



BLINN COLLEGE

Annual Financial Report

**Fiscal Years Ended
August 31, 2005 and 2004**

**Mir & Fox
Rodriguez, P.C.**
Certified Public Accountants

BLINN COLLEGE

Table of Contents

	Page	Exhibit/ Schedule
Organizational Data	1	
Independent Auditors' Report	2	
Management's Discussion and Analysis	4	
Basic Financial Statements		
Statements of Net Assets	12	Exhibit 1
Statements of Revenues, Expenses, and Changes in Net Assets	13	Exhibit 2
Statements of Cash Flows	14	Exhibit 3
Notes to Basic Financial Statements	15	
Supplemental Schedules		
Schedule of Operating Revenues	31	Schedule A
Schedule of Operating Expenses by Object	32	Schedule B
Schedule of Nonoperating Revenues and Expenses	33	Schedule C
Schedule of Net Assets by Source and Availability	34	Schedule D
Schedule of Bonds Payable and Debt Service Requirements	35	Schedule G
Single Audit Reports and Schedule of Expenditures of Federal and State Awards		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	37	
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	38	

BLINN COLLEGE

Table of Contents, Continued

	Page	Exhibit/ Schedule
Schedule of Expenditures of Federal Awards	40	Schedule E
Schedule of Expenditures of State Awards	41	Schedule F
Notes to Schedules of Expenditures of Federal and State Awards	43	
Schedule of Findings and Questioned Costs	44	
 Statistical Section (Unaudited)		
Headcount Enrollment Trend	46	
Tax Rates Authorized and Assessed	47	
Net Assessed Valuation	48	
Property Taxes Collected	49	
Contact Hour History	50	
Full Time Student Equivalents (FTSE)	51	
Revenues by Source	52	
Expenditures by Function	53	

BLINN COLLEGE

Organizational Data
Year Ended August 31, 2005

Board of Trustees

Officers

Steve M. Westbrook, President
Atwood C. Kenjura, Vice-President
Norwood Lange, Secretary

Members

Term Expires
May 31,

L. J. Lacina, Jr.	Brenham, Texas	2006
Atwood C. Kenjura	Brenham, Texas	2006
Steve M. Westbrook	Brenham, Texas	2006
Norwood Lange	Brenham, Texas	2008
Leon B. Toubin	Brenham, Texas	2008
Henry J. Boehm, Jr., M.D.	Brenham, Texas	2010
Don Jones	Brenham, Texas	2010

Key Administrators

Donald E. Voelter, Ph.D., President
John D. Barkman, Executive Vice President
John M. Robertson, III, VP Business Services
Ronald L. Johnston, Ed.D., VP Academic Affairs
John Harris, Ed.D., VP Student Services
Barbara Pearson, Ph.D., VP Brazos County Campuses

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Blinn College:

We have audited the accompanying basic financial statements of Blinn College (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 Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

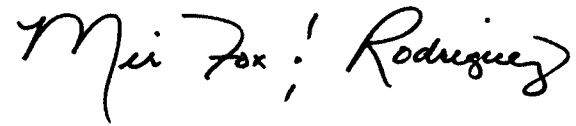
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2005 and 2004, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2005 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our 2005 audit was performed for the purpose of forming an opinion on the August 31, 2005 basic financial statements of the College, taken as a whole. The supplemental schedules (schedules A through D, F and G) and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental schedules A through D, F and G have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied by us in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Our 2005 audit was conducted for the purpose of forming an opinion on the August 31, 2005 basic financial statements. The accompanying schedule of expenditures of Federal awards (Schedule E) as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, is presented for purpose of additional analysis and is not a part of the August 31, 2005 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2005 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2005 basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mei Fox Rodriguez". The signature is written in a cursive style with a colon after "Fox".

October 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Blinn College's (the College) annual financial statements provide an overview of the College's financial performance for the fiscal years ended August 31, 2005 and 2004. Management's discussion and analysis is based on management's knowledge of current activities, resultant changes and known facts; therefore, it should be read in conjunction with the accompanying basic financial statements and the associated notes. The basic financial statements, notes and this discussion are the responsibility of management.

Financial Highlights and Significant Activities for 2005

The following significant financial events and activities occurred during the fiscal year ended August 31, 2005:

- Net assets increased by \$5.0 million
- Tuition and fee revenue increased by \$1.6 million
- The Sealy Campus was opened
- The Schulenburg campus added a new classroom building for \$1.5 million
- Revenue Bonds of \$11.8 million were issued to purchase the Bryan Lease

The College's overall net assets increased approximately \$5 million, or 9%, which reflects the continued commitment of the Board of Trustees to invest in capital improvements. To counter the effects of the reduction in State funding and to maintain the quality of education for the students that the College serves, the College's Board of Trustees raised tuition and fees accordingly. Students who are legal residents of Washington County (in-district) saw a \$4 per semester credit hour increase in their tuition rates. Students who live outside of Washington County (out-of-district) saw a \$5 per semester credit hour increase on their tuition rates. These actions led to an increase in total tuition and fee revenue of approximately \$1.6 million, or 7.9%.

The Sealy Campus was opened in the Spring 2005 in the old Sealy outlet center mall with a student enrollment of 13 students. During the summer terms there were 45 students and 30 students in Summer I and Summer II, respectively. The projected headcount for Fall 2005 is 65 students. The College's cost of renovation and refurbishing this site was approximately \$200,000.

The new classroom building on the Schulenburg campus is approximately 11,000 square feet with 6 classrooms, including one large classroom, 6 offices, and 125 parking spaces. The total capital cost of this building was approximately \$1.25 million which was funded by contributions received from the Schulenburg Economic Development Corporation.

Combined Fee Revenue Bonds (Series 2005 Bonds) were issued in July 2005 for repayment of the Bryan Campus lease with the City of Bryan, Texas and purchase of the related land. This increased total debt by approximately \$700,000 due to the new bond issue of \$11.8 million offset by the \$11.1 million reduction in capital leases, saving the College approximately \$150,000 a year. This transaction also added \$1.3 million to the College's bond reserve fund.

Financial Highlights and Significant Activities for 2004

The following significant financial events and activities occurred during the fiscal year ended August 31, 2004:

- Net assets increased by \$1.6 million
- State appropriations decreased by \$446,000
- Tuition and fee revenue increased by \$2.5 million
- Unrestricted net assets increased by \$1.3 million
- The sixth building on the Bryan Campus was completed
- The Bryan Campus library renovation and expansion was completed

The College's overall net assets increased approximately \$1.6 million, or 3%, which reflects the continued commitment of the Board of Trustees to invest in capital improvements. The State Legislature again reduced funding to all public community colleges in the current biennium. In fiscal year 2004, the first year of the biennium, the Legislature decreased the College's State appropriation by approximately \$446,000. To counter the effects of the reduction in State funding and to maintain the quality of education for the students that the College serves, the College's Board of Trustees raised tuition and fees accordingly. Students who are legal residents of Washington County (in-district) saw a \$2 per semester credit hour increase in their tuition rates. Students who live outside of Washington County (out-of-district) saw a \$5 per semester credit hour increase on their tuition rates. These actions led to an increase in total tuition and fee revenue of approximately \$2.5 million, or 14.7%.

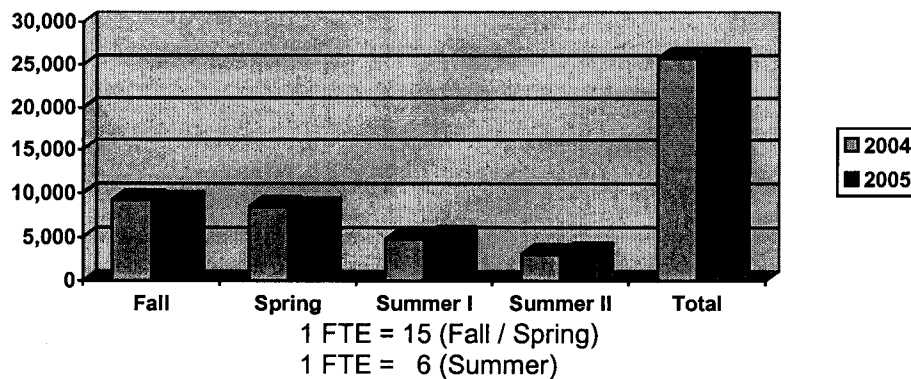
Total operating revenues increased approximately \$3.2 million, or 4.2%. Utilizing strict cost containment measures, the College's administration was able to limit the increase in operating expenses to approximately \$1.4 million, or 2.6%. The final net operating income of the College was approximately \$2.1 million, a \$925,000 increase over fiscal year 2003. This increase in the net operating income is due to tuition increases implemented by the College.

In January 2004, the sixth building on the Bryan Campus was opened for use. The 55,000 square foot building houses additional classrooms and science laboratories. The new two-story building also provided larger spaces for the campus bookstore, copy center, maintenance facilities and mailroom. The Bryan library completed a total renovation and 10,000 square foot expansion in August 2004. The new library space includes a dedicated classroom with thirty computer stations, group study rooms and additional individual study tables.

On average, 32% of the College's students transfer to and graduate from a four-year institution. The State average for transfers from all of the State's community colleges is 12%.

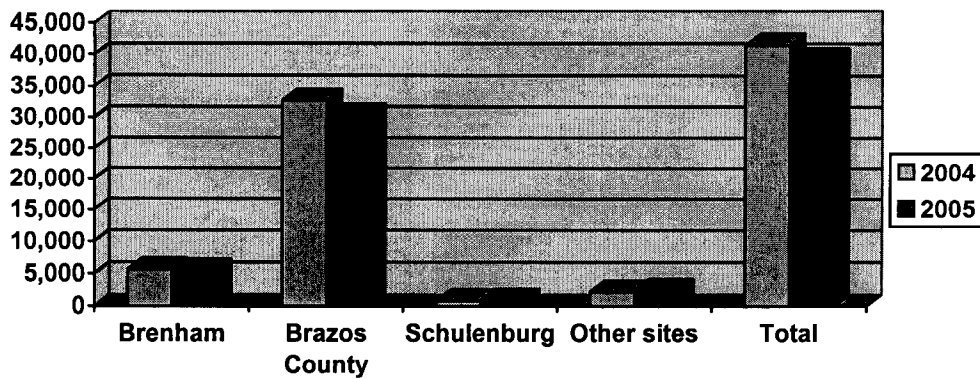
Below is a breakdown of the College's full time equivalency (FTE) enrollment by term for fiscal years 2004 and 2005:

BLINN COLLEGE
STUDENT FTE
FISCAL YEARS 2004 AND 2005



Below is a two-year comparison for student enrollment by campus:

BLINN COLLEGE
HEADCOUNT ENROLLMENT TREND
FISCAL YEARS 2004 AND 2005



Overview of the Basic Financial Statements

The College qualifies as a special purpose government entity, which is engaged in business-type activities. The basic financial statements are prepared on that basis and their form mirrors the statements utilized by organizations in the private sector of the economy. The basic financial statements include a statement of net assets, statement of revenues, expenses, and changes in net assets, statement of cash flows and notes to the basic financial statements.

The statement of net assets' focus is to report the total net resources available to finance future services. The statement presents all assets and liabilities of the College, and the change in net assets as of the end of the fiscal year. The statement is prepared under the accrual basis of accounting, in which revenues and assets are recognized when earned, and expenses and liabilities are recognized when incurred regardless of when cash is received or paid. The difference between total assets and total liabilities is net assets, which is one indicator of the financial condition of the College when considered with other such factors such as changes in enrollment, contact hours, student retention and other non-financial information. The statement of net assets is useful in determining the assets available to continue operations, as well as how much the College owes vendors, bondholders and other entities at the end of the year.

The statement of revenues, expenses, and changes in net assets denotes the results of business activities as revenues earned and expenses incurred over the course of the fiscal year. The statement also provides information regarding how the net assets of the College changed during the year. The statement is divided into the operating results of the College as well as the nonoperating revenues and expenses. Operating revenues are primarily those that result from instruction, the operation of the College's auxiliary services (student housing, cafeteria, athletics, etc.) and Federal, State and local grants. State appropriations, property tax receipts and interest income, while budgeted for operations, are considered to be nonoperating revenues. Depreciation is shown as an operating expense according to accounting principles generally accepted in the United States of America.

The statement of cash flows presents the information related to cash inflows and cash outflows summarized by operating, financing and investing activities. This statement presents cash receipts and cash disbursement information without consideration of the earning event. This information is crucial to determining the College's fiscal viability and its ability to meet financial obligations as they mature and helps users assess the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

The notes to the basic financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the College's accounting policies, significant account balances and activities, and contingencies.

Statement of Net Assets

The following is prepared from the College's statements of net assets (rounded to the nearest thousand) for the fiscal years ended August 31:

	<u>2005</u>	<u>2004</u>	Increase (decrease) <u>2005-2004</u>	<u>2003</u>	Increase (decrease) <u>2004-2003</u>
Assets					
Current assets	\$ 21,910,000	21,041,000	869,000	21,828,000	(787,000)
Capital assets, net of depreciation	83,862,000	83,079,000	783,000	83,385,000	(306,000)
Noncurrent assets	<u>12,093,000</u>	<u>8,580,000</u>	<u>3,513,000</u>	<u>7,918,000</u>	<u>662,000</u>
Total assets	<u>117,865,000</u>	<u>112,700,000</u>	<u>5,165,000</u>	<u>113,131,000</u>	<u>(431,000)</u>
Liabilities					
Current liabilities	20,168,000	17,839,000	2,329,000	17,149,000	690,000
Noncurrent liabilities	<u>38,949,000</u>	<u>41,132,000</u>	<u>(2,183,000)</u>	<u>43,893,000</u>	<u>(2,761,000)</u>
Total liabilities	<u>59,117,000</u>	<u>58,971,000</u>	<u>146,000</u>	<u>61,042,000</u>	<u>(2,071,000)</u>
Net assets					
Investments in capital assets, net of related debt	41,880,000	40,318,000	1,562,000	40,513,000	(195,000)
Restricted	12,712,000	9,230,000	3,482,000	8,684,000	546,000
Unrestricted	<u>4,156,000</u>	<u>4,181,000</u>	<u>(25,000)</u>	<u>2,892,000</u>	<u>1,289,000</u>
Total net assets	<u>\$ 58,748,000</u>	<u>53,729,000</u>	<u>5,019,000</u>	<u>52,089,000</u>	<u>1,640,000</u>

At August 31, 2005, current assets include \$14 million of cash and cash equivalents and \$6.7 million in student receivables related to fall 2005 semester. The net increase in current assets is due to the increase in student accounts receivables due to increased tuition charges each year. Capital assets increased by \$783,000 which is primarily attributable to \$1.25 million spent on the Schulenburg Campus classroom construction and \$1 million spent on the Bryan Campus improvements offset by additional \$2 in annual depreciation. The decrease in current assets in 2004 compared to 2003 is due to using unspent bond proceeds for various capital projects. The College spent over \$11 million on capital projects in 2003 and 2004; however, overall net capital assets decreased due to increasing annual depreciation on the completed projects.

The College's noncurrent assets include funds restricted for endowments and debt service. The College received approximately \$1.3 million in permanent endowment contributions during fiscal year 2005, which was an increase of over \$1 million from 2004 contributions. In addition, in 2005, the College received approximately \$1.3 million from the City of Bryan, Texas to fund the debt service reserve account for the Series 2005 bonds. Noncurrent assets will typically increase each year from contributions to permanent endowments and required additions to the debt service funds related to the College's bonds.

Current liabilities at August 31, 2005 include approximately \$1.7 million in accounts payable, \$15 million in deferred revenues, which relate to the fall 2005 semester student enrollment and the current portion of bond payments of approximately \$3 million. Deferred tuition and fees increased by \$1.5 million from fiscal year 2004 and \$630,000 from fiscal year 2003 due to an increase in tuition rates and enrollment growth. Noncurrent liabilities consist of future bond payments, which decreased by \$2.2 million and \$2.8 million in fiscal year 2005 and 2004, respectively, due to scheduled debt repayments.

At August 31, 2005 and 2004, total net assets were \$59 million and \$54 million, respectively. Net assets have increased over the three-year period. The College has an unrestricted net asset balance of approximately \$4.2 million at August 31, 2005, which the College maintains as a contingency reserve. Restricted net assets include endowment funds of \$8.0 million and required debt service reserves of approximately \$4.1 million. The College's financial position remains strong with adequate liquid assets and a reasonable level of unrestricted net assets.

Statement of Revenues, Expenses, and Changes in Net Assets

The following is prepared from the College's statements of revenue, expenses, and changes in net assets (rounded to the nearest thousand) for the fiscal years ended August 31:

	<u>2005</u>	<u>2004</u>	<u>Increase (decrease) 2005-2004</u>	<u>2003</u>	<u>Increase (decrease) 2004-2003</u>
Operating revenues:					
Student tuition and fees, net of discounts	\$ 21,565,000	19,992,000	1,573,000	17,425,000	2,567,000
Federal grants and contracts	8,984,000	8,675,000	309,000	7,931,000	744,000
State and local grants and contracts	612,000	710,000	(98,000)	1,116,000	(406,000)
Auxiliary enterprises, net of discounts	5,395,000	5,347,000	48,000	5,174,000	173,000
Other	227,000	302,000	(75,000)	620,000	(318,000)
Total operating revenues	36,783,000	35,026,000	1,757,000	32,266,000	2,760,000
Less operating expenses	57,502,000	54,969,000	2,533,000	53,582,000	1,387,000
Operating loss	(20,719,000)	(19,943,000)	(776,000)	(21,316,000)	1,373,000
Nonoperating revenues (expenses):					
State appropriations	22,348,000	22,097,000	251,000	22,544,000	(447,000)
Property taxes	1,029,000	990,000	39,000	934,000	56,000
Investment income	566,000	381,000	185,000	360,000	21,000
Contribution in aid of construction	1,340,000		1,340,000		
Termination of capital lease	1,379,000		1,379,000		
Interest on capital related debt	(2,083,000)	(2,081,000)	(2,000)	(2,166,000)	85,000
Other	(117,000)	(7,000)	(110,000)	(205,000)	198,000
Total nonoperating revenues, net	24,462,000	21,380,000	3,082,000	21,467,000	(87,000)
Income before other revenues	3,743,000	1,437,000	2,306,000	151,000	1,286,000
Additions to endowments	1,276,000	203,000	1,073,000	472,000	(269,000)
Total increase in net assets	5,019,000	1,640,000	3,379,000	623,000	1,017,000
Net assets, beginning of year	53,729,000	52,089,000	1,640,000	51,466,000	623,000
Net assets, end of year	\$ 58,748,000	53,729,000	5,019,000	52,089,000	1,640,000

For fiscal year 2005, operating revenues include approximately \$21.5 million in tuition and fees (net of discounts), \$9.6 million in Federal, State and local grants and contracts, and \$6.0 million in auxiliary enterprises. The most significant sources of operating revenues for the College are tuition and fees representing approximately 59% of total operating revenues annually. Increase in tuition rates have occurred over the past three years to offset reductions in State funding levels. These rate increases have contributed to the increase in tuition and fees of \$1.8 million and \$2.5 million in 2005 and 2004, respectively. Federal financial aid grants, which account for an average of \$7.5 million, or 80% of all Federal grants annually, have increased over the past two years as students rely on Federal assistance to offset rising tuition costs. The revenue from auxiliary enterprises consists of revenues from college-operated student housing and food services, leases on bookstore facilities, commissions on bookstore sales and vending machines, and rental of retail storefronts.

Fiscal year 2005 nonoperating revenues include \$1,268,000 in proceeds from the termination of the capital lease that were received from the City of Bryan, Texas and \$1,340,000 in contributions received from Schulenburg Economic Development Corporation for construction of the classroom building on the Schulenburg campus.

Total operating expenses consist mainly of personnel costs, which average 64% of total operating expenses annually. Below is a table of operating expenses for the fiscal years ended August 31 (rounded to the nearest thousand):

	<u>2005</u>	<u>2004</u>	<u>Increase (decrease) 2005-2004</u>	<u>2003</u>	<u>Increase (decrease) 2004-2003</u>
Instruction	\$ 33,181,000	31,320,000	1,861,000	31,478,000	(158,000)
Institutional support	5,351,000	5,622,000	(271,000)	4,984,000	638,000
Operation and maintenance of plant	4,815,000	4,249,000	566,000	3,894,000	355,000
Auxiliary enterprises	6,035,000	5,358,000	677,000	4,956,000	402,000
Depreciation	2,314,000	2,421,000	(107,000)	2,266,000	155,000
Scholarships and fellowships	<u>5,806,000</u>	<u>5,999,000</u>	<u>(193,000)</u>	<u>6,004,000</u>	<u>(5,000)</u>
Total operating expenses	\$ <u>57,502,000</u>	<u>54,969,000</u>	<u>2,533,000</u>	<u>53,582,000</u>	<u>1,387,000</u>

Total operating expenses increased \$2.5 million from 2004 primarily due to payroll increases of \$1.5 million of which \$1 million is included in instruction. Operation and maintenance of plant increased each year due to the increased costs of operating the new buildings brought into operations in fiscal years 2003 and 2004. Auxiliary enterprises expenses increased by \$677,000 primarily due to continued increasing costs of operating and maintaining campus housing of approximately \$393,000. Due to the reduced funding levels from the State, management chose not to increase the amount of scholarships in fiscal year 2005.

For fiscal year 2004, instruction and general expenses decreased slightly from 2003 due to increased cost containment measures instituted by management to offset reductions in State funding. Institutional support increased \$638,000 due to increases in State retiree's insurance costs of \$95,000, bad debt expense of \$154,000 and property and liability insurance increases of \$143,000. Operation and maintenance of plant increased \$355,000 due to increased costs of operating new building brought into operations in late fiscal year 2003. Auxiliary enterprises expenses increased by \$402,000 due to increased costs of operating and maintaining campus housing of \$72,000 and \$230,000 spent on food service on the Bryan Campus.

Statement of Cash Flow

The following is prepared from the College's statements of cash flows (rounded to the nearest thousand) for the fiscal years ended August 31:

	<u>2005</u>	<u>2004</u>	Increase (decrease) <u>2005-2004</u>	<u>2003</u>	Increase (decrease) <u>2004-2003</u>
Cash provided by (used in):					
Operating activities	\$ (14,755,000)	(14,530,000)	(225,000)	(15,386,000)	856,000
Non-capital financing activities	21,626,000	20,788,000	838,000	19,679,000	1,109,000
Capital and related financing activities	(4,489,000)	(6,866,000)	2,377,000	(13,196,000)	6,330,000
Investing activities	<u>516,000</u>	<u>(5,817,000)</u>	<u>6,333,000</u>	<u>1,384,000</u>	<u>(7,201,000)</u>
Net increase (decrease) in cash and cash equivalents	2,898,000	(6,425,000)	9,323,000	(7,519,000)	1,094,000
Cash and cash equivalent, beginning of year	<u>17,444,000</u>	<u>23,869,000</u>	<u>(6,425,000)</u>	<u>31,388,000</u>	<u>(7,519,000)</u>
Cash and cash equivalent, end of year	\$ <u>20,342,000</u>	<u>17,444,000</u>	<u>2,898,000</u>	<u>23,869,000</u>	<u>(6,425,000)</u>

The College's cash flow from operations will always show a decrease as the College relies heavily on State appropriations to fund operations. State appropriations are shown as non-capital financing activities in accordance with generally accepted accounting principles. Cash inflows primarily consist of cash receipts from tuition and fees while cash outflows primarily consist of cash disbursements for wages, benefits, supplies and scholarships.

The increase in cash flows used in operations in 2005 is primarily due to increases in salaries and benefits paid to employees. The decrease in cash flow used in operations in 2004 is attributable to the increase in receipts from students and other customers and the decrease in payments to suppliers for goods and services due to cost containment measures. Non-capital financing activities in addition to State appropriations include property taxes and additions to permanent endowments. Contributions to endowments will fluctuate annually. The changes in net cash used by capital and related financing activities will fluctuate annually based on the College's issuance of long-term debt and capital acquisitions. In 2005, the College spent \$3 million in capital acquisitions and paid \$4 million on scheduled debt service payments. In 2004, the College spent \$2 million in capital acquisitions and paid \$4.7 million in scheduled debt service payments. In 2003, the College issued \$4.5 million of refunding bonds, made scheduled debt service payments of \$4.5 million and spent \$8.7 million in construction and purchases of capital assets.

Capital Assets and Debt Administration

During fiscal year 2005, the College constructed a new \$1.25 million classroom building on the Schulenburg Campus as well as opened the Sealy Campus by renovating an outlet mall at a cost of approximately \$200,000. In addition, the College purchased a parcel of land in Bryan, Texas for approximately \$165,000 and completed several renovations on the Bryan Campus of approximately \$600,000.

During fiscal year 2004 and 2003, the College added over \$10 million of new construction including the sixth building on its Bryan Campus, a 55,000 square foot, two story building that added classrooms, science laboratories and a larger bookstore and copy center, added additional parking and renovated a theater complex into large, state-of-the-art classrooms.

The College issued \$11,815,000 million of Combined Fee Revenue Bonds, Series 2005 in fiscal year 2005 in order to exercise the purchase option on the Bryan Campus lease with the City of Bryan, Texas and purchase the related land. Proceeds of approximately \$10.8 million from the Series 2005 bonds were used to purchase title to the Bryan Campus land and buildings. Scheduled principal payments on the various bond issues and capital leases totaled \$3.0 million and \$2.7 million in 2005 and 2004, respectively.

Future Considerations

The College has increased tuition and fees to offset the reduction in State funding from fiscal year 2004. Since fiscal year 2005 is the second half of the funding biennium, there were no increases in State appropriations to the College. The Board of Trustees is committed to providing high levels of quality educational services either by raising local funds or by containing expenses, or through a combination of both methods. Additional State funding for the next fiscal biennium (fiscal years 2006 and 2007) has modest increases. The State legislative continues to review the allocation to community colleges for employee health coverage. Reductions in current funding levels will have a negative impact on revenues.

Contacting the College's Financial Management

This financial report is designed to provide the College's citizens, taxpayers, students, investors, and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Business Services office at 902 College Avenue, Brenham, Texas 77833.

BLINN COLLEGE

Statements of Net Assets
August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 14,207,100	14,872,142
Accounts receivable	7,595,682	6,064,884
Interest receivable	82,178	69,428
Inventories	10,911	20,909
Other assets	13,861	13,319
Total current assets	<u>21,909,732</u>	<u>21,040,682</u>
Noncurrent assets:		
Restricted endowment and other cash and cash equivalents	1,994,639	512,077
Restricted debt service cash and cash equivalents	4,140,668	2,060,392
Restricted endowment investments	5,958,268	6,006,995
Capital assets, net:		
Not subjected to depreciation	8,725,873	8,415,528
Subjected to depreciation	75,136,185	74,663,853
Total noncurrent assets	<u>95,955,633</u>	<u>91,658,845</u>
Total assets	<u>117,865,365</u>	<u>112,699,527</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	1,664,244	1,425,158
Funds held for others - agency	506,616	243,706
Deferred revenues	14,617,559	13,065,517
Deposits	346,900	343,180
Bonds payable - current portion	3,032,604	1,995,000
Capital leases - current portion		766,667
Total current liabilities	<u>20,167,923</u>	<u>17,839,228</u>
Noncurrent liabilities:		
Bonds payable	38,949,171	29,750,000
Capital leases		11,381,665
Total noncurrent liabilities	<u>38,949,171</u>	<u>41,131,665</u>
Total liabilities	<u>59,117,094</u>	<u>58,970,893</u>
Net assets:		
Invested in capital assets, net of related debt	41,880,283	40,317,841
Restricted for:		
Nonexpendable - endowments	6,920,807	5,644,467
Expendable:		
Endowments	1,029,306	944,033
Student aid	286,577	201,453
Debt service	4,140,668	2,060,392
Star of the Republic Museum	334,565	379,568
Unrestricted	4,156,065	4,180,880
Total net assets	<u>\$ 58,748,271</u>	<u>53,728,634</u>

See accompanying notes to basic financial statements.

BLINN COLLEGE

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Student tuition and fees, net of discounts of \$3,856,210 for 2005 and \$3,672,158 for 2004	\$ 21,564,591	19,991,640
Federal grants and contracts	8,983,509	8,674,921
State and local grants and contracts	611,671	710,497
Sales and services of educational activities	199,473	158,606
Auxiliary enterprises, net of discounts of \$484,310 for 2005 and \$450,807 for 2004	5,395,202	5,346,524
Other operating revenues	<u>28,894</u>	<u>144,078</u>
Total operating revenues (Schedule A)	<u>36,783,340</u>	<u>35,026,266</u>
Operating expenses:		
Instruction	24,125,258	23,621,981
Public service	1,587,325	1,356,159
Academic support	3,823,899	2,929,841
Student services	3,644,850	3,411,862
Institutional support	5,350,706	5,622,553
Operation and maintenance of plant	4,815,090	4,248,992
Scholarships and fellowships	5,805,655	5,999,123
Auxiliary enterprises	6,035,157	5,357,865
Depreciation	<u>2,313,832</u>	<u>2,420,851</u>
Total operating expenses (Schedule B)	<u>57,501,772</u>	<u>54,969,227</u>
Operating loss	<u>(20,718,432)</u>	<u>(19,942,961)</u>
Nonoperating revenue (expenses):		
State appropriations	22,347,845	22,096,878
Property taxes	1,029,203	990,170
Gain on disposal of capital lease	110,250	
Proceeds from termination of capital lease	1,268,465	
Contributions in aid of construction	1,340,035	
Federal grant related to capital debt	16,094	16,094
Unrealized gain (loss) on investments	(44,630)	4,660
Investment income	610,563	376,200
Gain (loss) on disposal of capital assets	60,891	(22,709)
Interest on capital related debt	(2,083,294)	(2,081,482)
Bond issuance costs	<u>(193,693)</u>	
Total nonoperating revenues, net (Schedule C)	<u>24,461,729</u>	<u>21,379,811</u>
Income before other revenue	3,743,297	1,436,850
Other revenue - additions to permanent endowments	<u>1,276,340</u>	<u>202,996</u>
Increase in net assets	5,019,637	1,639,846
Net assets, beginning of year	<u>53,728,634</u>	<u>52,088,788</u>
Net assets, end of year	<u>\$ 58,748,271</u>	<u>53,728,634</u>

See accompanying notes to basic financial statements.

BLINN COLLEGE

Statements of Cash Flows
Years Ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Receipts from students and other customers	\$ 27,677,814	25,738,493
Receipts from grants and contracts	9,356,129	9,477,375
Payments to or on behalf of employees	(33,648,356)	(32,301,675)
Payments to suppliers for goods or services	(12,364,222)	(11,589,486)
Payments for scholarships	(5,805,655)	(5,999,123)
Other cash receipts	28,894	144,078
Net cash used by operating activities	<u>(14,755,396)</u>	<u>(14,530,338)</u>
Cash flows from non-capital financing activities:		
Receipts from State appropriations	19,226,680	19,475,874
Proceeds from property taxes	1,037,580	988,318
Additions to permanent endowments	1,361,613	324,280
Net cash provided by non-capital financing activities	<u>21,625,873</u>	<u>20,788,472</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	1,268,465	
Contributions received in aid of construction	1,340,035	
Purchases of capital assets	(3,019,524)	(2,121,291)
Payments on capital debt and leases	(3,994,851)	(4,744,818)
Bond issue costs paid on new debt issue, net	(83,443)	
Net cash used by capital and related financing activities	<u>(4,489,318)</u>	<u>(6,866,109)</u>
Cash flows from investing activities:		
Purchases of investments	(2,002,335)	(10,006,995)
Sales of investments	2,006,432	4,004,660
Investment income	512,540	185,488
Net cash provided (used) by investing activities	<u>516,637</u>	<u>(5,816,847)</u>
Increase (decrease) in cash and cash equivalents	2,897,796	(6,424,822)
Cash and cash equivalents, beginning of year	17,444,611	23,869,433
Cash and cash equivalents, end of year	<u>\$ 20,342,407</u>	<u>17,444,611</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (20,718,432)	(19,942,961)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	2,313,832	2,420,851
Noncash State appropriations for employee benefits	3,121,165	2,621,004
Changes in assets and liabilities:		
Receivables, net	(1,539,175)	(205,782)
Inventories	9,998	(7,383)
Other assets	(542)	(7,731)
Accounts payable	239,086	52,202
Funds held for others - agency	262,910	(108,221)
Deferred revenues	1,552,042	632,433
Deposits	3,720	15,250
Net cash used by operating activities	<u>\$ (14,755,396)</u>	<u>(14,530,338)</u>

See accompanying notes to basic financial statements.

BLINN COLLEGE

Notes to Basic Financial Statements August 31, 2005 and 2004

1. Reporting Entity

Blinn College (the College) was established in 1883, in accordance with the laws of the State of Texas, to serve the educational needs of Washington County and the thirteen counties in the service area. The College operates campuses in the cities of Brenham, Bryan, Schulenburg and Sealy, Texas. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the College receives funding from local, State of Texas (the State), and Federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - An Amendment of GASB Statement No. 14*, gives guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. It requires reporting as a component unit if the organization raises and holds economic resources for the direct benefit of the governmental unit and the component unit is significant compared to the primary government. GASB Statement No. 39 has been applied as required in the preparation of these financial statements and no component unit information is required to be included.

The Blinn College Foundation (the Foundation) is a legally separate not-for-profit organization with the sole purpose of supporting the educational and other activities of the College. The College does not appoint any of the Foundation's Board members nor does it fund or is it obligated to pay debt related to the Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The College furnished certain services, such as office space, supplies and staff assistance to the Foundation amounting to approximately \$245,000 and \$237,000 for the years ended August 31, 2005 and 2004, respectively. The costs of these services were not significant to the College. The financial position of the Foundation is not significant to the College; therefore, it is not included in the College's basic financial statements.

2. Summary of Significant Accounting Policies

Reporting guidelines

The basic financial statements of the College are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*. The College is reported as a special government engaging in business type activities. The basic financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows. The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

The significant accounting policies followed by the College in preparing these basic 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 Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

Tuition discounting

Texas Public Education Grants - Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (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 disbursed 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. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Basis of accounting

The basic 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.

Net assets: The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - nonexpendable: Restricted nonexpendable net assets are subject to externally imposed provisions that they be maintained permanently by the College. The corpus of the College's endowments are included in nonexpendable net assets.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff.

Budgetary data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and cash equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Board of Trustees has designated public funds investment pools to be cash equivalents as the investments are redeemable on demand.

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. The fair value of Lone Star Investment Pool, TexPool and TexStar are based on quoted market values of the underlying investments of the pool and/or fund. 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.

Inventories

Inventories consist of consumable office and physical plant supplies and bookstore stock. Inventories are valued at cost under the first-in first-out method and are charged to expense as consumed.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

Capital assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The College's capitalization policies include real or business personal property with a value equal to or greater than \$5,000 and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Buildings	50 years
Land improvements	20 years
Furniture, equipment and vehicles	5-10 years
Computer systems	5 years

Library books

Library books are capitalized but not depreciated. Library books will be written off as the books are removed from service.

Collections

In accordance with guidance issued by the Texas Comptroller of Public Accounts, collections located at the Star of the Republic Museum held for public exhibition are capitalized but not depreciated. Collections are valued at their historical cost or estimated fair value at date of donation.

Deferred revenues

Deferred revenues primarily consisting of tuition, fees and housing charges, relate to academic terms in the next fiscal year and as such, have been deferred. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Classification of revenues and expenses

The College defines operating activities, for purposes of reporting on the statement of revenues, expenses, and changes in net assets, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all College expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including State appropriations, property tax, and investment income.

Management estimates

The preparation of the basic 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.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

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* however, is immaterial to the overall financial statements for the years ended August 31, 2005 and 2004.

Reclassifications

Certain 2004 amounts have been reclassified to conform to current year presentation.

3. **Authorized Investments**

The Board of Trustees of the College has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Chapter 2256.001 Texas Government Code). The investments of the College are in compliance with the Board of Trustees' investment policy and the Public Funds Investment Act. The College is authorized to invest in obligations and instruments as follows: (1) obligations of the United States and 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 deposits and (5) other instruments and obligations authorized by statute.

4. **Deposits and Investments**

Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires pledging of collateral for all bank balances in excess of Federal Depository Insurance Corporation (FDIC) limits at a minimum of 102% of market value. As of August 31, 2005, \$464,393 of the College's bank balances of \$6,918,062 was uninsured and uncollateralized and exposed to custodial credit risk.

The following table presents cash and cash equivalents included in exhibit 1, statement of net assets, as of August 31:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents:		
Petty cash	\$ 8,741	8,241
Demand deposits	6,585,181	6,909,954
Investment pools:		
Lone Star Investment Pool	3,414,149	4,899,385
TexPool	5,046,815	4,374,302
TexSTAR	<u>5,287,521</u>	<u>1,252,729</u>
Cash and cash equivalents	<u>\$ 20,342,407</u>	<u>17,444,611</u>

Investments

As of August 31, 2005, the College had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Home Loan Bank	9/28/2007 – 10/19/2009	\$ <u>5,958,268</u>

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

In accordance with its investment policy, the College limits its exposure to interest rate risk by structuring its portfolio to provide liquidity for operating funds and maximizing yields for funds not immediately needed. The investment policy limits the maximum maturity on any securities to seven years. To the extent possible, the College shall attempt to match its investments with anticipated future cash flow. Unless matched to a specific cash flow, the College shall not directly invest in securities maturing more than three years from the date of purchase.

The College limits its exposure to credit risk, the risk that the insurer of the debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government.

The College places no limit on the amount the College may invest in any one issuer. At August 31, 2005, the College had 100% of its investment portfolio in Federal Home Loan Bank obligations, which mature through October 2009.

5. Disaggregation of Receivables and Payables Balances

Receivables consist of the following at August 31:

	<u>2005</u>	<u>2004</u>
Student tuition and fees	\$ 6,763,318	5,449,458
Ad valorem taxes	76,902	85,279
Federal grants	438,875	365,829
State grants	11,750	75,108
Other receivables	<u>304,837</u>	<u>89,210</u>
Total	<u>\$ 7,595,682</u>	<u>6,064,884</u>

The College uses the direct write-off method for uncollectible student tuition and fees and accordingly no allowance has been established as of August 31, 2005 and 2004.

Payables consist of the following at August 31:

	<u>2005</u>	<u>2004</u>
Vendors payable	\$ 1,322,710	1,089,111
Benefits payable	<u>341,534</u>	<u>336,047</u>
Total	<u>\$ 1,664,244</u>	<u>1,425,158</u>

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

6. **Capital Assets**

Capital assets' activities for the years ended August 31:

	2005			Balance August 31, 2005
	Balance September 1, 2004	Increase	Decrease	
Capital assets not subject to depreciation:				
Land	\$ 4,692,848	165,048		4,857,896
Library books	3,103,049	143,025		3,246,074
Collections	<u>619,631</u>	<u>2,272</u>		<u>621,903</u>
Total not depreciated	<u>8,415,528</u>	<u>310,345</u>	-	<u>8,725,873</u>
Capital assets subject to depreciation:				
Buildings	84,239,493	2,060,651		86,300,144
Land improvements	3,401,900	327,119		3,729,019
Furniture, equipment and vehicles	3,559,656	91,236	(57,601)	3,593,291
Computer equipment	<u>2,572,008</u>	<u>110,008</u>	<u>(52,986)</u>	<u>2,629,030</u>
Total depreciated	<u>93,773,057</u>	<u>2,589,014</u>	<u>(110,587)</u>	<u>96,251,484</u>
Less accumulated depreciation:				
Buildings	13,103,663	1,503,958	(2,340)	14,605,281
Land improvements	2,611,581	37,255		2,648,836
Furniture, equipment and vehicles	1,634,888	371,520	(242,230)	1,764,178
Computer equipment	<u>1,759,072</u>	<u>401,099</u>	<u>(63,167)</u>	<u>2,097,004</u>
Total accumulated depreciation	<u>19,109,204</u>	<u>2,313,832</u>	<u>(307,737)</u>	<u>21,115,299</u>
Net capital assets	\$ <u>83,079,381</u>	<u>585,527</u>	<u>197,150</u>	<u>83,862,058</u>

The College will begin to depreciate library books in the next fiscal year. To facilitate the transition, the College has estimated its collection of library books to be valued at \$1,090,691. Based on a fifteen year useful life, that amount would indicate \$2,155,382 of accumulated depreciation and \$125,782 of depreciation expense for fiscal year 2005.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

	2004			Balance August 31, 2004
	Balance September 1, 2003	Increase	Decrease	
Capital assets not subject to depreciation:				
Land	\$ 4,692,848			4,692,848
Library books	2,949,999	153,050		3,103,049
Collections	<u>617,302</u>	<u>2,329</u>		<u>619,631</u>
Total not depreciated	<u>8,260,149</u>	<u>155,379</u>	<u>-</u>	<u>8,415,528</u>
Capital assets subject to depreciation:				
Buildings	82,383,972	1,860,521	(5,000)	84,239,493
Land improvements	3,401,900			3,401,900
Furniture, equipment and vehicles	3,531,641	58,446	(30,431)	3,559,656
Computer equipment	<u>2,509,663</u>	<u>62,345</u>		<u>2,572,008</u>
Total depreciated	<u>91,827,176</u>	<u>1,981,312</u>	<u>(35,431)</u>	<u>93,773,057</u>
Less accumulated depreciation:				
Buildings	11,628,230	1,477,773	(2,340)	13,103,663
Land improvements	2,574,326	37,255		2,611,581
Furniture, equipment and vehicles	1,078,663	567,301	(11,076)	1,634,888
Computer equipment	<u>1,420,550</u>	<u>338,522</u>		<u>1,759,072</u>
Total accumulated depreciation	<u>16,701,769</u>	<u>2,420,851</u>	<u>(13,416)</u>	<u>19,109,204</u>
Net capital assets	\$ <u>83,385,556</u>	<u>(284,160)</u>	<u>(22,015)</u>	<u>83,079,381</u>

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

7. Noncurrent Liabilities

Noncurrent liabilities activities for the years ended August 31:

	2005				
	Balance September 1, 2004	Additions	Payments	Balance August 31, 2005	Current Portion
Bonds payable	\$ 31,745,000	11,815,000	(1,995,000)	41,565,000	2,995,000
Capital leases	12,148,332		(12,148,332)	-	
Unamortized bond premium		416,775		416,775	37,604
Total	\$ <u>43,893,332</u>	<u>12,231,775</u>	<u>(14,143,332)</u>	<u>41,981,775</u>	<u>3,032,604</u>

	2004				
	Balance September 1, 2003	Additions	Payments	Balance August 31, 2004	Current Portion
Bonds payable	\$ 33,680,000		(1,935,000)	31,745,000	1,995,000
Capital leases	<u>12,876,668</u>		<u>(728,336)</u>	<u>12,148,332</u>	<u>766,667</u>
Total	\$ <u>46,556,668</u>	<u>-</u>	<u>(2,663,336)</u>	<u>43,893,332</u>	<u>2,761,667</u>

8. Bonds Payable

Bonds payable consist of Combined Fee Revenue and Refunding Bonds. General information related to bonds payable is summarized below:

Combined Fee Revenue Refunding Bonds, Series 2005

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2005
- To pay the costs of acquisition, construction, improvement and equipment of College facilities and the acquisition of sites therefore, including payment of the College's obligation created by the College's exercise of its purchase option under the lease agreement between the College and the City of Bryan, Texas in connection with the City of Bryan Lease Revenue Bonds Series 1995; to fund the reserve funds; and to pay the related costs of issuance
- Issued July 6, 2005
- \$11,815,000, all authorized bonds have been issued
- Interest rates range from 3.5% to 5.125%
- Source of revenue for debt service - designated portion of tuition and fees
- Outstanding bonds payable at August 31, 2005 of \$11,815,000
- A premium of \$416,775 is being amortized over the life of the bonds
- The College received \$1,268,465 from the City of Bryan, Texas. These funds represent the difference between the monthly capital lease payments made by College for the lease of the Bryan Campus and the debt service payments made by the City of Bryan, Texas.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

The Series 2005 Bonds were issued in order for the College to exercise the purchase option on the lease agreements with the City of Bryan, Texas which were previously recorded on the College's books as capital leases (note 9). The Series 2005 Bonds fully repaid the City of Bryan, Texas outstanding 1995 revenue bonds and purchased the related land. Issuance of the Series 2005 Bonds reduced the College's payments over the next 11 years by approximately \$1.48 million.

Combined Fee Revenue Refunding Bonds, Series 2003

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2003
- To refund \$4,300,000 of Combined Fee and Revenue Bonds, Series 1993
- Issued January 1, 2003
- \$4,475,000, all authorized bonds have been issued
- Interest rates range from 3% to 4.3%
- Source of revenue for debt service - designated portion of tuition and registration charges, other fee charges and designated revenues
- Outstanding bonds payable at August 31, 2005 and 2004 of \$3,440,000 and \$3,915,000, respectively
- Net proceeds from refunding bonds \$4,406,739; after payment of \$94,344 in underwriting fees, insurance, and other issuance costs
- The 1993 Series bond are considered fully defeased and the liability for those bonds has been removed from the financial statements
- Advanced refunding of the 1993 Series bonds reduced the Colleges debt service payments over the next 15 years by approximately \$230,000
- Economic gain of approximately \$170,000 is a difference between the net present value of the old and new debt service payments

Combined Fee Revenue Bonds, Series 2002

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2002
- To construct and equip student apartment housing and construct, renovate and equip academic buildings and parking lots
- Issued May 1, 2002
- \$15,355,000, all authorized bonds have been issued
- Interest rates range from 2.5% to 5.125%
- Source of revenue for debt service - designated portion of tuition and registration charges, other fee charges and designated revenues
- Outstanding bonds payable at August 31, 2005 and 2004 of \$13,330,000 and \$14,135,000, respectively

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

Combined Fee Revenue Bonds, Series 1999

- Washington County Junior College District Combined Fee Revenue Bonds, Series 1999
- To construct new academic and student service facilities and student apartment housing
- Issued December 1, 1998
- \$6,110,000, all authorized bonds have been issued
- Interest rates range from 4.2% to 4.85%
- Source of revenue for debt service – designated portion of tuition and registration charges, building use fees, other fee charges and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2005 and 2004 of \$4,485,000 and \$4,835,000, respectively

Combined Fee Revenue Bonds, Series 1998

- Washington County Junior College District Combined Fee Revenue Bonds, Series 1998
- To construct new academic and student service facilities and student apartment housing
- Issued November 15, 1998
- \$9,870,000, all authorized bonds have been issued
- Interest rates range from 4% to 4.75%
- Source of revenue for debt service – designated portion of tuition and registration charges, building use fees, other fee charges and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2005 and 2004 of \$8,495,000 and \$8,860,000, respectively

Under each bond issue, the College is to maintain a reserve account equal to the maximum annual principal and interest requirements on all bonds. The College has 60 months to establish this reserve fund. The reserve account balance at August 31, 2005 is \$4,140,668, which meets the full reserve requirement. The Series 2002 and 2003 bonds require the College to maintain adequate insurance coverage. All premiums have been paid.

Combined bond debt service requirements

Combined debt service requirements of the bonds for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,995,000	1,583,679	4,578,679
2007	2,965,000	1,607,609	4,572,609
2008	3,075,000	1,502,724	4,577,724
2009	2,890,000	1,390,311	4,280,311
2010	2,990,000	1,282,272	4,272,272
2011-2015	13,580,000	4,571,082	18,151,082
2016-2020	10,115,000	1,789,755	11,904,755
2021-2023	<u>2,955,000</u>	<u>192,228</u>	<u>3,147,228</u>
Total	\$ <u>41,565,000</u>	<u>13,919,660</u>	<u>55,484,660</u>

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

9. Capital Leases

The College issued the Series 2005 bonds in July 2005, in order to purchase title to the campus located in Bryan, Texas from the City of Bryan (note 8). Prior to the issuance of the Series 2005 Bonds, the College leased the campus under a lease agreement dated December 14, 1995. The agreement obligated the College to pay rent equal to the debt service requirements on the bonds issued by the City of Bryan, the proceeds of which were used to construct the new campus. The payment of these obligations were secured by a pledge of substantially all registration fees, tuition fees and building use fees of all enrolled students and the net revenues and other pledged fees as defined in the lease agreement.

The original capitalized cost of all property capitalized under this lease was \$15,225,000. This amount was based on the present value of future minimum lease payments using a discount rate of 5%. The first payment was due on December 14, 1995, with the final payment being due on October 1, 2016.

The College had the option to purchase the buildings at any time for an amount sufficient to retire all outstanding bonds, the original balance of which was \$15,225,000. If no bonds are outstanding, the College may purchase the buildings for \$1.00.

In addition to the \$15,225,000 payment, additional amounts were due under the lease designated as "land rent" under the lease dated May 1, 1994. The first of these payments became due on July 1, 2002. The land was capitalized by discounting all future land rent payments using a discount rate of approximately 6%. This resulted in a value of \$1,593,749 classified as an addition to land.

10. Unrestricted Net Assets

The College designates a portion of unrestricted net assets to indicate management's tentative plans for future use of financial resources. At August 31, 2005 and 2004, \$32,064 and \$30,462 of unrestricted net assets were designated for future capital projects, respectively.

11. Employees' Retirement Plans

The State has joint contributory retirement plans for almost all of its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas (TRS). The percentages of participant salaries currently contributed by the State and by each participant are 6.0% and 6.4%, respectively, of annual compensation.

TRS does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the TRS's annual financial report.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

The State has also established an optional retirement program (ORP) for institutions of higher education. Participation in the optional retirement program is in lieu of participation in TRS. 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 6.0% and 6.65%, respectively. The College contributes 2.5% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Since these are individual contracts, the State has no additional or unfunded liability for this program.

The retirement expense to the State for the College was \$1,324,535 and \$1,262,475 for the 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.

The total payroll for all College employees was \$29,138,671 and \$27,628,935 for the fiscal years ended August 31, 2005 and 2004, respectively. The total payroll of employees covered by the TRS was \$11,705,219 and \$11,098,447, and the total payroll of employees covered by ORP was \$10,469,780 and \$10,049,789 for the fiscal years ended August 31, 2005 and 2004, respectively.

12. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$270 to \$616 per month for the year ended August 31, 2005 and \$258 to \$584 per month for the year ended August 31, 2004, depending on the coverage elected. The State's contribution totaled \$2,415,852 and \$2,226,637, for the years ended August 31, 2005 and 2004, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

13. 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. This plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2005 and 2004, the College had no employees electing to defer compensation.

14. Compensated Absences

Non-faculty employees are entitled to compensated vacation days. The amount of days is determined annually, based on their length of employment, as stipulated with official policy adopted by the College. The current policy allows a maximum of six accrued unused vacation days to be carried over; however, the carry over days are not payable upon termination. Any accrued unused days in excess of the carry over days expire at the end of each year. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for these non-vesting rights.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

Sick leave can be accumulated subject to certain limitations. It is paid to an employee who misses work because of illness. The College does not allow conversion of unpaid sick leave for terminated employees. 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.

15. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with accounting principles generally accepted in the United States of America. Funds received but not expended during the reporting period are deferred until earned. Revenues are recognized on the statements of revenues, expenses, and changes in net assets as funds are actually expended. For contracts and grant awards, funds expended but not collected are reported as receivables on the statements of net assets. Contract and grant awards that are not yet funded and for which the College has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, e.g. multi-year awards, or funds awarded during fiscal year ended August 31, 2005 for which monies have not been received nor funds expended totaled approximately \$125,000, all of which are from Federal contract and grant awards.

16. Property Tax

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, business/land personal property located in the tax area of the College. Property taxes are recorded on an accrual basis of accounting. At August 31:

	<u>2005</u>	<u>2004</u>	
Assessed valuation of the College	\$ 1,919,446,838	1,784,754,268	
Less exemptions	<u>(43,567,229)</u>	<u>(42,102,236)</u>	
Net assessed valuation of the College	<u>\$ 1,875,879,609</u>	<u>1,742,652,032</u>	
	<u>2005</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.05520	-	0.05520
Tax rate per \$100 valuation assessed	0.05520	-	0.05520
	<u>2004</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.05670	-	0.05670
Tax rate per \$100 valuation assessed	0.05670	-	0.05670

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

Tax levied for the years ended August 31, 2005 and 2004 is \$1,037,501 and \$988,552, respectively (which includes any penalty and interest assessed if applicable). 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.

Under GASB Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions*, ad valorem taxes are imposed non-exchange revenue. Asset from imposed non-exchange transactions are recorded when the entity has an enforceable legal claim to the assets or when the entity receives resources, whichever comes first. The enforceable legal claim date for ad valorem taxes is the assessment date. The College has recognized all assessed taxes in the current year and recorded a receivable for uncollected taxes.

<u>Taxes collected at August 31</u>	<u>2005</u>	<u>2004</u>
Current	\$ 984,498	939,800
Delinquent	26,651	27,848
Penalties and interest	<u>18,054</u>	<u>22,522</u>
Total collections	\$ <u>1,029,203</u>	<u>990,170</u>

Tax collections for the year ended August 31, 2005 and 2004 were 97% of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking fund expenditures.

17. Operating Leases

The College leases two facilities related to the Bryan Campus under non-cancellable leases expiring through August 2006 with future minimum payments as of August 31, 2005 of approximately \$59,000. Rental expense was approximately \$63,000 and \$73,000 for the years ended August 31, 2005 and 2004, respectively.

The College leases retail space to various tenants expiring through September 2007 for property near the Bryan Campus. These leases were assumed by the College with the purchase of the property. Future minimum rental income as of August 31, 2005 under the agreements are as follows:

<u>Fiscal Year</u>	
2006	\$ 103,500
2007	65,000
2008	<u>1,725</u>
	\$ <u>170,225</u>

Rental income was approximately \$116,000 and \$95,000 for the years ended August 31, 2005 and 2004, respectively.

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

18. **Contingent Liabilities**

The College participates in a number of State and Federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the College's compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

19. **Commitments**

The College has entered into contracts for the planning and construction of new facilities, as well as for the renovations and repair of existing campuses. Commitments remaining under such contracts as of August 31, 2005 are approximately \$300,000.

20. **Recent Accounting Pronouncements**

In November 2003, 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. The provisions of this statement are effective for periods beginning after December 31, 2004.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of other post employment benefit (OPEB) plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 in the financial reports of state and local governmental employers. This statement is effective for periods beginning after December 15, 2006.

College management has not yet determined the impact that implementation of GASB Statements No. 42, 43, and 45 will have on the College's basic financial statements.

BLINN COLLEGE

Schedule of Operating Revenues
Year Ended August 31, 2005

(With Memorandum Totals for the Year Ended August 31, 2004)

	2005				2004 Total	
	Educational Activities		Educational Activities	Auxiliary Enterprises		Total
	Unrestricted	Restricted				
Tuition:						
State funded courses:						
In-district resident tuition	317,602		317,602		290,166	
Out-of-district resident tuition	12,053,857		12,053,857		10,922,124	
TPEG (set aside) *	797,795		797,795		712,703	
Non-resident tuition	1,116,035		1,116,035		1,043,528	
State funded continuing education	246,016		246,016		211,510	
Non-State funded continuing education	201,838		201,838		219,780	
Total tuition	14,733,143	-	14,733,143	-	13,399,811	
Fees:						
General fee	7,790,609		7,790,609	1,374,813	8,879,403	
Laboratory and course fees	529,365		529,365		467,641	
Vehicle registration fees	535,340		535,340		538,627	
Incidental fees	325,811		325,811		324,214	
Other fees	-		-	131,720	54,102	
Total fees	9,181,125	-	9,181,125	1,506,533	10,263,987	
Scholarships allowances and discounts:						
Scholarship allowances	(757,922)		(757,922)		(622,382)	
Remissions and exemptions	(392,718)		(392,718)		(319,735)	
TPEG allowances	(647,389)		(647,389)		(698,661)	
Federal and State grants to students	(1,941,865)		(1,941,865)		(1,958,209)	
Other	(116,316)	-	(116,316)		(73,171)	
Total scholarships allowances and discounts	(3,856,210)	-	(3,856,210)	-	(3,672,158)	
Total net tuition and fees	20,058,058	-	20,058,058	1,506,533	19,991,640	
Other operating revenues:						
Federal grants and contracts		8,983,509	8,983,509		8,674,921	
State and local grants and contracts		611,671	611,671		710,497	
Sales and services of educational activities	199,473		199,473		158,606	
Other operating revenues	28,894		28,894		144,078	
Total other operating revenues	228,367	9,595,180	9,823,547	-	9,688,102	
Auxiliary enterprises:						
Residential life				2,379,095	2,267,693	
Scholarships allowances and discounts				(187,144)	(162,098)	
Net residential life	-	-	-	2,191,951	2,105,595	
Cafeteria				2,305,681	2,202,216	
Scholarship allowances and discounts				(227,184)	(192,929)	
Net cafeteria	-	-	-	2,078,497	2,009,287	
Bookstore				690,026	647,936	
Scholarship allowances and discounts				(69,982)	(95,780)	
Net bookstore	-	-	-	620,044	552,156	
Other auxiliary				504,710	679,486	
Total net auxiliary enterprises	-	-	-	5,395,202	5,346,524	
Total operating revenues	\$ 20,286,425	9,595,180	29,881,605	6,901,735	35,026,266	

(Exhibit 2)

(Exhibit 2)

* In accordance with Education Code §56.033, \$797,795 and \$712,703 for the years ended August 31, 2005 and 2004, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

BLINN COLLEGE

Schedule of Operating Expenses By Object
 Year Ended August 31, 2005
 (With Memorandum Totals for the Year Ended August 31, 2004)

	2005					2004 Total
	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 17,960,476		1,547,923	1,352,493	20,860,892	20,627,959
Public service	235,340		22,121	193,181	450,642	485,095
Academic support	2,100,135		175,543	1,217,571	3,493,249	2,641,535
Student services	2,469,542		197,991	494,519	3,162,052	2,969,560
Institutional support	2,766,467		672,697	1,355,487	4,794,651	5,035,332
Operation and maintenance of plant	1,074,889		371,240	3,368,961	4,815,090	4,248,992
Scholarships and fellowships				2,322,262	2,322,262	3,898,412
Total unrestricted educational activities	<u>26,606,849</u>	<u>-</u>	<u>2,987,515</u>	<u>10,304,474</u>	<u>39,898,838</u>	<u>39,906,885</u>
Restricted - educational activities:						
Instruction	385,617	2,338,300	86,976	453,473	3,264,366	2,994,022
Public service	406,328	40,528	99,122	590,705	1,136,683	871,064
Academic support		330,650			330,650	288,306
Student services		482,798			482,798	442,302
Institutional support		548,111		7,944	556,055	587,221
Scholarships and fellowships				3,483,393	3,483,393	2,100,711
Total restricted - educational activities	<u>791,945</u>	<u>3,740,387</u>	<u>186,098</u>	<u>4,535,515</u>	<u>9,253,945</u>	<u>7,283,626</u>
Total educational activities	<u>27,398,794</u>	<u>3,740,387</u>	<u>3,173,613</u>	<u>14,839,989</u>	<u>49,152,783</u>	<u>47,190,511</u>
Auxiliary enterprises	1,739,877		716,850	3,578,430	6,035,157	5,357,865
Depreciation expense - buildings and other real estate improvements				1,541,213	1,541,213	1,515,028
Depreciation expense - equipment and furniture				772,619	772,619	905,823
Total operating expenses	<u>\$ 29,138,671</u>	<u>3,740,387</u>	<u>3,890,463</u>	<u>20,732,251</u>	<u>57,501,772</u>	<u>54,969,227</u>
					(Exhibit 2)	(Exhibit 2)

BLINN COLLEGE

Schedule of Nonoperating Revenues and Expenses
Year Ended August 31, 2005
(With Memorandum Totals for the Year Ended August 31, 2004)

	2005			2004 Total
	Unrestricted	Restricted	Total	
Nonoperating revenues:				
State appropriations				
Education and general State support	\$ 18,607,458		18,607,458	18,275,656
State group insurance		2,415,852	2,415,852	2,226,637
State retirement match		1,324,535	1,324,535	1,262,475
Other			-	332,110
Total State appropriations	18,607,458	3,740,387	22,347,845	22,096,878
Property taxes	1,029,203		1,029,203	990,170
Investment income	610,563		610,563	376,200
Federal grant related to capital debt	16,094		16,094	16,094
Gain on disposal of capital assets	60,891		60,891	(22,709)
Contributions in aid of construction	1,340,035		1,340,035	
Proceeds from termination of capital lease	1,268,465		1,268,465	
Gain on disposal of capital lease	110,250		110,250	
Total nonoperating revenues	23,042,959	3,740,387	26,783,346	23,456,633
Nonoperating expenses:				
Interest on capital related debt	2,083,294		2,083,294	2,081,482
Bond issuance costs	193,693		193,693	
Unrealized loss (gain) on investments	44,630		44,630	(4,660)
Total nonoperating expenses	2,321,617	-	2,321,617	2,076,822
Nonoperating revenues, net	\$ 20,721,342	3,740,387	24,461,729	21,379,811
			(Exhibit 2)	(Exhibit 2)

BLINN COLLEGE

Schedule of Net Assets by Source and Availability
 Year Ended August 31, 2005
 (With Memorandum Totals for the Year Ended August 31, 2004)

	Detail by Source						Total	Available for Current Operations		
	Unrestricted	Restricted		Non-Expendable	Capital Assets Net of Depreciation and Related Debt				Yes	No
		Expendable	Non-Expendable							
Current:										
Unrestricted	\$ 2,381,676					2,381,676		2,381,676		
Board designated	32,064					32,064			32,064	
Restricted		286,577				286,577		286,577		
Star of Republic Museum		334,565				334,565		334,565		
Auxiliary enterprises						1,742,325		1,742,325		
Endowment:										
Expendable		1,029,306				1,029,306		1,029,306		
Non-expendable									6,920,807	
Plant:										
Debt service		4,140,668				4,140,668			4,140,668	
Investment in plant					41,880,283	41,880,283			41,880,283	
Total net assets, August 31, 2005	4,156,065	5,791,116			41,880,283	58,748,271		5,774,449	52,973,822	
Total net assets, August 31, 2004	4,180,880	3,585,446			40,317,841	53,728,634		5,675,472	48,053,162	
Net (decrease) increase in net assets	\$ (24,815)	2,205,670			1,562,442	5,019,637		98,977	4,920,660	

BLINN COLLEGE

Schedule of Bonds Payable and Debt Service Requirements
Year Ended August 31, 2005

Bonds Payable

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding September 1, 2004	Bonds Issued After September 1, 2004	Bonds Matured or Retired	Bonds Outstanding August 31, 2005	Maturities		First Call Date
							Last Year	2021-2023	
Combined Fee Revenue Bonds, Series 1998	\$ 9,870,000	4.0% - 4.75%	8,860,000		(365,000)	8,495,000	2001	2020	10/1/2008
Combined Fee Revenue Bonds, Series 1999	6,110,000	4.2% - 4.85%	4,835,000		(350,000)	4,485,000	2000	2019	10/1/2008
Combined Fee Revenue Bonds, Series 2002	15,355,000	2.5% - 5.125%	14,135,000		(805,000)	13,330,000	2003	2023	10/1/2011
Combined Fee Revenue Refunding Bonds, Series 2003	4,475,000	3.00% - 4.30%	3,915,000		(475,000)	3,440,000	2003	2018	4/1/2013
Combined Fee Revenue Bonds, Series 2005	11,815,000	3.50% - 5.125%	-	11,815,000	-	11,815,000	2005	2016	4/1/2013
Total	\$ 47,625,000		\$ 31,745,000	\$ 11,815,000	(1,995,000)	\$ 41,565,000			

Debt Service Requirements

Description	Year Ending August 31,						Total
	2006	2007	2008	2009	2010	2011-2015	
Combined Fee Revenue Bonds, Series 1998	\$ 745,943	745,443	744,240	747,122	744,186	3,727,238	11,930,752
Combined Fee Revenue Bonds, Series 1999	557,015	556,160	554,675	557,455	554,500	1,805,105	5,739,932
Combined Fee Revenue Bonds, Series 2002	1,412,269	1,417,606	1,414,569	1,417,969	1,414,869	5,230,782	18,705,505
Combined Fee Revenue Refunding Bonds, Series 2003	611,840	606,990	616,840	310,940	308,740	1,138,945	4,126,615
Combined Fee Revenue Bonds, Series 2005	1,251,612	1,246,410	1,247,400	1,246,825	1,249,977	6,249,012	14,981,856
Total	\$ 4,578,679	\$ 4,572,609	\$ 4,577,724	\$ 4,280,311	\$ 4,272,272	\$ 18,151,082	\$ 55,484,660

**SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS**

INDEPENDENT AUDITORS'
REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Blinn College:

We have audited the financial statements of Blinn College (the College) as of and for the year ended August 31, 2005, and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements 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 financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the College in a separate letter dated October 28, 2005.

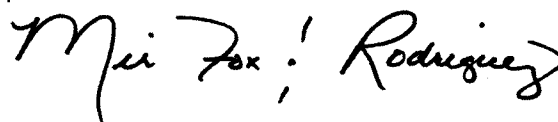
Compliance and Other Matters

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

Texas Public Funds Investment Act

We have performed tests designed to verify the College's compliance with the requirements of the Texas Public Funds Investment Act (the Act). During the year ended August 31, 2005, the results of our tests disclosed no instances of noncompliance with the Act. However, providing an opinion on compliance with the Act was not an objective of our audit and accordingly, we do not express an opinion.

This report is intended solely for the information and use of the Board of Trustees, the College's management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 28, 2005

One Riverway, Suite 1900
Houston, TX 77056
Off. (713) 622-1120
Fax (713) 961-0625

INDEPENDENT AUDITORS'
REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Blinn College:

Compliance

We have audited the compliance of Blinn College (the College), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major Federal programs for the year ended August 31, 2005. The College's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the 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 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the 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, Blinn College complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended August 31, 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 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 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.

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 reportable 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 caused by error or fraud 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.

This report is intended solely for the information and use of the Board of Trustees, the College's management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mari Fox; Rodriguez

October 28, 2005

BLINN COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2005

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
<u>U.S. Department of Education</u>			
Direct Programs:			
Federal Supplemental Education Opportunity Grant	84.007		\$ 209,193
Federal Family Education Loans (*)	84.032		12,770,710
Federal Pell Grant	84.063		7,110,972
Pass-Through From -			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education	84.048		361,374
Leveraging Educational Assistance (LEAP)	84.069		8,734
Byrd Scholarship	84.185		250
Carl Perkins Tech-Prep Education	84.243		232,831
Improving Teacher Quality:			
Quality Teaching for the Improvement of Math & Science (QTMPs)	84.367	305	17,309
Catalyst 8th Grade Science	84.367	TQG003549-001-2004	21,509
			<u>38,818</u>
Pass-Through From -			
Texas A&M Research Foundation			
Texas 2+2 Project	84.000		11,557
Total U.S. Department of Education			<u>20,744,439</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program -			
Federal Interest Subsidy	14.864		<u>16,094</u>
<u>U.S. Department of Labor</u>			
Pass-Through from -			
Brazos Valley Development Council:			
Workforce Investment Act - Adult	17.258		32,034
Workforce Investment Act - Youth	17.259		21,893
Workforce Investment Act - Dislocated Worker	17.260		68,664
Total U.S. Department of Labor			<u>122,591</u>
<u>U.S. Institute of Museum and Library Services</u>			
Direct Program -			
Museum for America Grant	45.301	MA-01-04-0547-04	<u>34,986</u>
<u>U.S. Small Business Administration</u>			
Pass-Through from -			
University of Houston:			
Small Business Development Center	59.037	4-603001-Z-0047-19	9,644
Small Business Development Center	59.037	5-603001-Z-0047-19	74,892
Total U.S. Small Business Administration			<u>84,536</u>

Continued

BLINN COLLEGE

Schedule of Expenditures of Federal Awards, (continued)
Year Ended August 31, 2005

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
<u>U.S. Department of Health and Human Services</u>			
Pass-Through from -			
Brazos Valley Development Council:			
Temporary Assistance for Needy Families- Opportunities/Choices	93.558		223,944
Temporary Assistance for Needy Families- Food Stamp Employment and Training	93.558		21,619
Temporary Assistance for Needy Families- Rider 23	93.558		23,041
Temporary Assistance for Needy Families- Self-Sufficiency Workers Achievement Training (SWAT)	93.558	1604SSF000	499,063
Total U.S. Department of Health and Human Services			<u>767,667</u>
Total expenditures of Federal awards			<u>\$ 21,770,313</u>
* Federal Family Education Loans, CFDA 84.032, include the following:			
Subsidized loans			6,362,275
Unsubsidized loans			2,541,630
PLUS loans			1,941,083
Additional unsubsidized loans			1,925,722
			<u>\$ 12,770,710</u>

See accompanying notes to schedules of expenditures of Federal and State awards.

BLINN COLLEGE

Schedule of Expenditures of State Awards
Year Ended August 31, 2005

Grantor Agency Program Title	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
Texas Comptroller of Public Accounts - Law Enforcement Officer Standards & Education (LEOSE)	9P040558	\$ 1,026
Texas Higher Education Coordinating Board:		
Texas Grant Program		335,915
Public State Incentive Program (PSIG)		12,976
Texas Business Coalition		3,418
Go Center		3,500
Nursing Innovation Grant Programs:		
Expansion of the Student Retention Program	BCS10	23,754
Growing Our Own: Faculty Recruitment and Retention Project	BCF5	23,633
Total expenditures of State awards		<u>\$ 404,222</u>

See accompanying notes to schedules of expenditures of Federal and State awards.

BLINN COLLEGE

Notes to Schedules of Expenditures of Federal and State Awards Year Ended August 31, 2005

1. Relationship to Financial Statements

	<u>Federal</u>	<u>State</u>
Total revenue - per schedule A	\$ 8,983,509	611,671
Loans	12,770,710	
Federal interest subsidy	16,094	
Local grants	<u> </u>	<u>(207,449)</u>
Total per schedules of expenditures of Federal and State awards	\$ <u>21,770,313</u>	<u>404,222</u>

2. Significant Accounting Policies Used in Preparing the Schedules

The schedules present the activity of all Federal and State programs of the College for the year ended August 31, 2005. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

3. Relationship to Federal and State Financial Reports

Differences between amounts reflected in the financial reports filed with grantor agencies for the programs and in the schedules of expenditures of Federal and State awards are due to different program year ends and accruals that will be reflected in the next report filed with the agencies.

4. Amounts Passed-Through by the College

The following amounts were passed-through to the listed subrecipients by the College. These amounts were from the Carl Perkins Tech-Prep Education program, CFDA 84.243, from the U.S. Department of Education through the Texas Higher Education Coordinating Board.

Anderson-Shiro ISD	\$ 2,250	Iola ISD	2,250
Bremond ISD	2,161	Mumford ISD	2,250
Brenham ISD	8,963	Navasota ISD	6,001
Bryan ISD	26,439	Normangee ISD	2,173
Buffalo ISD	2,250	North Zulch ISD	2,237
Burton ISD	2,150	Oakwood ISD	2,272
Caldwell ISD	2,093	Snook ISD	2,100
Calvert ISD	2,100	Somerville ISD	2,250
Centerville ISD	2,250	Other	<u>8,764</u>
College Station ISD	13,502	Total	\$ <u>102,405</u>
Franklin ISD	2,250		
Hearne ISD	2,250		
Madisonville ISD	3,450		

BLINN COLLEGE
Schedule of Findings and Questioned Costs
Year Ended August 31, 2005

Section 1

Summary of Auditors' Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors' report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|--|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| 2. Type of auditors' report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 4. Identification of major programs: | |
| <u>Federal CFDA Number</u> | <u>Name of Federal Program</u> |
| 84.007 | Student Financial Aid Cluster: |
| 84.032 | Federal Supplemental Education Opportunity Grant |
| 84.063 | Federal Family Education Loans |
| | Federal Pell Grant |
| 84.048 | Carl Perkins Vocational Education |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 653,109 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

Section 2

Financial Statement Findings

(None reported)

Section 3

Federal Award Findings and Questioned Costs

(None reported)

Section 4

Schedule of Prior Year Findings

The audit of Federal and State awards disclosed no findings that were required to be reported for the year ended August 31, 2004.

STATISTICAL SECTION

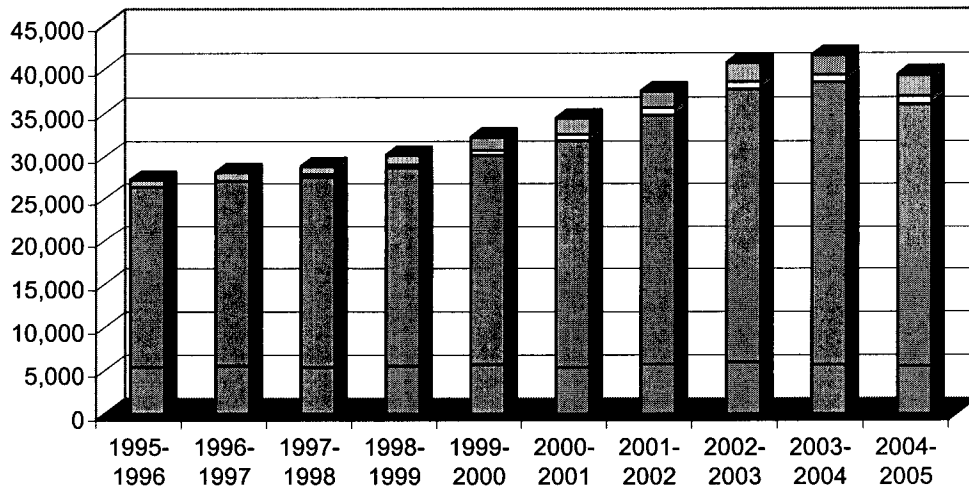
These statistical tables provide selected financial and demographic information.
The statistical tables are for informational purposes only and are not audited

**BLINN COLLEGE
 HEADCOUNT ENROLLMENT TREND
 LAST TEN FISCAL YEARS BY CAMPUS
 (Unaudited)**

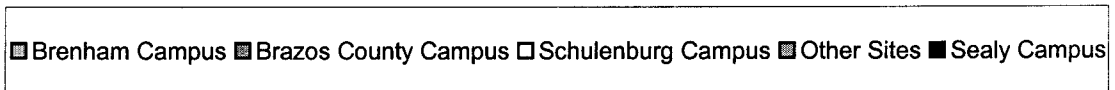
FISCAL YEAR	Brenham	Brazos County	Schulenburg	Sealy	Other Sites	Total
1995-1996	5,403	20,987	-	-	831	27,221
1996-1997	5,525	21,556	-	-	1,031	28,112
1997-1998	5,370	22,162	360	-	918	28,810
1998-1999	5,512	23,102	392	-	1,139	30,145
1999-2000	5,666	24,471	572	-	1,513	32,222
2000-2001	5,360	26,438	758	-	1,822	34,378
2001-2002	5,720	29,006	876	-	1,825	37,427
2002-2003	5,961	31,682	865	-	2,127	40,635
2003-2004	5,667	32,787	837	-	2,205	41,496
2004-2005	5,490	30,483	901	88	2,340	39,302

Source: Campus Information from Blinn College Data
 Totals are from THECB certified data

**BLINN COLLEGE
 HEADCOUNT ENROLLMENT
 TREND
 LAST TEN FISCAL YEARS BY**



FISCAL YEAR



BLINN COLLEGE
TAX RATES AUTHORIZED AND ASSESSED
LAST TEN FISCAL YEARS
(Unaudited)

FISCAL YEAR	TAX RATES AUTHORIZED AND ASSESSED		
	CURRENT OPERATIONS	DEBT SERVICE	TOTAL RATE
1995-96	\$ 0.0452	\$ -	\$ 0.0452
1996-97	\$ 0.0428	\$ -	\$ 0.0428
1997-98	\$ 0.0406	\$ -	\$ 0.0406
1998-99	\$ 0.0611	\$ -	\$ 0.0611
1999-00	\$ 0.0598	\$ -	\$ 0.0598
2000-01	\$ 0.0576	\$ -	\$ 0.0576
2001-02	\$ 0.0544	\$ -	\$ 0.0544
2002-03	\$ 0.0544	\$ -	\$ 0.0544
2003-04	\$ 0.0567	\$ -	\$ 0.0567
2004-05	\$ 0.0552	\$ -	\$ 0.0552

Source: Washington County Appraisal District

BLINN COLLEGE
NET ASSESSED VALUATION
LAST TEN FISCAL YEARS
(Unaudited)

FISCAL YEAR	ASSESSED VALUATIONS	LESS EXEMPTIONS	NET ASSESSED VALUATIONS
1995-96	\$ 963,676,337	-	963,676,337
1996-97	\$ 1,131,073,724	(20,592,416)	1,110,481,308
1997-98	\$ 1,306,712,891	(37,742,184)	1,268,970,707
1998-99	\$ 1,341,157,048	(36,709,913)	1,304,447,135
1999-00	\$ 1,368,646,512	(36,267,332)	1,332,379,180
2000-01	\$ 1,497,359,679	(39,169,325)	1,458,190,354
2001-02	\$ 1,674,212,144	(39,423,638)	1,634,788,506
2002-03	\$ 1,743,970,560	(39,004,298)	1,704,966,262
2003-04	\$ 1,784,754,268	(42,102,236)	1,742,652,032
2004-05	\$ 1,919,446,838	(43,567,229)	1,875,879,609

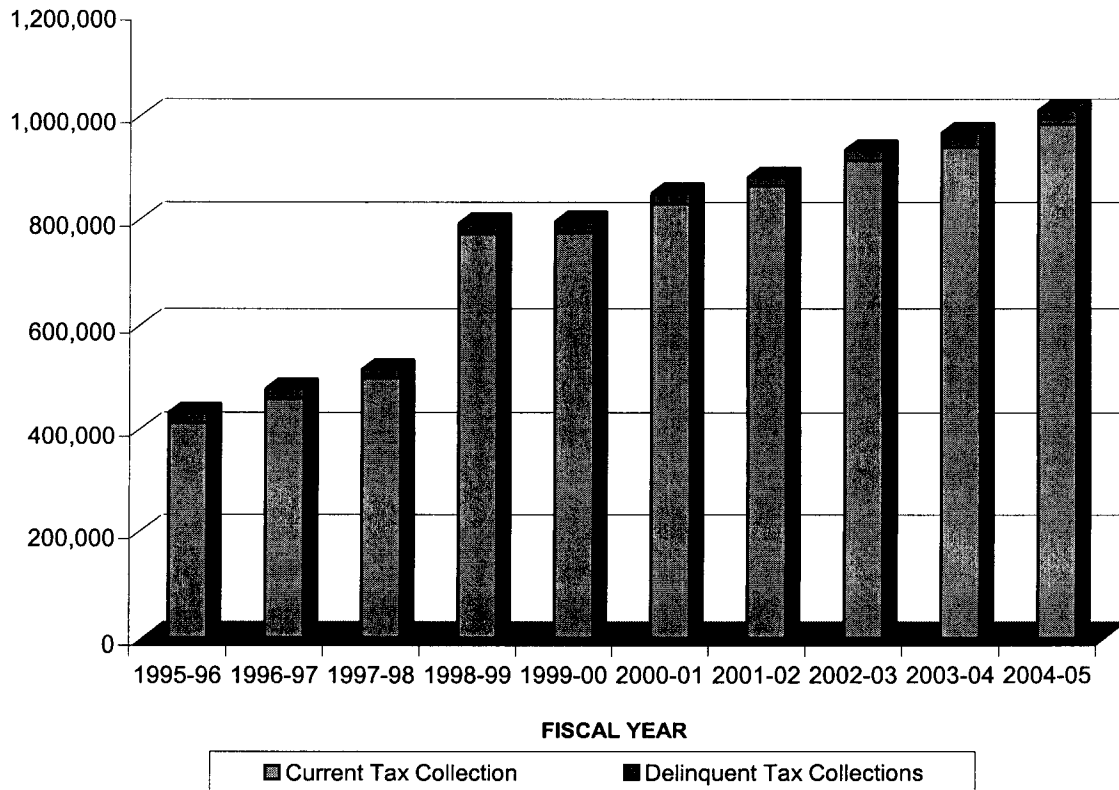
Source: Washington County Appraisal District

**BLINN COLLEGE
PROPERTY TAXES COLLECTED
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	CURRENT TAX COLLECTIONS	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS
1995-96	\$ 412,940	19,002	431,942
1996-97	\$ 460,510	18,268	478,778
1997-98	\$ 499,620	15,936	515,556
1998-99	\$ 773,402	18,801	792,203
1999-00	\$ 775,919	19,855	795,774
2000-01	\$ 830,532	19,505	850,037
2001-02	\$ 864,584	15,949	880,533
2002-03	\$ 913,550	20,316	933,866
2003-04	\$ 939,800	27,848	967,648
2004-05	\$ 984,498	26,651	1,011,149

Source: Washington County Appraisal District

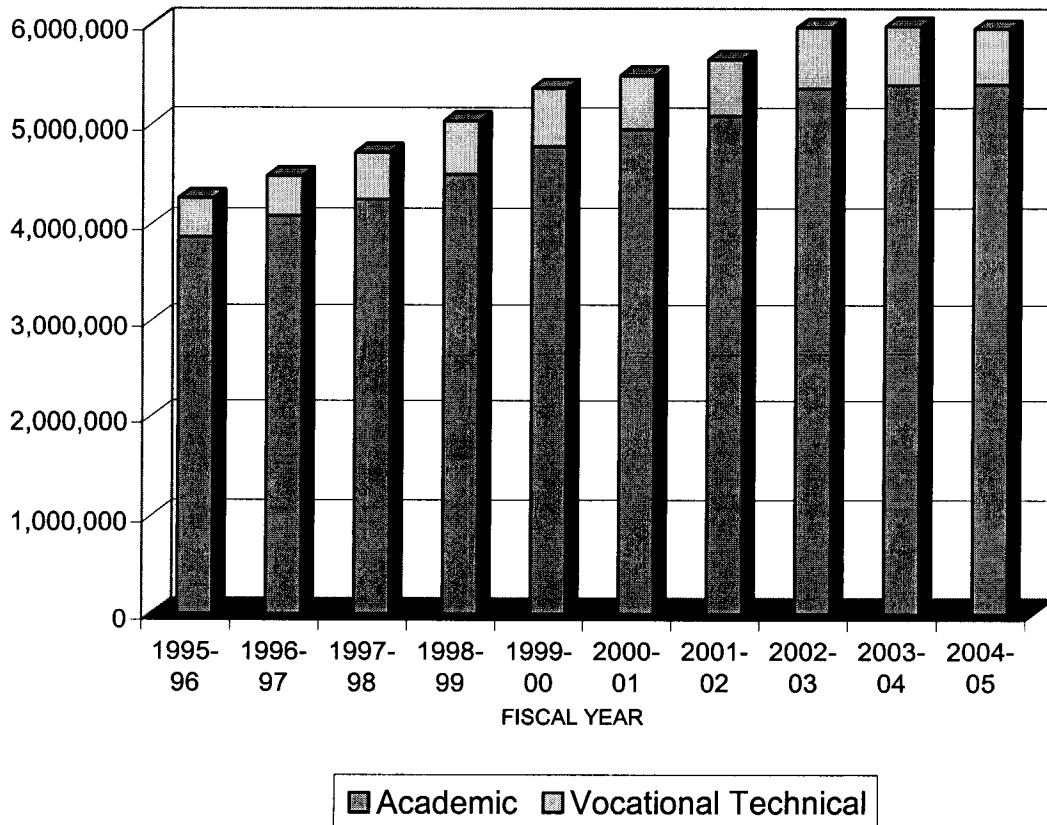
**BLINN COLLEGE
PROPERTY TAXES COLLECTED
LAST TEN FISCAL YEARS
(Unaudited)**



**BLINN COLLEGE
CONTACT HOUR HISTORY
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	ACADEMIC	VOCATIONAL TECHNICAL	TOTAL CONTACT HOURS
1995-96	3,867,677	396,377	4,264,054
1996-97	4,084,871	399,752	4,484,623
1997-98	4,252,535	469,493	4,722,028
1998-99	4,500,466	530,096	5,030,562
1999-00	4,780,497	574,804	5,355,301
2000-01	4,950,487	532,224	5,482,711
2001-02	5,083,209	556,076	5,639,285
2002-03	5,354,443	612,816	5,967,259
2003-04	5,392,137	588,784	5,980,921
2004-05	5,396,623	557,312	5,953,935

**BLINN COLLEGE
CONTACT HOUR HISTORY
LAST TEN FISCAL YEARS
(Unaudited)**

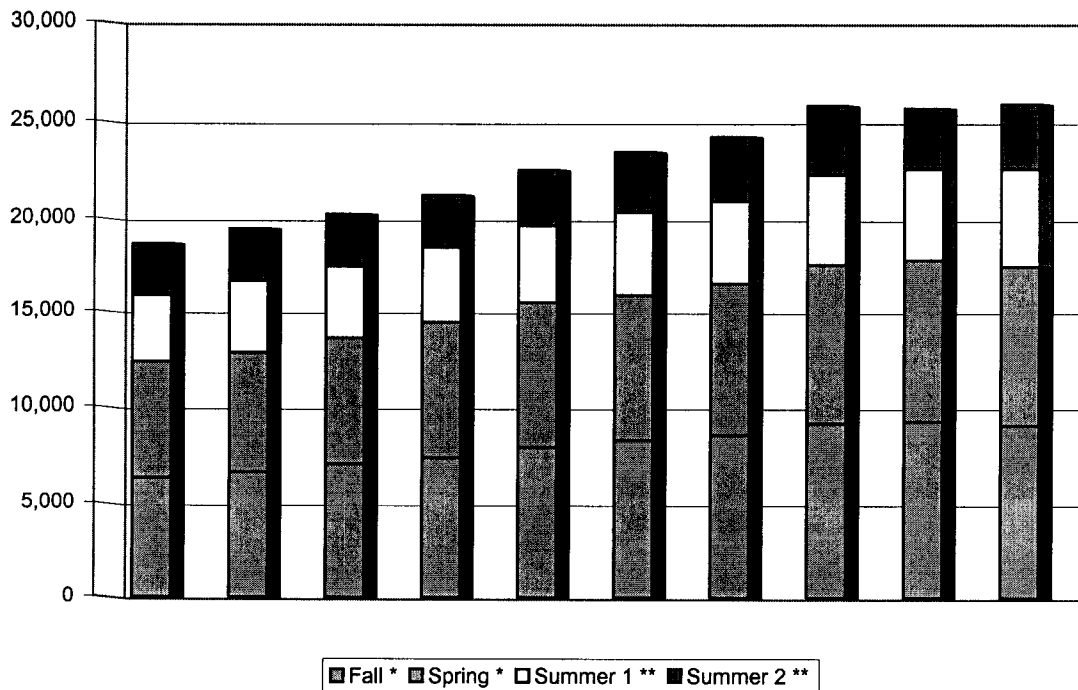


**BLINN COLLEGE
FULL TIME STUDENT EQUIVALENTS (FTSE)
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	FALL*	SPRING*	SUMMER 1**	SUMMER 2**	TOTAL***
1995-96	6,331	5,998	3,544	2,762	18,635
1996-97	6,632	6,181	3,838	2,800	19,451
1997-98	7,061	6,527	3,828	2,827	20,243
1998-99	7,374	7,040	4,021	2,800	21,235
1999-00	7,921	7,567	4,137	2,905	22,530
2000-01	8,289	7,611	4,451	3,110	23,461
2001-02	8,554	7,975	4,416	3,289	24,234
2002-03	9,158	8,360	4,780	3,497	25,795
2003-04	9,265	8,501	4,829	3,077	25,672
2004-05	9,063	8,377	5,168	3,278	25,886

Source: Blinn College Database
THECB/Prep-Online
* 1 FTE = 15 Semester Hours
** 1 FTE = 6 Semester Hours
***Duplicated FTE Count

**BLINN COLLEGE
FULL TIME STUDENT EQUIVALENTS (FTSE)
LAST TEN FISCAL YEARS
(Unaudited)**



BLINN COLLEGE
REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

FISCAL YEAR	STATE APPROPRIATIONS	NET TUITION AND FEES	GRANTS AND CONTRACTS	AUXILIARY ENTERPRISES	PROPERTY TAXES	INVESTMENT INCOME	OTHER REVENUES	TOTAL REVENUES
1995-96	14,458,015	10,158,850	3,641,587	4,664,134	424,358	618,917	373,064	34,338,925
1996-97	15,424,337	10,077,719	2,694,354	4,658,971	469,552	547,527	1,188,429	35,060,889
1997-98	17,500,580	11,436,410	3,515,203	4,139,218	502,166	860,177	357,230	38,310,984
1998-99	18,222,453	12,463,052	5,357,094	3,992,178	792,233	1,108,086	217,138	42,152,234
1999-00	20,949,119	14,611,070	4,725,808	4,796,821	795,774	1,147,383	339,549	47,365,524
2000-01	21,592,146	17,318,327	5,205,103	5,200,312	836,993	1,186,479	275,272	51,614,632
2001-02	23,694,536	16,509,293	8,170,998	4,894,402	880,533	446,032	196,344	54,792,138
2002-03	22,543,586	17,424,538	9,046,692	5,174,707	933,866	360,082	636,566	56,120,037
2003-04	22,096,878	19,991,640	9,385,418	5,346,524	990,170	380,860	318,778	58,510,268
2004-05	22,347,845	21,564,591	9,595,180	5,395,202	1,029,203	565,933	2,963,211	63,461,165

Source: Annual Financial Reports

**BLINN COLLEGE
EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	INSTRUCTION	PUBLIC SERVICE	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT	OPERATION AND MAINTENANCE OF PLANT	SCHOLARSHIPS AND FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION	TOTAL EXPENSES
1995-96	13,048,316	833,093	2,190,087	2,165,810	1,530,598	2,434,333	2,385,146	5,118,565		29,705,948
1996-97	15,020,244	844,116	1,554,032	2,467,420	1,731,935	2,466,276	2,819,739	4,679,673		31,583,435
1997-98	15,507,502	559,331	1,857,494	2,201,336	3,108,940	2,481,949	3,476,788	4,512,728		33,706,068
1998-99	16,640,325	1,122,150	2,282,589	2,303,550	3,266,342	2,794,596	3,872,568	4,541,280		36,823,400
1999-00	18,002,022	1,031,408	2,484,354	2,625,552	4,442,004	3,004,131	4,227,759	4,667,128		40,484,358
2000-01	20,071,733	775,320	2,860,452	2,913,148	4,012,875	3,263,928	4,806,358	5,579,669		44,283,483
2001-02	22,812,980	783,649	3,036,365	3,016,312	5,896,383	4,284,287	4,931,416	5,511,879	1,616,685	51,889,956
2002-03	23,430,205	628,849	4,098,388	3,320,096	4,984,109	3,894,228	6,004,057	4,955,687	2,266,045	53,581,664
2003-04	23,621,981	1,356,159	2,929,841	3,411,862	5,622,553	4,248,992	5,999,123	5,357,865	2,420,851	54,969,227
2004-05	24,125,258	1,587,325	3,823,899	3,644,850	5,350,706	4,815,090	5,805,655	6,035,157	2,313,832	57,501,772

Source: Annual Financial Reports