr. Joe Zant	Odessa, Texas	2008

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Dr. Vance W. Gipson	President
Dr. Clayton Alred	Vice President for Instruction
Dr. Bill Thallemer	Vice President for Student Services
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Odessa, Texas

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

The Board of Trustees  
Odessa Junior College District  
Odessa, Texas

We have audited the accompanying basic financial statements of Odessa Junior College District (the "College") as of and for the years ended August 31, 2005 and 2004 as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2005 on our consideration of the College's internal control over financial reporting and our tests of its compliance with laws, certain regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *Provisions of the State of Texas Single Audit Circular*, and is not a required part of the basic purpose financial statements. In addition, the supplementary data presented in schedules A, B, C, and D is presented for additional purposes and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Johnson, Miller & Co." The signature is written in dark ink and is positioned to the right of the date and location text.

Odessa, Texas  
November 2, 2005

## **Management's Discussion and Analysis**

This section of Odessa Junior College District's (the "College's") financial statements presents management's discussion and analysis of the College's financial activity during the fiscal years ended August 31, 2005 and August 31, 2004. This section is designed to be read in conjunction with the College's basic financial statements (pages 13-20) and the footnotes (pages 21-37). Responsibility for the completeness and fairness of this information rests with the College.

### **Using This Report**

The following discussion and analysis provide an overview of the College's financial activities. The financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

The resulting financial statement format focuses on the College as a whole. The basic financial statements (see pages 13-20) are designed to emulate corporate presentation models whereby all College activities are consolidated into one column total. Three primary statements are required: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

- **The Statement of Net Assets**

The focus of the Statement of Net Assets is to report the College's financial position at the end of the fiscal year. This statement presents all of the College's assets and liabilities. The difference between total assets and total liabilities - net assets - is the amount of resources available to finance future activities. Over time, the increases and decreases in net assets is one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, student retention and other non-financial information.

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

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the "bottom line results" of the College's operations. This approach summarizes and simplifies the user's analysis of the cost of various College services to its students and the burden to the public. The statement is divided into (a) Operating Revenues and Expenses and (b) Non-Operating Revenues and Expenses. The College, like all other Texas community colleges, is primarily dependent upon three sources of revenue: state appropriations, tuition and fees, and local property taxes. Since the GASB requires that state appropriations and property taxes be classified as Non-Operating Revenues, Texas community colleges will generally display an operating deficit before taking into account other support. Essentially, this deficit represents the net costs of services to students that must be covered by local taxpayer support and other sources of revenue.

- **The Statement of Cash Flows**

The Statement of Cash Flows reports the cash receipts and cash payments that occurred during the fiscal year. This statement helps users assess: 1) the entity's ability to generate future cash flows; 2) its ability to meet its obligations as they come due; and, 3) its needs for external financing. The Statement of Cash Flows presents information relative to cash inflows and outflows summarized by operating, financing, and investing activities.

As is typical for public community colleges, the College's cash flow from operating activities was a deficit. This operating deficit translates into the net amount of support that must be derived from non-operating resources such as state appropriations, property taxes, and investments.

## **Financial and Enrollment Highlights**

- **Changes in year-end financial position**

- Current assets increased \$1.1 million (7.1%) to \$16.2 million.
- Investments increased \$1.3 million (8.3%) to \$16.5 million.
- Capital assets increased \$0.7 million (3.4%) to \$20.7 million.
- Current liabilities increased \$0.8 million (12.9%) to \$7.3 million.
- Long-term liabilities decreased \$1.3 million (4.5%) to \$27.2 million.
- Net assets increased \$0.8 million (4.3%) to \$18.5 million.

- **Changes in revenue and expenses**

- Total state appropriations increased \$0.08 million (0.7%) to \$10.6 million.
- Net tuition and fees increased \$0.3 million (12.6%) to \$3.0 million.
- Property tax revenue increased \$0.9 million (10.0%) to \$10.3 million.
- Operating expenses increased \$1.2 million (4.0%) to \$32.9 million.

- **Changes in enrollment**

- Enrollments in non-credit workforce training classes rose dramatically while traditional credit enrollments declined slightly. However, the credit students carried a larger class load than the previous year, resulting in a slight increase in credit contact hours. Contact hours, both credit and non-credit, is the basis that the state legislature uses to determine state appropriations on a biennial basis.
- Total contact hours increased by 16.9% from 2,421,297 to 2,830,644. Contact hours from non-credit technical/vocational courses more than doubled from 388,161 to 780,555 due to much higher demand for workforce training classes. Contact hours from credit instruction increased 0.6%.
- Total annual headcount of students enrolled in credit classes decreased by 1.2% from 12,263 to 12,118.
- Unduplicated headcount of students enrolled in credit classes decreased by 0.9% from 6,566 to 6,504.

## **Condensed Comparative Financial Information**

The following schedule is summarized from the College's Statement of Net Assets (page 13), which is presented on an accrual basis of accounting. The difference between what the College owns, its assets, and what it owes, its liabilities, are the net assets.

**Net Assets as of August 31,  
(In thousands of dollars)**

	2005	2004	Increase (Decrease) 2005- 2004	2003	Increase (Decrease) 2004- 2003
Current assets	\$ 16,202	15,131	1,071	16,196	(1,065)
Non-current assets					
Capital assets, net of depreciation	20,692	20,014	678	22,010	(1,996)
Other	16,164	17,591	(1,427)	16,249	1,342
Total assets	53,058	52,736	322	54,455	(1,719)
Current liabilities	7,322	6,488	848	5,639	840
Non-current liabilities	27,191	28,475	(1,284)	29,755	(1,280)
Total liabilities	34,513	34,963	(450)	35,394	(431)
Net Assets					
Investment in capital assets	(7,115)	(8,978)	1,863	(8,501)	(477)
Restricted – nonexpendable	672	670	2	657	13
Restricted – expendable	10,700	13,937	(3,237)	14,956	(1,019)
Unrestricted	14,288	12,144	2,144	11,949	195
Total net assets	\$ 18,545	17,773	772	19,061	(1,288)

**Fiscal Year 2005 Compared to 2004**

Current assets consist mainly of cash, short-term investments, prepayments, and receivables. Current assets increased almost \$1.1 million primarily because of a large \$1.48 million increase in receivables due from federal sources such as Pell grants. Prepaid scholarships also increased by \$275,000 due to the prepayment of athletic housing scholarships for the fall semester. These increases were partially offset by a decrease in cash and cash equivalents that were used to pay for deferred maintenance projects.

Non-current assets primarily consist of cash under grant or other restrictions, long-term investments, and net capital assets. Non-current assets declined by \$0.7 million during the year. Long-term investments decreased by almost \$700,000 as funds were invested in shorter-term investments in order to place the College in a position to take advantage of higher interest rates expected in the near future. Cash in the amount of \$610,000 that was previously restricted for use by the public broadcasting station was transferred to current assets. Capital assets, net of depreciation, increased by \$678,000 due to the completion of a new parking area, major external repairs to an instructional building, and remodeling funded by the Title V grant.

Current liabilities increased by \$0.85 million due to an increase of \$685,000 in funds held for students who now reside in the new campus housing. The rental charges are billed to the students in August and held by the college until remittance is made to the housing management company on a monthly basis throughout the course of the semester. In addition, accounts payable to vendors increased by over \$150,000, mainly due to a major electrical system replacement project ongoing at year end. Non-current liabilities decreased by \$1.28 million as a result of continuing scheduled payments on outstanding bonds and early retirement plans from 1994-95.



The current ratio, indicating the amount of current assets that could be quickly converted to cash if needed to pay current liabilities, remained healthy at 2.2 to 1 at August 31, 2005, compared to a 2.3 to 1 ratio at August 31, 2004.

The \$3.2 million decrease in restricted expendable net assets was due to \$1,157,000 having been spent on deferred maintenance and technology replacements combined with a transfer of \$1,925,000 to unrestricted net assets after the disposition of the public broadcasting station in 2004.

### **Fiscal Year 2004 Compared to 2003**

Current assets decreased almost \$1.1 million due to the transfer of cash and cash equivalents into long-term investments as interest rates begin to rise. In addition, year-end receivables of government grants were \$430,000 less than the previous year because eligible funds were received before the fiscal year end.

The \$0.7 million decrease in non-current assets was the combined result of a \$1.3 million increase in long-term investments offset by an almost \$2 million decrease in net capital assets. An instructional building and a television station, having a combined net book value of \$1.7 million were disposed of during the year.

Current liabilities increased by \$0.85 million due to an increase in deferred tuition revenues and vendor payables related to remodeling construction in progress at year-end. Non-current liabilities decreased by \$1.28 million mainly due to principal payments on outstanding bonds and the continued pay down of the early retirement liability from 1994 and 1995.

The current ratio represents the ratio of current assets to current liabilities. Current assets are assets that can be quickly converted to cash to pay current liabilities. Although there was a small decrease in the current ratio, the College continued to maintain a healthy ratio of 2.3 to 1 at August 31, 2004, compared to a ratio of 2.9 to 1 at August 31, 2003.

The \$1 million decrease in Restricted Expendable Net Assets was due to \$809,000 in expenditures for deferred maintenance and technology replacement, \$67,000 in expenditures from the Texas Nursing Growth funds, and \$51,000 in expenditures over revenues collected by the public radio station.

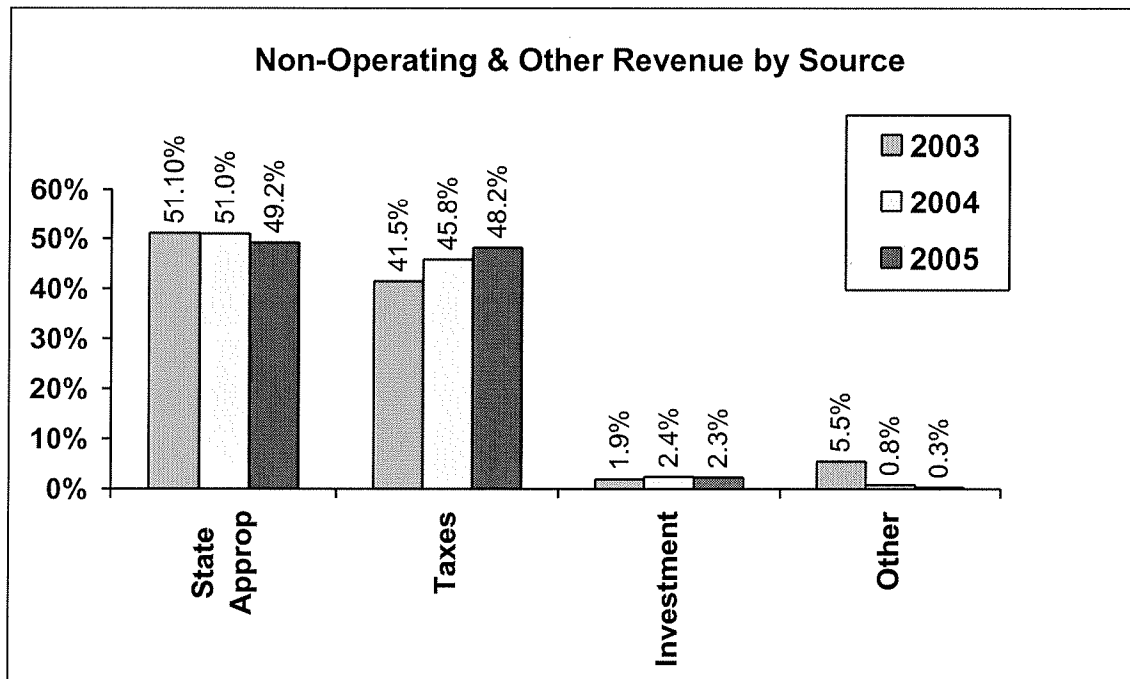
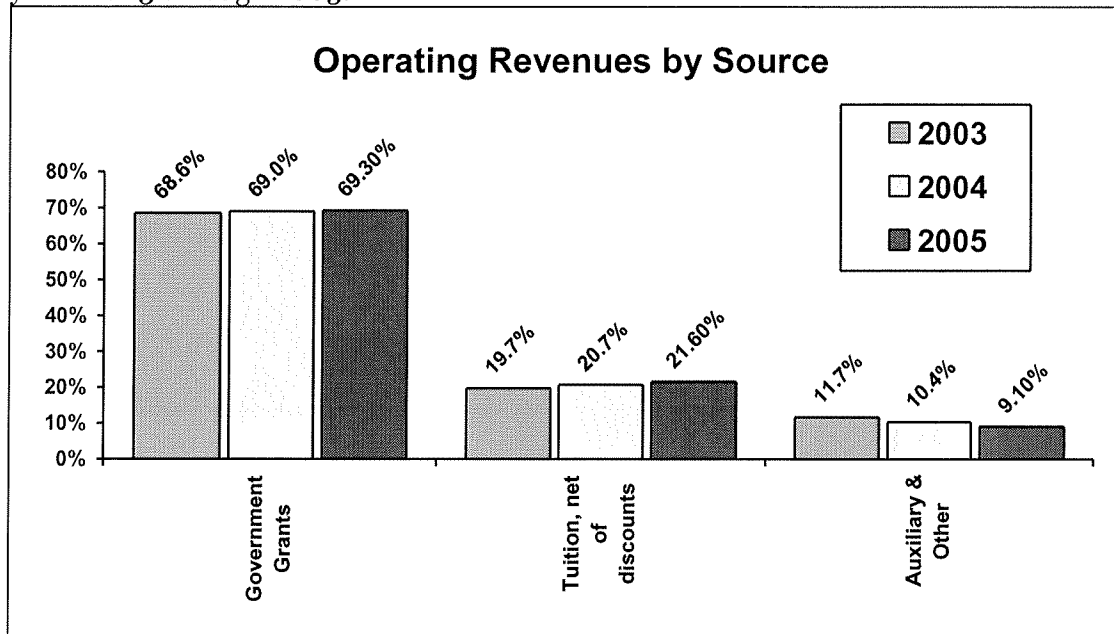
### **Condensed Comparative Financial Information**

The following summary of operating results is prepared from the College's Statement of Revenues, Expenses, and Changes in Net Assets (page 16). Operating revenues and expenses are defined as the results of exchange transactions involving people and entities that purchase, use, or directly benefit from the operations of the College. The resulting operating loss represents the operating burden that must be supported by non-operating revenues – primarily, property taxes, investments income, and gifts.

**Operating Results for the Year Ended August 31,  
(In thousands of dollars)**

	2005	2004	Increase (Decrease) 2005- 2004	2003	Increase (Decrease) 2004- 2003
Operating revenue					
Tuition and fees	\$ 2,978	2,644	334	2,468	176
Government grants and contract	9,533	8,819	714	8,597	222
Other	1,255	1,327	(72)	1,470	(143)
Total operating revenue	<u>13,766</u>	<u>12,790</u>	<u>976</u>	<u>12,535</u>	<u>255</u>
Less operating expenses	<u>32,892</u>	<u>31,660</u>	<u>1,232</u>	<u>31,197</u>	<u>463</u>
Operating income (loss)	(19,126)	(18,870)	(256)	(18,662)	(208)
Non-operating revenue (expense)					
State allocation	10,564	10,486	78	11,134	(648)
Property taxes	10,346	9,408	938	9,055	353
Interest on debt	(1,502)	(1,573)	71	(1,640)	67
Other	483	555	(72)	493	62
Total non-operating income	<u>19,891</u>	<u>18,876</u>	<u>1,015</u>	<u>19,042</u>	<u>(166)</u>
Capital grants and gifts	7	31	(24)	1,036	(1,005)
Extraordinary items	-	(1,325)	1,325	-	(1,325)
Increase in net assets	<u>\$ 772</u>	<u>(1,288)</u>	<u>2,060</u>	<u>1,416</u>	<u>(2,704)</u>

The next two graphs illustrate the sources of operating and non-operating revenues for fiscal years 2003 through 2005.



### **Fiscal Year 2005 Compared to 2004**

Operating revenue increased \$976,000 as both tuition and grants reflected increases over the previous year. Net tuition and fees increase by \$334,000 (12.6%) due to a \$7.00 per credit hour average tuition rate increase. Additionally, federal Pell grants increased by \$732,000, and federal Title V Institutional Strengthening grants increased by \$575,000. These federal revenue increases were partially offset by a decline in state grants as Skills Development Funds decreased by \$117,000 and the 2004 Telecommunications Infrastructure Fund grant of \$451,000 was not received in 2005.

Non-operating revenues rose because of an additional \$939,000 in property tax revenue that resulted from a 9% increase in net taxable values.

### **Fiscal Year 2004 Compared to 2003**

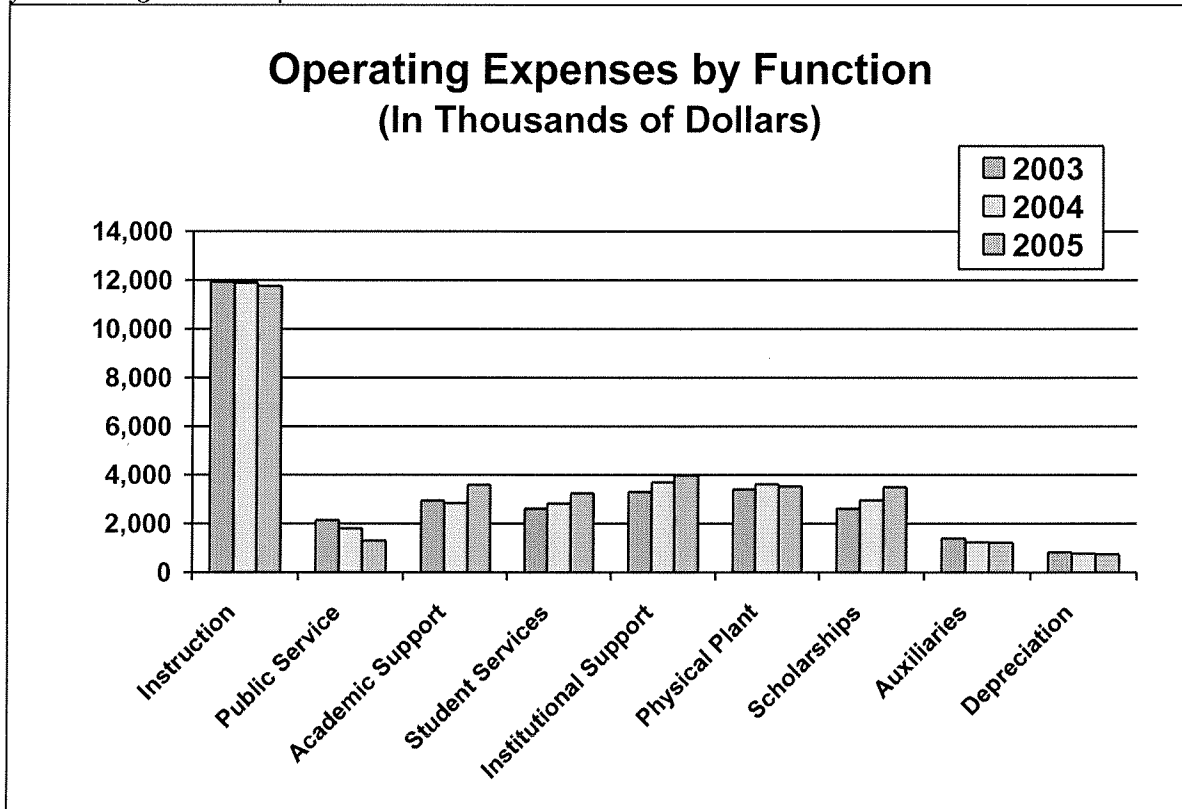
Operating revenue decreased \$392,000, which reflects a decrease of \$648,000 in state appropriations due to a decline in state paid health and retirement benefits for physical plant employees and a \$74,000 decrease in auxiliary revenue. These decreases were partially offset by an increase of \$176,000 in tuition resulting from a \$5 per hour tuition increase that took effect in the Summer 2003 term as well as an increase of \$222,000 in state instructional grants.

Non-operating revenues increased due to \$373,000 in additional tax revenue that resulted from a 3.1 % increase in net taxable values. In addition, unrestricted investment income exceeded the prior year by almost \$144,000 while interest expense on outstanding bonds declined by \$67,000.

Finally, other revenues declined by approximately \$1.0 million due to the absence in 2004 of state and private grants that were received in 2003 for the acquisition of telecommunication equipment.

The Extraordinary Items resulted from the disposal of an off-campus instructional building and the public television station during 2004. These sales were part of a long-term cost containment plan initiated by the Board of Trustees in response to a cut in state funding that took place in February 2003. The building had been donated to the College in 1989 and capitalized at its fair market value. In April 2004, the building had a net book value of \$595,000 and was sold for \$390,000, resulting in a loss of \$205,000. The license for the operation of the public broadcasting station was transferred to the Ector County Independent School District along with all usable broadcast and transmission equipment. Much of the equipment was purchased during the 2003 fiscal year with state and private grant funds. Since the equipment was fully paid for with external funds, the College transferred the equipment at no cost to the school district. This transfer of these capital assets, having a \$1.12 million net book value, resulted in a loss on disposal of assets that was recorded as an extraordinary item. It should be noted that this loss basically offsets the increase in net assets that was recorded in fiscal year 2003 when the assets were acquired through grant revenues.

The following graph compares operating expenses classified by functional category for fiscal years 2005 and 2004.



### Fiscal Year 2005 Compared to 2004

Operating expenses for fiscal year 2005 increased \$1,233,000 or 3.9% over fiscal year 2004. The largest increase occurred in the function category of Academic Support where expenditures increased \$760,000 (26.8%) over fiscal year 2004. Increased federal grant expenditures, primarily in the Title V Institutional Strengthening programs, accounted for \$643,000 of this increase while a college-wide 5% salary raise accounted for another \$73,000. Scholarship expenses increased by \$547,000 (18.5%) over the previous year due to higher tuition rates and increased cost of housing scholarships. Expenditures for Student Services rose \$416,000 (14.7%). Most of this increase was the result of a reorganization of several student service departments including recruiting, admissions, and housing along with the above mentioned salary increase. Institutional Support increased by \$287,000 (7.8%) due to the salary increase and a larger share of health insurance premiums not funded by the state.

These increased expenses were partially offset by decreases in the Instructional and Public Service functions. Funding for two instructional grants, the state skills development grant and the federal petroleum internet grant, ended after fiscal year 2004 and resulted in a decline of \$564,000 in restricted instructional expenses while unrestricted instructional expenses increased only \$438,000. The \$510,000 decline in Public Service expenses was due to the expenditure of grant funds for public broadcasting digital upgrades in fiscal year 2004 that did not occur in fiscal year 2005.

## Fiscal Year 2004 Compared to 2003

Operating expenses for fiscal year 2004 increased \$463,000 or 1.5% over fiscal year 2003. Scholarship expenditures increased \$338,000 due to the increased tuition rates. Student services increased \$216,000 primarily due to increased expenditures in recruiting and federal grants, namely the Gear-Up and Educational Opportunity Center grants. Institutional support and physical plant increased by \$389,000 and \$210,000, respectively, primarily due to additional benefits expenses related to the elimination of state funding for health and retirement benefits for physical plant and other employees. Instructional expense decreased slightly by \$42,000 due to a reduction in summer faculty salary rates. Public service expense decreased by \$340,000 as a result of discontinuing the public broadcasting operations of KOCV-TV. Auxiliary expense declined due to the elimination of the women's track program and stricter budgetary controls.

## Capital Assets and Long Term Debt Activity

At August 31, 2005 and 2004, the College had \$20.69 million and \$20.01 million, respectively, invested in capital assets, net of accumulated depreciation. Details of these assets for fiscal year 2003 through 2005 are shown below.

### Capital Assets, Net of Depreciation At August 31, (In thousands of dollars)

	2005	2004	Increase (Decrease) 2005- 2004	2003	Increase (Decrease) 2004- 2003
Land	\$ 2,586	2,586	-	2,586	-
Buildings and improvements	23,970	23,501	469	24,306	(805)
Other improvements	4,109	3,558	551	3,360	198
Furniture and equipment	3,939	3,777	162	5,864	(2,087)
Library materials	2,329	2,330	(1)	2,289	41
Construction in progress	339	190	149	-	190
Less: Accum. Depreciation	(16,580)	(15,928)	(652)	(16,395)	467
Net Capital Assets	\$ 20,692	20,014	678	22,010	(1,996)

Total long-term indebtedness was \$28.3 million and \$29.5 million at August 31, 2005 and 2004, respectively. Principal payments of \$1.2 million and \$1.1 million were made during the 2005 and 2004 fiscal years, respectively. The average debt service payment, including interest, is \$2.69 million per year with the final maturity in the year 2019.

## Economic Factors That Will Affect the Future

The global demand for petroleum has significantly raised the taxable value of mineral property in Ector County. As a result, the tax base for the 2005-2006 fiscal year has increased by 15.3% or \$1,550,000 dollars. Acknowledging that this is likely to be a relatively short-lived, temporary increase, the College's Board of Trustees has designated that 27% of that increase be placed into a contingency reserve and 64% of the increase will be used to address almost \$1 million of deferred maintenance projects and technology replacements. In addition, the Board has approved the expenditure of another \$350,000 from designated reserves to be applied to deferred maintenance projects during the 2006 fiscal year. This will significantly reduce the College's backlog of deferred maintenance items.

Other than the above, the College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year.

## **FINANCIAL STATEMENTS**

**Odessa Junior College District**

**Exhibit 1**

**STATEMENTS OF NET ASSETS**

**August 31,**

	<u>2005</u>	<u>2004</u>
<b>ASSETS:</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 2 and 4)	\$ 8,084,035	11,066,642
Short-term investments (Notes 2 and 4)	1,987,804	-
Accounts receivable, net (Note 10)	4,524,602	2,982,289
Notes receivable – current, net	475,814	520,866
Prepaid items	1,099,125	522,354
Deposits	<u>30,594</u>	<u>39,088</u>
<b>Total Current Assets</b>	<u>16,201,974</u>	<u>15,131,239</u>
<b>Noncurrent Assets:</b>		
Restricted cash and cash equivalents (Notes 2 and 4)	363,921	972,567
Endowment investments (Notes 2, 3 and 4)	671,916	670,210
Other long-term investments (Notes 2, 3 and 4)	13,885,315	14,585,685
Notes receivable – noncurrent (net)	70,947	110,461
Unamortized bond issuance costs	1,172,349	1,251,830
Capital assets, net of accumulated depreciation (Notes 2 and 5)	<u>20,691,735</u>	<u>20,013,556</u>
<b>Total noncurrent assets</b>	<u>36,856,183</u>	<u>37,604,309</u>
<b>Total Assets</b>	<u>\$ 53,058,157</u>	<u>52,735,548</u>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable (Note 10)	\$ 2,252,092	2,097,226
Accrued liabilities (Note 10)	356,789	342,525
Accrued compensable absences (Notes 6 and 9)	82,812	101,470
Funds held for others	835,699	151,105
Deferred revenue – tuition and fees	2,452,214	2,411,127
Deferred revenue – other	74,531	114,352
Bonds payable – current portion (Notes 6 and 7)	1,255,000	1,180,000
Other current liabilities (Note 6)	<u>12,662</u>	<u>89,858</u>
<b>Total Current Liabilities</b>	<u>7,321,799</u>	<u>6,487,663</u>
<b>Noncurrent Liabilities:</b>		
Deposits	111,907	128,079
Bonds payable – noncurrent (Notes 6 and 7)	27,040,000	28,295,000
Other noncurrent liabilities (Note 6)	<u>39,758</u>	<u>51,615</u>
<b>Total noncurrent liabilities</b>	<u>27,191,665</u>	<u>28,474,694</u>
<b>Total Liabilities</b>	<u>34,513,464</u>	<u>34,962,357</u>



**Odessa Junior College District**

**Exhibit 1**

**STATEMENTS OF NET ASSETS (CONTINUED)**

**August 31,**

	2005	2004
NET ASSETS:		
Invested in capital assets, net of related debt	\$ (7,115,133)	(8,977,654)
Restricted for:		
Nonexpendable:		
Student aid	671,917	670,210
Expendable:		
Student aid	275,213	87,924
Instructional programs	86,336	235,480
Loans	847,047	908,245
Capital projects	4,036,967	5,194,173
Debt service	5,247,447	5,310,581
Other	206,981	2,200,567
Unrestricted	<u>14,287,918</u>	<u>12,143,665</u>
Total Net Assets (Schedule D)	<u>18,544,693</u>	<u>17,773,191</u>
Total Liabilities and Net Assets	<u>\$ 53,058,157</u>	<u>52,735,548</u>

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

# Odessa College Foundation, Incorporated

## STATEMENTS OF FINANCIAL POSITION

December 31,

### ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 305,954	263,106
Marketable securities at fair value	2,726,739	2,504,173
Pledges receivable	<u>119,825</u>	<u>31,188</u>
Total current assets	3,152,518	2,798,467
PLEDGES RECEIVABLE – NONCURRENT	<u>10,750</u>	<u>58,500</u>
	\$ <u><u>3,163,268</u></u>	<u><u>2,856,967</u></u>

### LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 2,575	5,106
Deferred revenue	<u>2,758</u>	<u>2,758</u>
Total current liabilities	<u>5,333</u>	<u>7,864</u>
NET ASSETS		
Unrestricted, undesignated	-	-
Designated for Half-Century scholarships	507,379	377,145
Temporarily restricted	281,601	424,274
Permanently restricted	<u>2,368,955</u>	<u>2,047,684</u>
	<u>3,157,935</u>	<u>2,849,103</u>
	\$ <u><u>3,163,268</u></u>	<u><u>2,856,967</u></u>

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

**Odessa Junior College District**

**Exhibit 2**

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

Years ended August 31,

	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES:</b>		
Tuition and fees (net of discounts of \$3,226,601 and \$2,604,467, respectively)	\$ 2,977,564	2,643,976
Federal grants and contracts	8,970,275	7,619,333
State grants and contracts	562,368	1,199,699
Non-governmental grants and contracts	27,500	110,740
Sales and services of educational activities	262,133	273,263
Investment income (program restricted)	20,995	13,943
Auxiliary enterprises (net of discounts of \$28,828 and \$176,070, respectively)	515,509	466,484
Other operating revenue	<u>428,964</u>	<u>462,956</u>
Total operating revenues (Schedule A)	<u>13,765,308</u>	<u>12,790,394</u>
<b>OPERATING EXPENSES:</b>		
Instruction	11,769,081	11,895,648
Public services	1,297,143	1,806,705
Academic support	3,597,876	2,837,122
Student services	3,245,699	2,829,375
Institutional support	3,984,393	3,697,458
Operation and maintenance of plant	3,520,958	3,614,212
Scholarships and fellowships	3,503,383	2,956,726
Auxiliary enterprises	1,223,136	1,241,430
Depreciation	<u>750,467</u>	<u>780,895</u>
Total operating expenses (Schedule B)	<u>32,892,136</u>	<u>31,659,571</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(19,126,828)</u>	<u>(18,869,177)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
State allocations	10,563,729	10,486,331
Property taxes for maintenance and operations	10,346,299	9,407,532
Gifts – noncapital	199,784	261,093
Investment income – not restricted to programs	496,204	495,788
Interest on capital – related debt	(1,501,502)	(1,573,243)
Loss on disposal of capital assets	(147,687)	(135,519)
Other non-operating revenues	13,984	12,810
Other non-operating (expenses)	<u>(79,481)</u>	<u>(79,481)</u>
Total non-operating revenues (Schedule C)	<u>19,891,330</u>	<u>18,875,311</u>

**Odessa Junior College District**

**Exhibit 2**

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

**Years ended August 31,**

	<u>2005</u>	<u>2004</u>
Income (loss) before other revenues	\$ <u>764,502</u>	<u>6,134</u>
<b>OTHER REVENUES:</b>		
State capital grants	-	-
Other capital gifts and grants	7,000	19,000
Additions to permanent endowment	<u>-</u>	<u>12,035</u>
Total other revenues	<u>7,000</u>	<u>31,035</u>
Income (loss) before special items	<u>771,502</u>	<u>37,169</u>
<b>SPECIAL ITEMS:</b>		
Disposition of public broadcasting television station	-	(1,120,058)
Sale of off-campus instructional building	<u>-</u>	<u>(205,132)</u>
Total special items	<u>-</u>	<u>(1,325,190)</u>
Increase (decrease) in net assets	771,502	(1,288,021)
Net assets – beginning of year	<u>17,773,191</u>	<u>19,061,212</u>
Net assets – end of year	\$ <u>18,544,693</u>	<u>17,773,191</u>

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

# Odessa College Foundation, Incorporated

## STATEMENTS OF ACTIVITIES

Years ended December 31, 2004 and 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2004</u>	<u>Total 2003</u>
Revenues, gains and other support:					
Contributions (including pledges)	\$ 350	74,675	301,100	376,125	374,890
Earnings on investments	12,824	64,017	20,171	97,012	69,569
Net unrealized gains (losses) on marketable securities	128,223	-	-	128,223	375,624
Net assets released from restrictions through satisfaction of program restrictions	<u>221,365</u>	<u>(221,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>362,762</u>	<u>(82,673)</u>	<u>321,271</u>	<u>601,360</u>	<u>820,083</u>
Expenses:					
Scholarships	221,365	-	-	221,365	177,890
General and administrative	<u>11,163</u>	<u>60,000</u>	<u>-</u>	<u>71,163</u>	<u>49,311</u>
Total expenses	<u>232,528</u>	<u>60,000</u>	<u>-</u>	<u>292,528</u>	<u>227,201</u>
CHANGES IN NET ASSETS	130,234	(142,673)	321,271	308,832	592,882
Net assets at beginning of year	<u>377,145</u>	<u>424,274</u>	<u>2,047,684</u>	<u>2,849,103</u>	<u>2,256,221</u>
Net assets at end of year	\$ <u>507,379</u>	<u>281,601</u>	<u>2,368,955</u>	<u>3,157,935</u>	<u>2,849,103</u>

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

**Odessa Junior College District**

**Exhibit 3**

**STATEMENTS OF CASH FLOWS**

**Years ended August 31,**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from students and other customers	\$ 3,512,276	3,634,871
Receipts from grants and contracts	6,044,022	6,332,325
Receipts from loan collections from student and employees	1,235,470	1,312,130
Other receipts	449,959	476,899
Payments to or on behalf of employees	(18,048,119)	(17,324,940)
Payments to suppliers for goods or services	(8,501,728)	(7,962,347)
Payments of scholarships	(3,361,268)	(2,757,659)
Loans issued to student and employees	(1,209,239)	(1,179,089)
Other cash payments	<u>(576,771)</u>	<u>(111,134)</u>
Net cash provided (used) by operating activities	<u>(20,455,398)</u>	<u>(17,578,944)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Receipts from state allocations	10,563,729	10,486,331
Receipts from ad valorem taxes	10,303,555	9,392,839
Receipts from gifts and grants other than for capital purposes	201,989	257,381
Other cash receipts	13,984	12,810
Receipts from student organization and other agencies	1,081,910	475,480
Payments to student organization and other agencies	(397,316)	(441,011)
Deposit with escrow agents	<u>8,494</u>	<u>(12,660)</u>
Net cash provided (used) by non-capital and related financing activities	<u>21,776,345</u>	<u>20,171,170</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Receipts from capital grants and gifts	-	829,944
Proceeds from sale of capital assets	194,206	409,315
Purchases of capital assets	(1,627,678)	(790,065)
Payments on capital debt and leases	<u>(2,681,502)</u>	<u>(2,683,243)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,114,974)</u>	<u>(2,234,049)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipts from sale and maturity of investments	6,036,405	17,858,794
Receipts from investments earnings	628,652	493,409
Purchases of investments	<u>(7,462,283)</u>	<u>(19,100,000)</u>
Net cash provided (used) by investing activities	<u>(797,226)</u>	<u>(747,797)</u>
Increase (decrease) in cash and cash equivalents	(3,591,253)	(389,620)
Cash and cash equivalents – September 1	<u>12,039,209</u>	<u>12,428,829</u>
Cash and cash equivalents – August 31	\$ <u>8,447,956</u>	<u>12,039,209</u>

**Odessa Junior College District**

**Exhibit 3**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

Years ended August 31,

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (19,126,828)	(18,869,177)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	750,467	780,895
Changes in assets and liabilities:		
Receivables, net:		
Tuition and fees receivable, net	111,092	(31,963)
State and federal operating grants receivable	(1,267,479)	(397,522)
Private grants receivable	(2,968)	(31,787)
Employee receivable	987	1,635
Sales and services receivable, net	(10,353)	8,048
Auxiliary receivable, net	(328,763)	65,514
Other assets	(576,771)	(111,134)
Deposits	(16,172)	4,155
Accounts payable	19,005	707,259
Accrued payroll liabilities	14,264	72,645
Deferred revenue:		
Deferred tuition and fees revenue	41,087	245,714
Other deferred revenue	(39,821)	(40,320)
Compensated absences	(18,658)	14,032
Early retirement benefits	(77,196)	(185,466)
Accrued workers comp	(11,857)	(19,343)
Loans to students and employees	<u>84,566</u>	<u>207,871</u>
Total adjustments	<u>(1,328,570)</u>	<u>1,290,233</u>
Net cash provided (used) by operating activities	\$ <u>(20,455,398)</u>	<u>(17,578,944)</u>

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

# Odessa Junior College District

## NOTES TO FINANCIAL STATEMENTS

August 31, 2005 and 2004

### NOTE 1 – REPORTING ENTITY

Odessa Junior College District (the “College”) was established in 1946, in accordance with the laws of the State of Texas, to serve the educational needs of Ector County and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. *Reporting Guidelines*

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

#### 2. *Tuition Discounting*

##### Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.0333). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student the amount is recorded as a scholarship expense.

##### Title IV, HEA Program Funds

Certain Title IV HEA Program funds are received by the college to pass through to the student. These funds are initially received by the College 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 College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount.

#### 3. *Basis of Accounting*

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



# Odessa Junior College District

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

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

#### 4. *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 College'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 the Governor's Office of Budget and Planning.

#### 5. *Inventories*

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

#### 6. *Capital Assets*

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The College 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

#### 7. *Cash and Cash Equivalents*

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Because of their highly liquid nature, funds held in public funds investment pools are also considered to be cash equivalents.

#### 8. *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.

#### 9. *Deferred Revenue*

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

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

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

10. *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.

11. *Operating and Non-Operating Revenue and Expense Policy*

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

In the financial statements for the years ended August 31, 2004 and 2003, state appropriations were classified as operating revenues at the direction of the Texas Higher Education Coordinating Board. The Coordinating Board has reversed its prior treatment of this item. State appropriations will now be treated as non-operating funds. Accordingly, the prior year has been restated.

12. *New Accounting Pronouncements*

*GASBS No. 40*

In June 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement should be disclosed. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2004. This Statement will be implemented no later than the year ending December 31, 2004. This statement was implemented by the College during fiscal year ending August 31, 2005. See Note 4.

*GASBS No. 41*

In August 2003, the GASB issued Statement No. 41, *Budgetary Comparison Schedules-Perspective Differences*. This Statement amends Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The amendment to Statement 34 clarifies the budgetary presentation requirements for governments with significant budgetary perspective differences that result in their not being able to present budgetary comparison information for their general fund and major special revenue funds. These governments are required to present budgetary comparison schedules as required supplementary information (RSI) based on the fund, organization, or program structure that the government uses for its legally adopted budget. The provisions of this Statement should be implemented simultaneously with Statement 34.

*GASBS No. 42*

In February 2004, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

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

##### 12. *New Accounting Pronouncements (Continued)*

###### *GASBS No. 42 (Continued)*

Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2004.

###### *GASBS No. 43*

In July 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for *other postemployment benefits* (OPEB) plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, with modifications to reflect differences between pension plans and OPEB plans.

The requirements of this Statement for OPEB plan reporting are effective *one year prior* to the effective date of the related Statement for the employer (single-employer plan) or for the largest participating employer in the plan (multiple-employer plan). Plans in which the sole or largest participating employer is a *phase 1 government* (those with total annual revenues of \$100 million or more) are required to implement this Statement in financial statements for periods beginning after December 15, 2005. Plans in which the sole or largest participating employer is a *phase 2 government* (total annual revenues of \$10 million or more but less than \$100 million) are required to implement this Statement in financial statements for periods beginning after December 15, 2006. Plans in which the sole or largest participating employer is a *phase 3 government* (total annual revenues of less than \$10 million) are required to implement this Statement in financial statements for periods beginning after December 15, 2007. If comparative financial statements are presented, restatement of the prior-year financial statements is required.

###### *GASBS No. 44*

This Statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government.

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

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

12. *New Accounting Pronouncements (Continued)*

*GASBS No. 44 (Continued)*

Three shortcomings have been identified in the statistical section since NCGA Statement 1 was issued in 1979. First, NCGA Statement 1 presented a list of fifteen required schedules with no additional explanation of the nature of the information they were to contain. As a result, some governments prepared their statistical sections differently from others, thereby diminishing the usefulness and comparability of the information. Second, the statistical section requirements were oriented to general purpose local governments. Consequently, other types of governments had little guidance on how to adapt the requirements to their circumstances, resulting in incomplete and inconsistent application of the standards and, therefore, additional loss of comparability and usefulness. Third, the requirements for the statistical section did not encompass the new information that governments are presenting as a result of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The statistical section is a required part of a comprehensive annual financial report (CAFR), although governments are not required to prepare a statistical section if they do not present their basic financial statements within a CAFR. These circumstances are not altered by this Statement. However, this Statement does apply to any statistical section that accompanies a government's basic financial statements. The provisions of this Statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

*GASBS No. 45*

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

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

This Statement generally provides for prospective implementation—that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Implementation is required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. The definitions and cutoff points for that purpose are the same as those in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million). Earlier implementation is encouraged.

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

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

12. *New Accounting Pronouncements (Continued)*

*GASBS No. 46*

GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. In the process of applying this provision, some governments have had difficulty interpreting the requirement that those restrictions be “legally enforceable.” The confusion over this phrase has resulted in a diversity of practice that has diminished comparability.

This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.

13. *Reclassifications*

Certain reclassifications have been made to the 2004 presentation to conform to the 2005 presentation.

#### NOTE 3 – AUTHORIZED INVESTMENTS

The Board of Trustees of the College has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256.001, Texas Government Code). The investments of the College 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.

In accordance with Sec. 2256.005 (n) of the Public Funds Investment Act, the community college, “...shall arrange for a compliance audit of management controls on investments and adherence to the college’s established investment policies. The compliance audit shall be performed by the college’s internal auditor or by a private auditor...Not later than January 1 of each even numbered year, the community college shall report the results of the most recent audit performed to the state auditor.”

The State Auditor has determined that the College and their independent auditors should indicate compliance with the Act by completing the following:

- the categorization of investments by risk which is required by GASB 3 in the footnote “Deposits and Investments,” and

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 3 – AUTHORIZED INVESTMENTS (CONTINUED)

- placing a statement in the scope paragraph of the Report on Compliance and on Internal Controls over Financial Reporting which indicate the audit work covered in the Act, or
- writing a separate letter to the State Auditor's Office stating that the College is in compliance with all requirements of the Act.

#### NOTE 4 – DEPOSITS AND INVESTMENTS

The College 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.

The Board of Trustees of the College has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Section 2256.001, Texas Government Code). The investments of the College are in compliance with the Trustees' investment policies.

**Deposits:** At August 31, 2005 and 2004, the carrying amount of the College's deposits was \$1,802,611 and \$2,032,288, respectively; and bank balances equaled \$2,313,630 and \$2,396,054. Bank balances of \$105,555 and \$109,158 are covered by federal depository insurance and \$2,108,075 and \$2,286,896 were covered by collateral pledged in the College's name. The collateral was held by the College or by its Agent (Category 1). There were no uncollateralized bank balances (Category 3) 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 College's name). The College held \$6,630,695 and \$9,992,531 in state approved public investment pools at August 31, 2005 and 2004, respectively.

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

<b>Cash and Deposits</b>		<u>2005</u>	<u>2004</u>
Bank Deposits			
Demand Deposits	\$	339,604	660,593
Transit Items		(411,019)	(363,765)
Time Deposits		<u>1,874,026</u>	<u>1,735,460</u>
		<u>1,802,611</u>	<u>2,032,288</u>
Cash and Cash Equivalents			
Public Funds Investment Pools		6,630,965	9,992,531
Petty Cash on Hand		<u>14,380</u>	<u>14,390</u>
Total Cash and Deposits	\$	<u>8,447,956</u>	<u>12,039,209</u>

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

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

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

Type of Security	Market Value August 31, 2005	Market Value August 31, 2004
Total Cash and Deposits	\$ 8,447,956	12,039,209
Total Investments	16,545,035	15,255,895
Total Deposits and Investments	\$ 24,992,991	27,295,104
Current Cash and Temporary Investments (Exh. 1)	\$ 8,084,035	11,066,642
Restricted Cash and Temporary Investments (Exh. 1)	363,921	972,567
Agency Cash and Temporary Investments (Exh. 1)	1,987,804	-
Endowment Investments (Exh. 1)	671,916	670,210
Other Long-Term Investments (Exh. 1)	13,885,315	14,585,685
Total Deposits and Investments	\$ 24,992,991	27,295,104

As of August 31, 2005 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 2	2 to 3
U.S. Government Securities	\$ 14,557,231	6,849,861	5,231,370	2,476,000
Commercial Paper	1,987,804	1,987,804	-	-
Total Fair Value	\$ 16,545,035	8,837,665	5,231,370	2,476,000

As of August 31, 2004 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 2	2 to 3
U.S. Government Securities	\$ 13,719,490	5,910,030	5,306,460	2,503,000
Certificates of Deposits	1,536,405	1,536,405	-	-
Total Fair Value	\$ 15,255,895	7,446,435	5,306,460	2,503,000

**Interest Rate Risk:** In accordance with state law and District policy, the District has established maturity limitations on investments purchased. Investments of the operating and renewal and replacement funds do not have maturities in excess of 5 years. Investments of debt service funds do not have maturities in excess of the debt service dates. Additionally, maturities of commercial paper and banker's acceptances shall not exceed 270 days, repurchase agreements shall not exceed 2 years, and reverse repurchase agreements shall not 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, 2005 and 2004 are reported below:

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

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

Investment Type	Credit Rating
U.S. Government Securities	S&P: AAA; COMP: AAA
Commercial Paper – Duff & Phels Utility	S&P: A-1; Moody's: P-1
Commercial Paper – Autobahn Funding Corp	S&P: A-1; Moody's: P-1
TexPool	S&P: AAAm
LOGIC	S&P: AAA
Lone Star Investment Pool	S&P: AAA

**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 FHLB securities (52%) and FHLMC securities (6%).

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

#### NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2005 was as follows:

	Balance September 1, 2004	Increases	Decreases	Balance August 31, 2005
<u>Not Depreciated:</u>				
Land	\$ 2,586,505	-	-	2,586,505
Construction in progress	189,863	339,123	189,863	339,123
Total Capital Assets – Non-Depreciated	2,776,368	339,123	189,863	2,925,628
<u>Other Capital Assets:</u>				
Buildings and building improvements	23,500,972	468,434	-	23,969,406
Other real estate improvements	3,558,087	551,124	-	4,109,211
Total buildings and other improvements	27,059,059	1,019,558	-	28,078,617
Library books	2,329,692	115,633	116,485	2,328,840
Furniture, machinery and equipment	3,776,888	296,224	133,800	3,939,312
Total Capital Assets – Depreciable	33,165,639	1,431,415	250,285	34,346,769
<u>Accumulated Depreciation</u>				
Buildings and building improvements	11,220,164	398,328	-	11,618,492
Other real estate improvements	1,914,862	100,094	-	2,014,956
Total buildings and other improvements	13,135,026	498,422	-	13,633,448
Library books	-	3,854	-	3,854
Furniture, machinery and equipment	2,793,425	248,190	98,255	2,943,360
Total Accumulated Depreciation	15,928,451	750,466	98,255	16,580,662
Net Capital Assets	\$ 20,013,556	1,020,072	341,893	20,691,735



## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 5 – CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended August 31, 2004 was as follows:

	Balance September 1, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, <u>2004</u>
<u>Not Depreciated:</u>				
Land	\$ 2,586,505	-	-	2,586,505
Construction in progress	<u>-</u>	189,863	-	<u>189,863</u>
Total Capital Assets – Non-Depreciated	<u>2,586,505</u>	<u>189,863</u>	<u>-</u>	<u>2,776,368</u>
<u>Other Capital Assets:</u>				
Buildings and building improvements	24,305,576	-	804,604	23,500,972
Other real estate improvements	<u>3,359,567</u>	<u>198,520</u>	-	<u>3,558,087</u>
Total buildings and other improvements	27,665,143	198,520	804,604	27,059,059
Library books	2,289,168	163,139	122,615	2,329,692
Furniture, machinery and equipment	<u>5,863,543</u>	<u>103,368</u>	<u>2,190,023</u>	<u>3,776,888</u>
Total Capital Assets – Depreciable	<u>35,817,854</u>	<u>465,027</u>	<u>3,117,242</u>	<u>33,165,639</u>
<u>Accumulated Depreciation</u>				
Buildings and building improvements	11,024,972	405,227	210,035	11,220,164
Other real estate improvements	<u>1,801,475</u>	<u>113,387</u>	-	<u>1,914,862</u>
Total buildings and other improvements	12,826,447	518,614	210,035	13,135,026
Library books	-	-	-	-
Furniture, machinery and equipment	<u>3,568,327</u>	<u>262,281</u>	<u>1,037,183</u>	<u>2,793,425</u>
Total Accumulated Depreciation	<u>16,394,774</u>	<u>780,895</u>	<u>1,247,218</u>	<u>15,928,451</u>
Net Capital Assets	\$ <u>22,009,585</u>	<u>(126,005)</u>	<u>1,870,024</u>	<u>20,013,556</u>

#### NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2005 was as follows:

	Balance September 1, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, <u>2005</u>	Due Within One Year	<u>Change</u>
<u>Bonds</u>						
Revenue bonds and notes	\$ 29,475,000	-	1,180,000	28,295,000	1,255,000	(1,180,000)
General obligation bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonds	<u>29,475,000</u>	<u>-</u>	<u>1,180,000</u>	<u>28,295,000</u>	<u>1,255,000</u>	<u>(1,180,000)</u>
<u>Other Liabilities</u>						
Compensated absences	101,470	-	18,658	82,812	82,812	(18,658)
Early retirement benefits	89,858	-	77,196	12,662	12,662	(77,196)
Accrued workers compensation	<u>51,615</u>	<u>-</u>	<u>11,857</u>	<u>39,758</u>	<u>-</u>	<u>(11,857)</u>
Total Other Liabilities	<u>242,943</u>	<u>-</u>	<u>107,711</u>	<u>135,232</u>	<u>95,474</u>	<u>(107,711)</u>
Total Long-Term Liabilities	\$ <u>29,717,943</u>	<u>-</u>	<u>1,287,711</u>	<u>28,430,232</u>	<u>1,350,474</u>	<u>(1,287,711)</u>

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended August 31, 2004 was as follows:

	Balance September 1, 2003	Increases	Decreases	Balance August 31, 2004	Due Within One Year	Change
<u>Bonds</u>						
Revenue bonds and notes	\$ 30,585,000	-	1,110,000	29,475,000	1,180,000	(1,110,000)
General obligation bonds	-	-	-	-	-	-
<b>Total Bonds</b>	<u>30,585,000</u>	<u>-</u>	<u>1,110,000</u>	<u>29,475,000</u>	<u>1,180,000</u>	<u>(1,110,000)</u>
<u>Other Liabilities</u>						
Compensated absences	87,438	14,032	-	101,470	101,470	14,032
Early retirement benefits (Note P)	275,324	-	185,466	89,858	89,858	(185,466)
Accrued workers compensation	70,958	-	19,343	51,615	-	(19,343)
<b>Total Other Liabilities</b>	<u>433,720</u>	<u>14,032</u>	<u>204,809</u>	<u>242,943</u>	<u>191,328</u>	<u>(190,777)</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 31,018,720</u>	<u>14,032</u>	<u>1,314,809</u>	<u>29,717,943</u>	<u>1,371,328</u>	<u>(1,300,777)</u>

General information related to bonds payable is summarized below:

❖ **Revenue Refunding and Improvement Bonds, Tax Exempt Series 1998A**

- To retire bonded debt outstanding in the amount of \$19,650,000 (Series 1995), as of May 31, 1998, to pay for related bond issuance costs, and to deposit \$140,061 in a debt service reserve fund in accordance with the bond agreement.
- Issued on May 31, 1998.
- \$24,230,000 original amount of issue; all authorized bonds have been issued.
- The Bonds are special limited tax-exempt obligations of the Board, payable from and equally and ratably secured by a first lien pledge of certain revenues of the District (the gross revenues) which include: the general use fee, the tuition pledge, the college bookstore revenues, the dormitory system revenues, the operating fees, gifts, grants, or donations from any public or private source that are not restricted or dedicated with respect to their use or purpose, and the earnings on all investments of the District lawfully available for such purpose.
- The Bonds are due in annual installments of principal and interest varying from \$1,214,765 to \$2,690,625, with interest rates from 4.0% to 5.0%, and with the final installment due in December 2019. Optional redemption may begin in December 2007.

❖ **Revenue Refunding Bonds, Taxable Series 1998B**

- To retire bonded debt outstanding in the amount of \$9,620,000 (Series 1995), as of May 31, 1998, and to pay for related bond issuance costs.
- Issued on May 31, 1998.
- \$10,685,000 original amount of issue; all authorized bonds have been issued.

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

- The Bonds are special limited taxable obligations of the Board, payable from and equally and ratably secured by a first lien pledge of certain revenues of the District (the gross revenues) which include: the general use fee, the tuition pledge, the college bookstore revenues, the dormitory system revenues, the operating fees, gifts, grants, or donations from any public or private source that are not restricted or dedicated with respect to their use or purpose, and the earnings on all investments of the District lawfully available for such purpose.
- The Bonds are due in annual installments of principal and interest varying from \$283,938 to \$1,465,744, with interest rates from 5.76% to 6.50%, and with the final installment due in December 2008. Optional redemption may begin in June 2005.

A summary of bond principal is as follows:

	Balance <u>Sept. 1, 2004</u>	<u>Issued</u>	Refunded or <u>Retired</u>	Balance <u>Aug. 31, 2005</u>
Series 1998A Bonds	\$ 24,105,000	-	25,000	24,080,000
Series 1998B Bonds	<u>5,370,000</u>	<u>-</u>	<u>1,155,000</u>	<u>4,215,000</u>
Total Bonds	\$ <u>29,475,000</u>	<u>-</u>	<u>1,180,000</u>	<u>28,295,000</u>

As of August 31, 2005, there were no defeased bonds outstanding. On June 1, 2005, the outstanding balance of the Series 1995 Refunded Bonds which were defeased by the 1998A and 1998B Bonds (described above) was redeemed in full by bondholders of record. The outstanding balance of the defeased bonds was \$24,955,000. Payment was made by the escrow agent, Sun Trust Bank of Florida.

#### NOTE 7 – DEBT AND LEASE OBLIGATIONS

Debt service obligations at August 31, 2005 were as follows:

For the Year Ended	General Obligation Bonds		Revenue Bonds			
	<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	-	-	1,255,000	1,424,411	2,679,411
2007		-	-	1,335,000	1,341,777	2,676,777
2008		-	-	1,425,000	1,253,000	2,678,000
2009		-	-	1,520,000	1,168,857	2,688,857
2010		-	-	1,595,000	1,092,781	2,687,781
2011-2015		-	-	9,275,000	4,176,450	13,451,450
2016-2020		<u>-</u>	<u>-</u>	<u>11,890,000</u>	<u>1,545,750</u>	<u>13,435,750</u>
Total	\$	<u>-</u>	<u>-</u>	<u>28,295,000</u>	<u>12,003,026</u>	<u>40,298,026</u>

There were no obligations under capital leases at August 31, 2005.

The District utilized leased facilities and equipment consisting of vehicles, buildings and office equipment. Included in operating expenses is rent paid or due under operating leases of \$479,209 and \$480,395 for the years ended August 31, 2005 and 2004, respectively.

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 7 – DEBT AND LEASE OBLIGATIONS (CONTINUED)

The following schedule shows the future minimum payments required for those operating leases having initial or remaining noncancellable lease terms in excess of one year.

For the Year Ended August 31,	Operating Leases
2006	\$ 464,675
2007	422,519
2008	335,282
2009	87,172
2010	40,249
2011	<u>18,318</u>
Total	\$ <u>1,368,215</u>

#### NOTE 8- EMPLOYEES' RETIREMENT PLAN

All College employees, except those employed for less than one-half the standard workload and those exempted by law, are required to participate in an employee retirement plan. Employees are entitled to full retirement benefits if they retire (a) on or after age 65 with 10 years of credited service or (b) with a combination of age and years of service of at least 80. Vested employees may retire at or after age 55, or at any age with 30 years of credited service, and received reduced benefits. The Employee Retirement System of Texas also provides death and disability benefits for eligible retirees. Benefits are established by state statute.

One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas. The percentages of participant salaries currently contributed by the state and by each participant are 6.00% and 6.40%, respectively, of annual compensation. Employees who retire under this plan receive a defined retirement benefit, payable monthly for life, equal to 2.3 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the best 3 years of credited service. Benefits fully vest on reaching 10 years of credited service.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 6.00% and 6.65%, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program. For employees in the system prior to September 1, 1995, the College contributed 1.31%. Benefits fully vest after 1 year plus 1 day of employment.

The retirement expense to the State for the College was \$683,272 and \$647,750 for the fiscal years ended August 31, 2005 and 2004, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

Sick leave, which can be accumulated to a maximum of six hundred and forty (640) hours, is earned at a rate of eight (8) hours per month. The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 8- EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The total payroll for all College employees was \$15,770,592 and \$15,155,467 for fiscal years 2005 and 2004, respectively. The total payroll of employees covered by the Teacher Retirement System was \$7,884,009 and \$7,419,968, and the total payroll of employees covered by the Optional Retirement System was \$5,535,402 and \$5,649,783 for fiscal years 2005 and 2004, respectively.

#### NOTE 9 – COMPENSABLE ABSENCES

Full-time employees earn vacation leave from eighty (80) to one hundred sixty (160) hours per year depending on the number of consecutive years employed with the College. All unused vacation which is not taken by August 31<sup>st</sup> may be accumulated to a maximum of two hundred forty (240) hours. All unused hours are reduced by fifty percent (50%) on August 31<sup>st</sup>. Employees terminating after the beginning of the College year will be paid for their vacation time on a pro-rata basis. The liability for vacation leave has been accrued for the periods ending August 31, 2005 and 2004 in the amounts of \$82,812 and \$101,470, respectively.

Sick leave, which can be accumulated to a maximum of six hundred and forty (640) hours, is earned at a rate of eight (8) hours per month. The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

#### NOTE 10 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables at August 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Tuition and fees receivables	\$ 465,447	537,652
Taxes receivable	1,379,673	1,334,650
Federal receivable	2,925,753	1,442,640
State receivable	289,655	505,289
Interest receivable	53,621	49,331
Other receivables	<u>867,179</u>	<u>520,386</u>
Subtotal	5,981,328	4,389,948
Allowance for doubtful accounts	<u>(1,456,726)</u>	<u>(1,407,659)</u>
Total	\$ <u>4,524,602</u>	<u>2,982,289</u>

Payables at August 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Vendors payable – operations	\$ 1,013,664	1,142,983
Vendors payable – capital	135,860	-
Students payable	1,070,178	928,061
Payroll deductions payable	<u>32,390</u>	<u>26,182</u>
Total	\$ <u>2,252,092</u>	<u>2,097,226</u>

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 11 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal 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, i.e., multi-year awards, or funds awarded during fiscal years 2005 and 2004 for which monies have not been received nor funds expended totaled \$7,503,044 and \$6,065,530, respectively. Of these amounts, \$7,207,735 and \$5,629,596 were from federal contract and grant awards; \$162,405 and \$292,523 were from state contract and grant awards; and \$132,904 and \$143,411 were from private contract and grant awards for the fiscal years ended August 31, 2005 and 2004, respectively.

#### NOTE 12 - POST RETIREMENT, HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to the pension benefits described in Note 8 above, 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 have reached the minimum age for retirement, have the required years of service, and meet applicable qualifications of Teacher Retirement System (TRS), Optional Retirement Program (ORP) and Employees Retirement System (ERS).

Those and similar benefits for active employees are provided through the state's Group Benefits Program. Certain categories of employees, such as physical plant and auxiliary employees, are not eligible for state funding of health care benefits. The premiums are based on benefits paid during the previous year. The state's contribution per full-time employee was \$316 per month for HealthSelect coverage and \$304 per month for HMO FirstCare coverage for the year ended August 31, 2005 (\$300 and \$268 per month, respectively, for fiscal year 2004).

The cost of providing health care benefits to retirees and active employees is as follows for the years ending August 31:

	2005	2004
Number of retirees receiving benefits	146	137
Cost of state's contribution	\$ 594,835	545,206
Cost of local contribution	45,441	37,534
Total cost of benefits for retirees	\$ 640,276	582,740
Number of active employees receiving benefits	342	364
Cost of state's contribution	\$ 964,567	975,182
Cost of federal grant contribution	146,144	141,883
Cost of local contribution	504,789	511,626
Total cost of benefits for active employees	\$ 1,615,500	1,628,691

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 13 – AD VALOREM TAX

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property located in the College district.

At August 31:

	2005	2004
Assessed valuation of the District (at January 1, 2004 and 2003)	\$ 6,370,121,743	5,775,949,475
Less: exemptions	(971,843,240)	(901,902,103)
Less: abatements	(352,810,266)	(243,399,914)
Net assessed valuation of the District	5,045,468,237	4,630,647,458

At August 31:

	2005			2004		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.20	0.50	0.70	0.20	0.50	0.70
Assessed tax rate per \$100 valuation	\$ 0.20	-	0.20	0.20	-	0.20

Taxes levied for the year ended August 31, 2005 and 2004 were \$10,090,432 and \$9,338,416, 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:

	2005			2004		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$ 9,757,696	-	9,757,696	9,016,959	-	9,016,959
Delinquent taxes collected	326,666	-	326,666	231,491	-	231,491
Penalties and interest collected	183,193	-	183,193	145,955	-	145,955
Total collections	\$ 10,267,555	-	10,267,555	9,394,405	-	9,394,405

Tax collections (including delinquent collections) for the years ended August 31, 2005 and 2004 were 99.94% and 99.04%, respectively, of the current year tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance and operations.

#### NOTE 14 - INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2005 and 2004.

## Odessa Junior College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2005 and 2004

#### NOTE 15 – DEFERRED COMPENSATION PROGRAM

The College's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. As of August 31, 2005 and 2004, the College had no employees participating in the program.

#### NOTE 16 – EARLY RETIREMENT PROGRAM

During fiscal year 1994, the College instituted an early retirement program for the benefits of its employees. To be eligible the employee must have been a full time employee as of June 1, 1994 and had a sum of age and full year of service with the College of 70- or greater, with those years of service being ten or more full years as of June 1, 1994. Upon meeting these eligibility requirements, the employee had the election to select one of three payment options listed below:

1. One hundred percent (100%) of base salary paid over 6 years,
2. One hundred sixteen point seven percent (116.7%) of base salary paid over 8 years, or
3. One hundred twenty five percent (125%) of base salary paid over 10 years.

All payments are to be made in quarterly installments. During June of 1995, another early retirement offering was issued. The terms of this offering were the same as the initial offering. The College considers this plan to be subject to the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. As of August 31, 2004, the accrued liabilities for the benefits were \$12,662 and \$89,858, respectively, all of which were current liabilities.

#### NOTE 17 – COMPONENT UNITS

Odessa College Foundation, Incorporated (the Foundation) was established as a separate nonprofit organization in 1996, to raise funds to provide student scholarships and assistance in the development and growth of the College. Under Governmental Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Complete financial statements of the Odessa College Foundation, Incorporated can be obtained from the administrative offices of the Foundation/Odessa Junior College District.



**REQUIRED SUPPLEMENTAL INFORMATION**

Odessa Junior College District

Schedule A

SCHEDULE OF OPERATING REVENUES

Year Ended August 31, 2005  
With Memorandum Totals for the Year Ended August 31, 2004

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2005 Total</u>	<u>2004 Total</u>
<b>Tuition</b>						
State-funded credit courses						
In-district resident tuition	\$ 2,254,374	-	2,254,374	-	2,254,374	1,750,296
Out-of-district resident tuition	1,166,928	-	1,166,928	-	1,166,928	1,060,356
Non-resident tuition	231,583	-	231,583	-	231,583	173,794
TPEG credit set aside *	202,267	-	202,267	-	202,267	170,018
State-funded continuing education	896,783	-	896,783	-	896,783	684,740
TPEG non-credit set aside *	56,390	-	56,390	-	56,390	36,624
Non-state funded educational programs	<u>172,699</u>	<u>-</u>	<u>172,699</u>	<u>-</u>	<u>172,699</u>	<u>142,375</u>
Total tuition	<u>4,981,024</u>	<u>-</u>	<u>4,981,024</u>	<u>-</u>	<u>4,981,024</u>	<u>4,018,203</u>
<b>Fees</b>						
Student use fees	908,589	-	908,589	-	908,589	905,677
Institutional/course fees	20,735	-	20,735	-	20,735	21,380
Student service fees	-	-	-	94,876	94,876	94,892
Laboratory fees	177,758	-	177,758	-	177,758	181,307
Other fees	<u>21,184</u>	<u>-</u>	<u>21,184</u>	<u>-</u>	<u>21,184</u>	<u>26,984</u>
Total fees	<u>1,128,266</u>	<u>-</u>	<u>1,128,266</u>	<u>94,876</u>	<u>1,223,142</u>	<u>1,230,240</u>
<b>Scholarship allowances and discounts</b>						
Scholarship allowances	(359,667)	(56,067)	(415,734)	-	(415,734)	(289,912)
Local remissions and exemptions	(3,368)	-	(3,368)	-	(3,368)	(1,103)
State remissions and exemptions	(69,201)	-	(69,201)	(349)	(69,550)	(85,534)
TPEG allowances	(92,865)	-	(92,865)	-	(92,865)	(100,877)
Federal grants to students	-	(2,255,930)	(2,255,930)	-	(2,255,930)	(2,025,458)
State grants to students	-	(389,155)	(389,155)	-	(389,155)	(101,583)
Total scholarship allowances	<u>(525,101)</u>	<u>(2,701,152)</u>	<u>(3,226,253)</u>	<u>(349)</u>	<u>(3,226,602)</u>	<u>(2,604,467)</u>
Total net tuition and fees	<u>5,584,189</u>	<u>(2,701,152)</u>	<u>2,883,037</u>	<u>94,527</u>	<u>2,977,564</u>	<u>2,643,976</u>
<b>Other operating revenues</b>						
Federal grants and contracts	19,824	8,950,452	8,970,276	-	8,970,276	7,619,333
State grants and contracts	-	562,368	562,368	-	562,368	1,199,699
Nongovernmental grants and contracts	-	27,500	27,500	-	27,500	110,740
Sales and services of educational activities	261,726	407	262,133	-	262,133	273,263
Investment income (program restricted)	-	20,175	20,175	820	20,995	13,943
General operating revenues	<u>406,282</u>	<u>22,682</u>	<u>428,964</u>	<u>-</u>	<u>428,964</u>	<u>462,956</u>
Total other operating revenues	<u>687,832</u>	<u>9,583,584</u>	<u>10,271,416</u>	<u>820</u>	<u>10,272,236</u>	<u>9,679,934</u>

**Odessa Junior College District**

**Schedule A**

**SCHEDULE OF OPERATING REVENUES (CONTINUED)**

**Year Ended August 31, 2005**

**With Memorandum Totals for the Year Ended August 31, 2004**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2005 Total</u>	<u>2004 Total</u>
Auxiliary enterprises						
Bookstore **	\$ -	-	-	172,530	172,530	165,572
Food service	-	-	-	308,542	308,542	342,056
Less: meal discounts and allowances	-	-	-	-	-	(115,002)
Student housing	-	-	-	47,029	47,029	118,777
Less: housing discounts and allowances	-	-	-	(28,828)	(28,828)	(61,068)
Other auxiliaries	-	-	-	16,235	16,235	16,149
Total net auxiliary enterprises	-	-	-	515,508	515,508	466,484
Total Operating Revenues	\$ 6,272,021	6,882,432	13,154,453	610,855	13,765,308 (Exhibit 2)	12,790,394 (Exhibit 2)

\* In accordance with Education Code 56.033, \$258,658 and \$206,642 for years ending August 31, 2005 and 2004, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

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

Odessa Junior College District

Schedule B

SCHEDULE OF OPERATING EXPENSES  
BY OBJECT

Year Ended August 31, 2005  
With Memorandum Totals for the Year Ended August 31, 2004

	Salaries & Wages	Staff Benefits		Other Expenses	2005 Total	2004 Total
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 7,736,232	-	575,424	1,259,405	9,571,061	8,925,932
Public service	626,781	-	32,024	110,722	769,527	720,270
Academic support	1,634,781	-	107,316	535,876	2,277,973	2,139,084
Student services	1,374,079	-	112,590	392,385	1,879,054	1,540,107
Institutional support	1,678,553	-	786,174	1,061,219	3,525,946	3,306,196
Operation and maintenance of plant	743,999	-	228,672	2,546,294	3,518,965	3,614,212
Scholarship and fellowships	-	-	-	300,359	300,359	148,637
Total Unrestricted Educational Activities	<u>13,794,425</u>	<u>-</u>	<u>1,842,200</u>	<u>6,206,260</u>	<u>21,842,885</u>	<u>20,394,438</u>
Restricted - Educational Activities						
Instruction	540,271	1,314,391	50,196	293,162	2,198,020	2,969,716
Public service	237,431	60,734	39,621	189,831	527,617	1,086,435
Academic support	353,547	242,897	74,766	648,692	1,319,902	698,038
Student services	599,972	219,258	136,592	410,823	1,366,645	1,289,268
Institutional support	11,232	408,394	-	38,820	458,446	391,262
Operation and maintenance of plant	1,993	-	-	-	1,993	-
Scholarship and fellowships	-	-	-	3,203,026	3,203,026	2,808,089
Total Restricted Educational Activities	<u>1,744,446</u>	<u>2,245,674</u>	<u>301,175</u>	<u>4,784,354</u>	<u>9,075,649</u>	<u>9,242,808</u>
Auxiliary Enterprises	231,721	-	41,692	949,723	1,223,136	1,241,430
Depreciation Expense – Buildings and other real estate improvements	-	-	-	498,422	498,422	518,614
Depreciation Expense – Equipment and furniture	-	-	-	252,044	252,044	262,281
Total Operating Expenses	\$ <u>15,770,592</u>	<u>2,245,674</u>	<u>2,185,067</u>	<u>12,690,803</u>	<u>32,892,136</u> (Exhibit 2)	<u>31,659,571</u> (Exhibit 2)

Odessa Junior College District

Schedule C

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

Year Ended August 31, 2005  
With Memorandum Totals for the Year Ended August 31, 2004

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2005 Total</u>	<u>2004 Total</u>
NON-OPERATING REVENUES:					
State appropriations:					
Education and general support	\$ 8,318,055	-	-	8,318,055	8,318,193
State group insurance	-	1,562,402	-	1,562,402	1,520,388
State retirement matching	-	<u>683,272</u>	-	<u>683,272</u>	<u>647,750</u>
Total state appropriations	<u>8,318,055</u>	<u>2,245,674</u>	-	<u>10,563,729</u>	<u>10,486,331</u>
Property taxes for maintenance and operations	10,346,299	-	-	10,346,299	9,407,532
Gifts – noncapital	38,721	158,212	2,851	199,784	261,093
Investment income – not restricted to programs	496,204	-	-	496,204	495,788
Other non-operating revenues	<u>13,984</u>	-	-	<u>13,984</u>	<u>12,810</u>
Total Non-Operating Revenues	<u>19,213,263</u>	<u>2,403,886</u>	<u>2,851</u>	<u>21,620,000</u>	<u>20,663,554</u>
NON-OPERATING EXPENSES:					
Interest on capital-related debt	1,501,502	-	-	1,501,502	1,573,243
Loss on disposal of capital assets	147,687	-	-	147,687	135,519
Other non-operating expenses	<u>79,481</u>	-	-	<u>79,481</u>	<u>79,481</u>
Total Non-Operating Expenses	<u>1,728,670</u>	-	-	<u>1,728,670</u>	<u>1,788,243</u>
Net Non-Operating Revenues	\$ <u>17,484,593</u>	<u>2,403,886</u>	<u>2,851</u>	<u>19,891,330</u> (Exhibit 2)	<u>18,875,311</u> (Exhibit 2)

Odessa Junior College District

Schedule D

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

Year Ended August 31, 2005  
With Memorandum Totals for the Year Ended August 31, 2004

	Details by Source					Available for Current Operations	
	Unrestricted	Restricted Expendable	Non- Expendable	Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
Current:							
Undesignated	\$ 14,211,625	-	-	-	14,211,625	14,211,625	-
Board designated	47,970	-	-	-	47,970	-	47,970
Restricted	-	568,529	-	-	568,529	-	568,529
Auxiliary enterprises	28,323	-	-	-	28,323	28,323	-
Loans	-	847,047	-	-	847,047	-	847,047
Endowment	-	-	671,917	-	671,917	-	671,917
Plant							
Renewal and replacement	-	4,036,967	-	-	4,036,967	-	4,036,967
Debt service	-	5,247,447	-	-	5,247,447	-	5,247,447
Investment in plant	-	-	-	(7,115,132)	(7,115,132)	-	(7,115,132)
Total Net Assets, August 31, 2005	14,287,918	10,699,990	671,917	(7,115,132)	18,544,693 (Exhibit 1)	14,239,948	4,304,745
Total Net Assets, August 31, 2004	<u>12,143,665</u>	<u>13,936,970</u>	<u>670,210</u>	<u>(8,977,654)</u>	<u>17,773,191</u> (Exhibit 1)	<u>12,112,190</u>	<u>5,661,001</u>
Net Increase (Decrease) in Net Assets	\$ <u>2,144,253</u>	<u>(3,236,980)</u>	<u>1,707</u>	<u>1,862,522</u>	<u>771,502</u> (Exhibit 2)	<u>2,127,758</u>	<u>(1,356,256)</u>

**Odessa Junior College District**

**Schedule E**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended August 31, 2005**

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Document/ Pass Through Grantor's Number</u>	<u>Pass Through Disbursement and Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Supplemental Educational Opportunity Grant	84.007	-	\$ 134,537
Strengthening Institutions Program	84.031	-	873,823
Federal College Work Study	84.033	-	133,026
Student Support Services	84.042	-	242,922
Upward Bound	84.047	-	282,679
Pell Grant	84.063	-	4,761,608
Educational Opportunity Centers Program	84.066	-	242,047
Bilingual Education-Professional Development	84.195	-	445,129
Gear Up	84.334	-	<u>512,350</u>
Subtotal Direct Programs		-	<u>7,628,121</u>
Pass-through from:			
Texas Education Agency			
Adult Education	84.002A	41000501	347,054
Adult Education – Professional Development	84.002A	41000503	<u>-</u>
Subtotal Adult Basic Education			<u>347,054</u>
Pass-through from:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	54235	420,034
Carl Perkins Tech Prep	84.243	51714	<u>280,804</u>
Subtotal Carl Perkins			<u>700,838</u>
Total U.S. Department of Education			<u>8,676,013</u>
<u>U.S. Department of Agriculture</u>			
Pass-through from:			
Texas Department of Human Services			
Child and Adult Care Food Program	10.558	1650013	<u>47,019</u>
<u>U.S. Department of Labor</u>			
Direct Programs:			
Energy Education:			
Internet Petroleum Technology Course	17.261	AF-12790-03-60	40,739
<u>U.S. Department of Health and Human Services</u>			
Pass-through from:			
Greater Opportunities of Permian Basin			
Head Start Program	93.600	O6CH5616	<u>190,897</u>
Total Federal Financial Assistance			\$ <u>8,954,668</u>

Notes to Schedule on following page.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended August 31, 2005

**Note 1: FEDERAL ASSISTANCE RECONCILIATION**

Federal revenues per Exhibit 2:		
Federal grants and contracts		\$ 8,970,275
Less: Expenditures Not Subject to A-133 Audit (Note 3)		<u>(15,607)</u>
Total Expenditures Per Schedule of Expenditures of Federal Awards		\$ <u>8,954,668</u>

**Note 2: SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE**

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended to the College for the purposes of the award. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**NOTE 3: EXPENDITURES NOT SUBJECT TO FEDERAL SINGLE AUDIT:**

KOCV-FM, public radio station licensed by the College,  
received federal funds passed through to the following entities:

Corporation for Public Broadcasting (CPB)	\$ <u>15,607</u>
---	------------------

**NOTE 4: STUDENT LOANS PROCESSED AND ADMINISTRATIVE COSTS RECOVERED –  
Not included in Schedule**

Federal Grantor <u>CFDA Number/Program Name</u>	<u>New Loans Processed</u>	<u>Administrative Costs Recovered</u>	<u>Total Loans Processed &amp; Admin. Costs Recovered</u>
<u>Department of Education</u>			
84.032 Federal Family Education Loan Program	\$ 450,652	-	450,652
84.000 PLUS Parent Loan Program	<u>37,102</u>	-	<u>37,102</u>
	\$ <u>487,754</u>	-	<u>487,754</u>



**Odessa Junior College District**

**Schedule F**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

**Year Ended August 31, 2004**

<u>Grantor Agency / Program Title</u>	<u>Grant Contract Number</u>	<u>Disbursements and Expenditures</u>
Texas Education Agency State Adult Education	1000501	\$ 69,287
Texas Higher Education Coordinating Board Texas College Work Study	9400179M	9,460
Texas Grant	-	154,014
College for Texas Campaign	-	10,000
Law Enforcement Officer Standards in Education Agency LEOSE Training Grant	-	1,283
Texas Workforce Commission Skills Development	1103SDF000	318,324
Total State Financial Assistance (per Schedule A)		\$ <u>562,368</u>

**NOTE 1: STATE ASSISTANCE RECONCILIATION**

State revenues per Exhibit 2:

Operating Revenues:

    State and local government grants and contracts \$ 562,368

Total Expenditures Per Schedule of Expenditures of State Awards \$ 562,368

**SINGLE AUDIT REPORTS**



# JOHNSON, MILLER & CO.

*Certified Public Accountants*

*A Professional Corporation*

*An Independent Member Of BDO Seidman Alliance*

Odessa, Texas

Midland, Texas

Hobbs, New Mexico

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

The Board of Trustees  
Odessa Junior College District  
Odessa, Texas

### **Compliance**

We have audited the compliance of Odessa Junior College District (the "College") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the provisions of the *State of Texas Single Audit Circular* that are applicable to each of its major federal and state programs for the year ended August 31, 2005. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and the provisions of the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133 and 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2005.

### **Internal Control Over Compliance**

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However one reportable condition was noted. The reportable condition is described in the accompanying Schedule of Findings and Questioned Cost as No. 05-1.

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

Odessa, Texas  
November 2, 2005

A handwritten signature in cursive script that reads "Johnson, Milley & Co." The signature is written in black ink and is positioned to the right of the date and location text.

**Odessa Junior College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**August 31, 2005**

The Board of Trustees  
Odessa Junior College District  
Odessa, Texas

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

Type of Auditor's Report issued Unqualified

Internal control over financial reporting:

Material Weaknesses identified? No

Reportable Conditions Identified that are  
not considered to be material weaknesses? Yes

Noncompliance material to financial  
statements noted? No

Federal and State Awards

Internal control over major programs:

Material Weaknesses identified? No

Reportable Conditions 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 501(a) of Circular A-133 and/or  
the State of Texas Single Audit Circular ? Yes

## Odessa Junior College District

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

August 31, 2005

#### Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.031	Strengthening Institutions Program
84.063	Pell Grant
84.007	Federal Supplemental Education Opportunity
84.032	Educational Opportunity Centers Program
84.033	Bilingual Education – Professional Development
84.334	Gear Up
Dollar threshold used to distinguish between type A and type B programs:	\$500,000
Auditee qualified as low-risk auditee?	Yes
Section II - FINANCIAL STATEMENT FINDINGS	None
Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	
August 31, 2005	Yes
August 31, 2004	None

## Odessa Junior College District

### SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)

August 31, 2005

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

##### 05-1 Circular A-133 General Requirements Compliance

- Statement of condition:

While testing payments made related to alteration and repair to the Center of Teaching Excellence, we noted that the College did not have certified weekly payrolls from the contractor.

- Criteria:

Section 501 of Circular A-133 requires the College to comply with the general requirements which include the Davis-Bacon Act regarding the spending of federal money.

The Davis-Bacon Act applies to each contract over \$2,000 for the construction, alteration or repair of public buildings.

- Effect:

Reportable condition and questioned costs totaling \$36,848.

- Cause:

College personnel did not verify that the contractor submitted certified weekly payrolls.

- Recommendation:

The College should ensure that all federal money is spent in compliance with Section 501 Circular A-133 general requirements.

- Management's Response:

The architect's bid documents included the required schedule of prevailing wage rates, and the contractor submitted a letter confirming that he complied with the wage schedule. However, College personnel assumed the project was a minor remodeling rather than a construction project and did not verify that the contractor submitted certified weekly payrolls. The purchasing department has been reminded that the Davis-Bacon Act applies to each contract over \$2,000 for the construction, alteration, or repair of public buildings. Accordingly, procedures have been put into place so that every bid document involving federal funds for construction, alteration, or repair shall contain the following:

1. A clause regarding the required prevailing wage rate,
2. A schedule of the current wage rates from the Department of Labor web site, and
3. A copy of the D.O.L. Form WH-347 for the contractor's use, if applicable, and the requirement that such form be submitted weekly to the College before any payments are made to the contractor.

## **STATISTICAL SUPPLEMENT**



## **STATISTICAL SUPPLEMENT**

Revenue by Source

Ad Valorem Tax Rates Assessed - Last Ten Fiscal Years

Ad Valorem Tax Rates Authorized - Last Ten Fiscal Years

Net Assessed Valuation - Last Ten Fiscal Years

Ad Valorem Tax Collections - Last Ten Fiscal Years

Headcount Enrollment - Last Ten Fiscal Years

Contact Hours Generated - Last Ten Fiscal Years

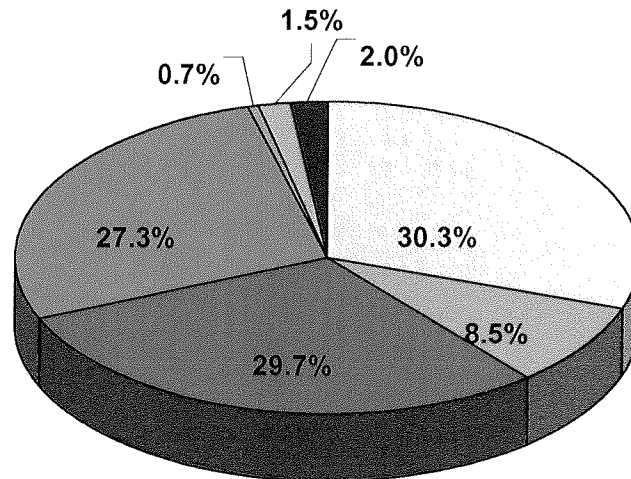
State Allocations Per FTSE - Last Ten Fiscal Years

**Odessa Junior College District  
Revenue by Source  
For the Year Ended August 31, 2005**

**(Excluding Auxiliaries)  
(UNAUDITED)**

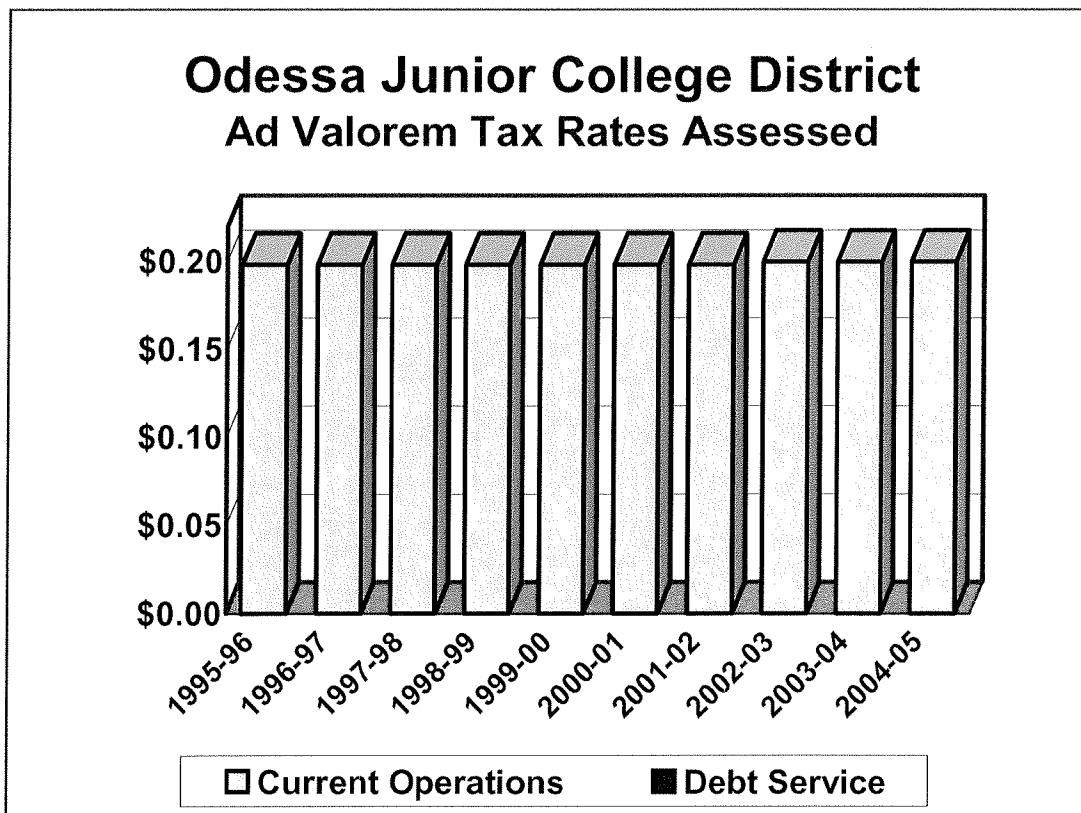
State appropriations	\$ 10,563,729	30.3%
Tuition and fees	2,977,564	8.5%
Taxes for current operations	10,346,299	29.7%
Federal & state grants	9,532,643	27.3%
Gifts	234,284	0.7%
Investment income	517,199	1.5%
Other income	<u>705,081</u>	<u>2.0%</u>
 Total current funds revenues	 \$ <u><u>34,876,799</u></u>	 <u><u>100.0%</u></u>

**Odessa Junior College District  
Revenue by Source 2004-2005**



**Odessa Junior College District  
Ad Valorem Tax Rates Assessed  
Last Ten Fiscal Years  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
1995-96	0.1984	0.0000	0.1984
1996-97	0.1984	0.0000	0.1984
1997-98	0.1984	0.0000	0.1984
1998-99	0.1984	0.0000	0.1984
1999-00	0.1984	0.0000	0.1984
2000-01	0.1984	0.0000	0.1984
2001-02	0.1984	0.0000	0.1984
2002-03	0.2000	0.0000	0.2000
2003-04	0.2000	0.0000	0.2000
2004-05	0.2000	0.0000	0.2000
	(a)	(b)	



(a) Maximum authorized rate for current operations is \$0.20.

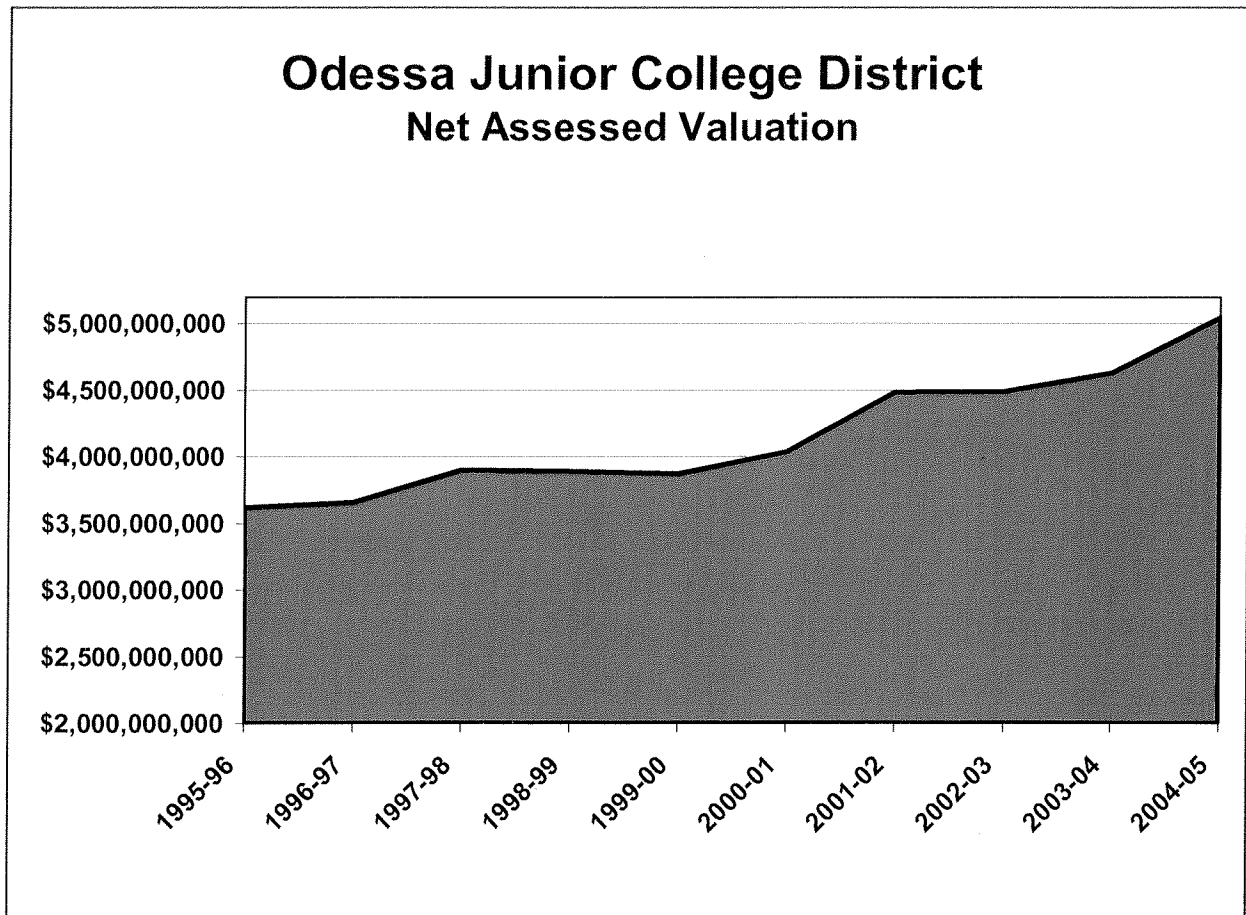
(b) Maximum authorized rate for debt service is \$0.50.

**Odessa Junior College District  
Ad Valorem Tax Rates Authorized  
Last Ten Fiscal Years  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
1995-96	0.2000	0.5000	0.7000
1996-97	0.2000	0.5000	0.7000
1997-98	0.2000	0.5000	0.7000
1998-99	0.2000	0.5000	0.7000
1999-00	0.2000	0.5000	0.7000
2000-01	0.2000	0.5000	0.7000
2001-02	0.2000	0.5000	0.7000
2002-03	0.2000	0.5000	0.7000
2003-04	0.2000	0.5000	0.7000
2004-05	0.2000	0.5000	0.7000

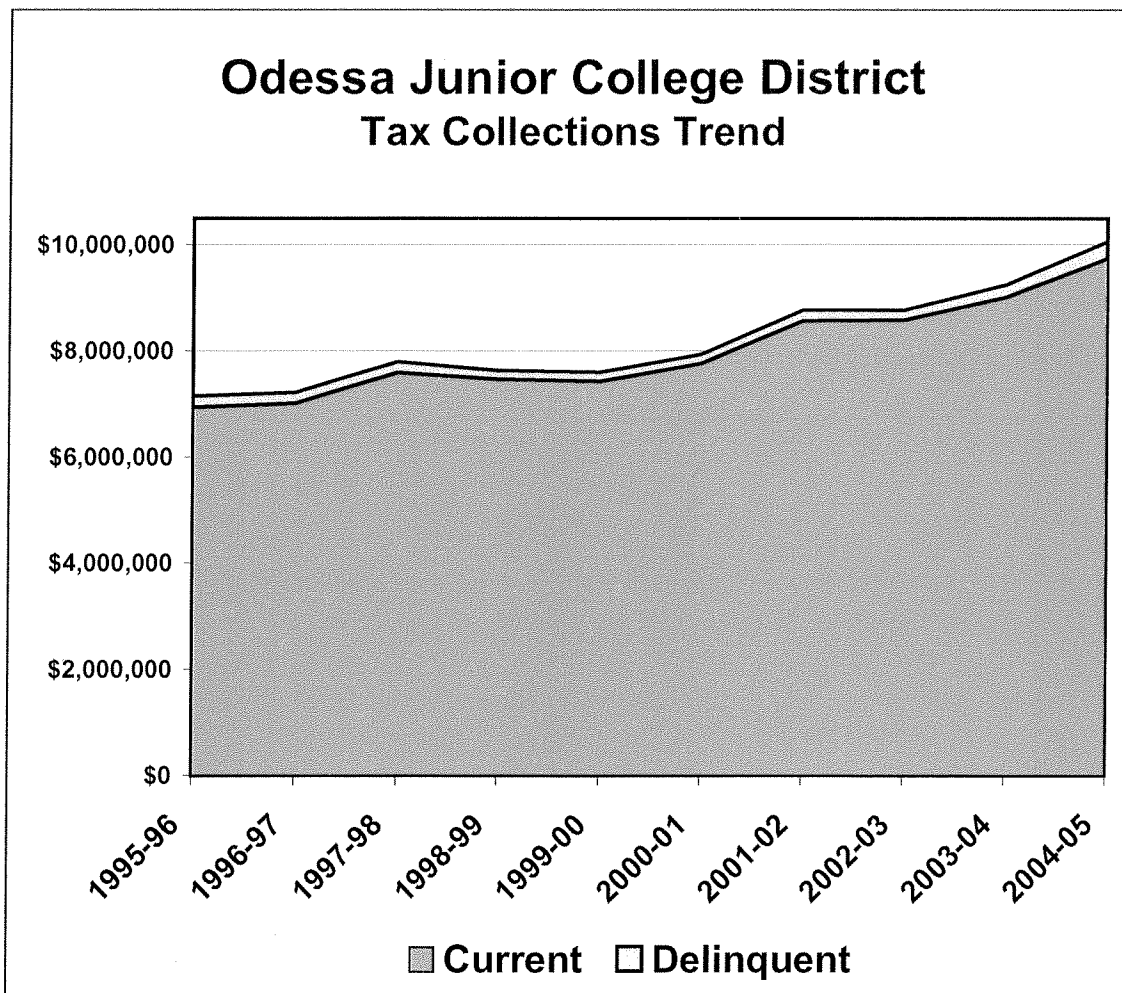
**Odessa Junior College District  
Net Assessed Valuation  
Last Ten Fiscal Years  
(UNAUDITED)**

Fiscal Year	Assessed Valuation	Less Exemptions & Abatements	Net Assessed Valuation
1995-96	4,195,166,999	(578,084,021)	3,617,082,978
1996-97	4,341,785,941	(684,661,288)	3,657,124,653
1997-98	4,636,863,825	(735,211,984)	3,901,651,841
1998-99	4,666,070,671	(776,218,656)	3,889,852,015
1999-00	4,650,468,697	(778,793,346)	3,871,675,351
2000-01	4,908,097,704	(870,239,201)	4,037,858,503
2001-02	5,669,923,965	(1,183,960,548)	4,485,963,417
2002-03	5,747,875,016	(1,257,014,350)	4,490,860,666
2003-04	5,775,949,475	(1,145,302,017)	4,630,647,458
2004-05	6,370,121,743	(1,324,653,506)	5,045,468,237



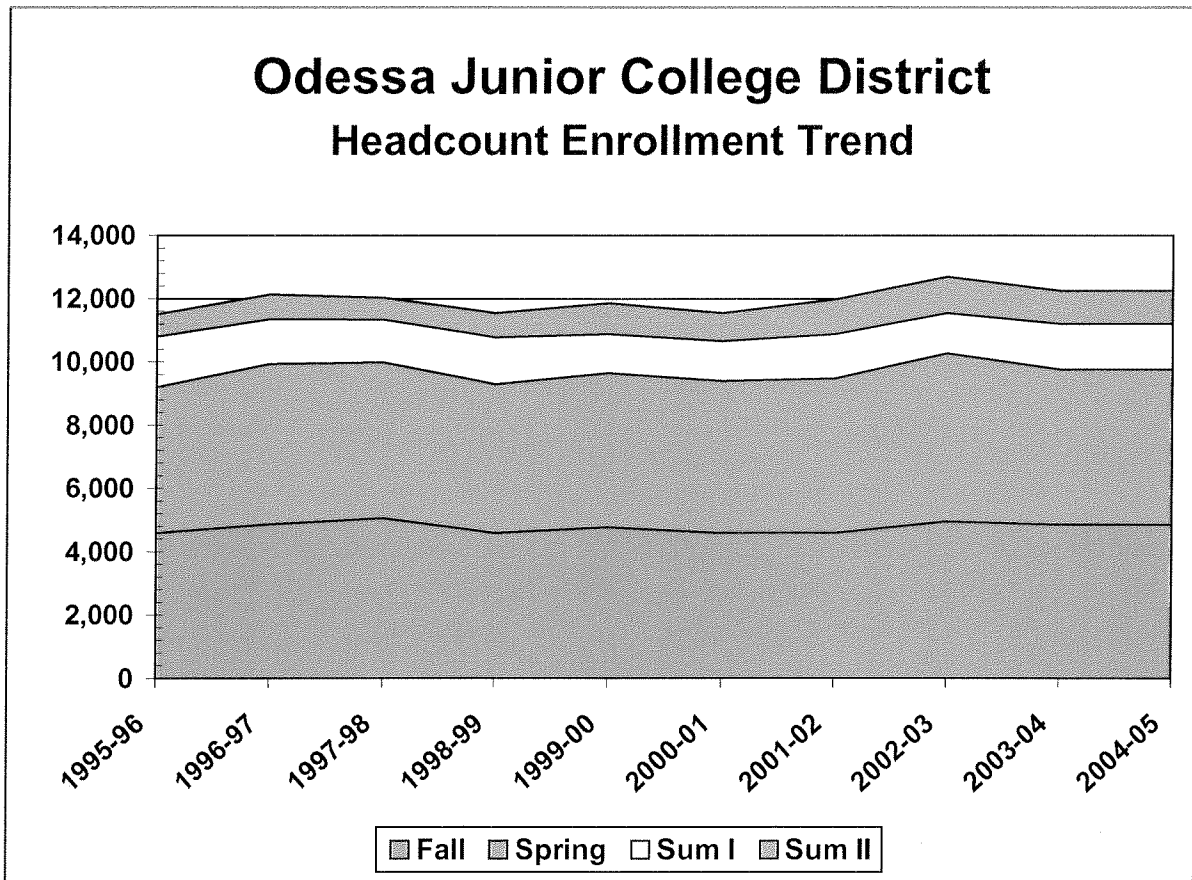
**Odessa Junior College District  
Ad Valorem Tax Collections  
Last Ten Fiscal Years  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Current Tax Collections</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>
1995-96	6,932,528	214,710	7,147,238
1996-97	7,016,428	203,564	7,219,992
1997-98	7,587,834	204,771	7,792,605
1998-99	7,464,628	166,642	7,631,270
1999-00	7,424,080	179,209	7,603,289
2000-01	7,761,061	173,322	7,934,383
2001-02	8,566,937	206,353	8,773,290
2002-03	8,584,372	191,032	8,775,404
2003-04	9,016,959	231,491	9,248,450
2004-05	9,737,949	326,666	10,064,615



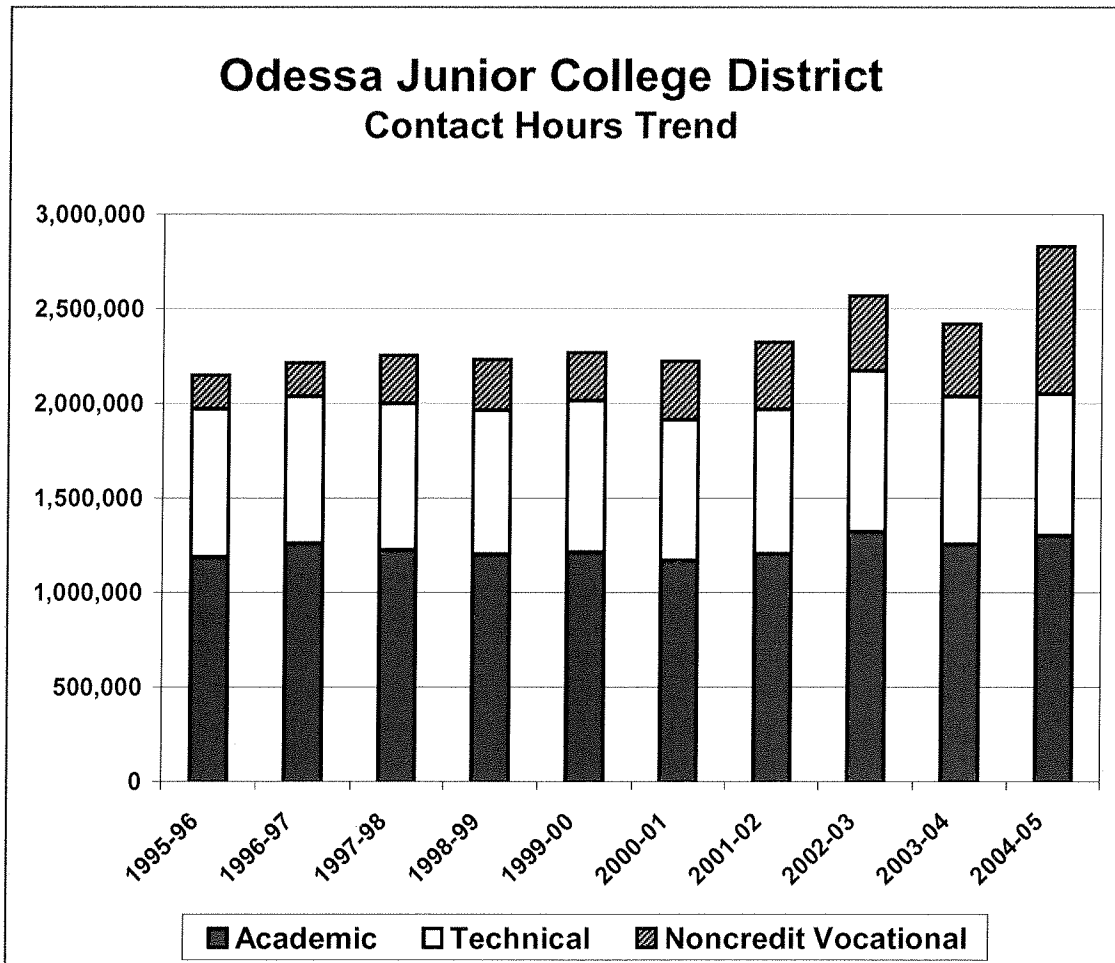
**Odessa Junior College District  
Headcount Enrollment  
Last Ten Fiscal Years  
(UNAUDITED)**

Fiscal Year	Headcount by Semester					Unduplicated Headcount
	Fall	Spring	Sum I	Sum II	Total	
1995-96	4,591	4,613	1,591	718	11,513	6,682
1996-97	4,860	5,079	1,410	795	12,144	6,949
1997-98	5,059	4,930	1,355	689	12,033	7,000
1998-99	4,589	4,707	1,476	782	11,554	6,517
1999-00	4,778	4,865	1,236	986	11,865	6,651
2000-01	4,586	4,814	1,254	895	11,549	6,470
2001-02	4,586	4,896	1,400	1,103	11,985	6,560
2002-03	4,951	5,329	1,272	1,150	12,702	6,956
2003-04	4,854	4,917	1,438	1,054	12,263	6,566
2004-05	4,854	4,917	1,438	1,054	12,263	6,504



**Odessa Junior College District  
Contact Hours Generated  
Last Ten Fiscal Years  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Academic</u>	<u>Technical</u>	<u>Non-Credit Vocational</u>	<u>Total</u>
1995-96	1,185,107	785,213	177,643	2,147,963
1996-97	1,256,408	779,607	178,824	2,214,839
1997-98	1,223,167	775,408	255,602	2,254,177
1998-99	1,200,608	763,184	267,318	2,231,110
1999-00	1,211,512	802,096	255,266	2,268,874
2000-01	1,167,512	745,168	310,335	2,223,015
2001-02	1,201,600	767,776	355,720	2,325,096
2002-03	1,318,988	853,264	397,432	2,569,684
2003-04	1,253,136	784,032	384,129	2,421,297
2004-05	1,299,545	750,544	780,555	2,830,644





**Odessa Junior College District  
State Allocations  
Per Full Time Student Equivalent (FTSE)  
Last Ten Fiscal Years  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>State Allocation</u>	<u>FTSE</u>	<u>Allocation Per FTSE</u>
1995-96	\$6,963,734	3,202	\$2,175
1996-97	\$6,963,734	3,328	\$2,092
1997-98	\$8,145,728	3,344	\$2,436
1998-99	\$8,471,859	3,343	\$2,534
1999-00	\$8,655,463	3,309	\$2,616
2000-01	\$8,882,247	3,291	\$2,699
2001-02	\$8,863,040	3,440	\$2,576
2002-03	\$8,113,483	3,777	\$2,148
2003-04	\$8,318,193	3,604	\$2,308
2004-05	\$8,318,055	4,062	\$2,048

