



**BLINN COLLEGE**  
**Annual Financial Report**  
**Fiscal Years Ended**  
**August 31, 2003 and 2002**

# BLINN COLLEGE

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BLINN COLLEGE

Organizational Data  
Year Ended August 31, 2003

Board of Trustees

Officers

L. J. Lacina, Jr., President  
Steve M. Westbrook, Vice-President  
Leon B. Toubin, Secretary

Members

Term Expires  
May 31,

Henry J. Boehm, Jr., M.D.	Brenham, Texas	2004
Sudie Schaer Stark	Brenham, Texas	2004
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

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, 2003 and 2002, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 8 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 audits were performed for the purpose of forming an opinion on the basic financial statements of the College, taken as a whole. The supplemental schedules (schedule A, B, E, F, G and H) and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental schedules A, B and H have been subjected to the auditing procedures applied in our audit 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. Supplemental schedules E, F, and G; and the statistical information have not been subjected to the auditing procedures applied by us to our audit of the basic financial statements and, accordingly, we express no opinion on them.

Our August 31, 2003 audit was conducted for the purpose of forming an opinion on the August 31, 2003 basic financial statements. The accompanying schedule of Expenditures of Federal Awards (Schedule C) and Expenditures of State Awards (Schedule D) as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the *State of Texas Single Audit Circular*, respectively, are presented for purpose of additional analysis and are not a part of the August 31, 2003 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the August 31, 2003 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the August 31, 2003 basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Mari Fox; Rodriguez

October 24, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Blinn College (the College) Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended August 31, 2003 as compared to the August 31, 2002 fiscal year. Since management's discussion and analysis is designed to focus on current activities, and currently known facts, please read in conjunction with the College's basic financial statements (pages 9 – 11) and the footnotes (pages 12 – 27). Responsibility and fairness of this information rests with the College.

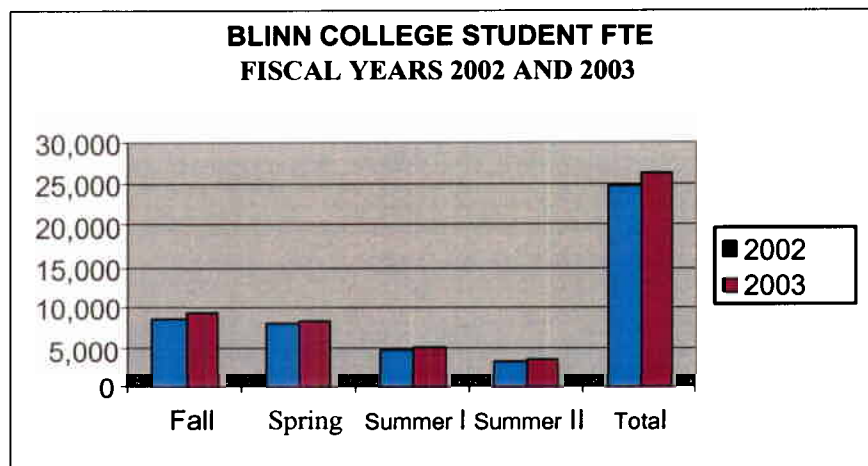
### Financial Highlights

- Net Assets increased by \$623,000
- State appropriations reduced by \$1,500,000 due to state budget deficits.
- Completed additional parking and renovated the Schulman Theatre complex into large multi-purpose classrooms on the Bryan Campus.
- Substantially completed the sixth building on the Bryan Campus, a 50,000 square foot, two story building which added classrooms and science laboratories and a larger bookstore and copy center.
- Issued \$4,500,000 revenue bonds to refund the Series 1993 revenue bonds at lower interest rates.

In April, 2003, the Texas Higher Education Coordinating Board determined the reductions in state funding for Texas Community Colleges due to the state deficit. This reduction in funding for fiscal year 2003 amounted to approximately \$1,500,000 for the College. The College's Board of Trustees and administration made changes to operations to meet this reduction. The Board approved an increase of \$5 per semester credit hour, effective with the summer terms, that increased revenues by \$300,000. The administration, with cooperation from faculty and staff, reduced operating expenditures by \$1,600,000. However, with the announcement of the reduction so late in the fiscal year, certain expenses resulting in enrollment growth and maintenance of facilities could not be curtailed and increased by \$700,000. In spite of the state funding reductions, the College had net operating income of \$1,228,000 and an increase in net assets of \$623,000 for 2003.

On average, some 25% of the College's students transfer and graduate from a four year college (the State's average is approximately 12% for two year colleges), and of the College's students that attend a four year college, approximately 80% go to Texas A&M University.

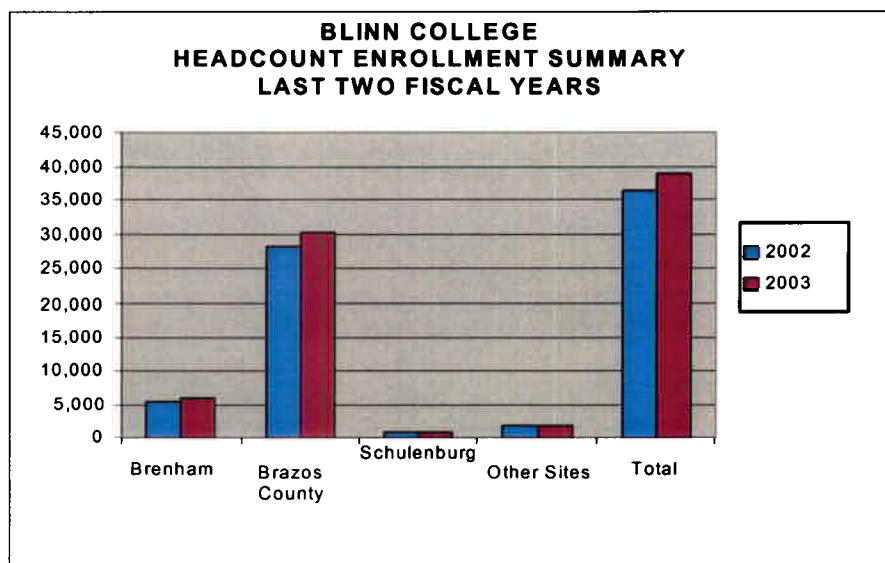
Below is a comparison of full time equivalent (FTE) enrollment by term for fiscal years 2002 and 2003.



1 FTE = 15 (Fall/Spring)

1 FTE = 6 (Summer)

Below is a two-year comparison for student enrollment by location.



### Overview of Financial Statements

The College qualifies as a special purpose government engaged in business-type activities and the basic financial statements are prepared on that basis. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, a statement of cash flow and notes to the basic financial statements.

The Statements of Net Assets present the financial position of the College on a full accrual historical cost basis. This statement combines and consolidates current financial resources with non-current assets, shows amount owed against those assets, and reveals the net assets available to the College for further endeavors. Over time, increases and decreases in net assets are one indicator of whether the financial position of the College is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets highlight the results of the business activities over the course of the fiscal years and information as to how the net assets changed during the years.

The Statements of Cash Flows present changes in cash and cash equivalents resulting from operational, noncapital financing, capital financing, and investing activities. This statement presents cash receipts and cash disbursements information without consideration of the earning event.

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 Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting by most private-sector institutions. Net Assets – the difference between assets and liabilities – are one way to measure the financial health of the College. At August 31, 2003 the difference (net assets) was \$52 million. This was a modest increase of \$623,000 from the period ended August 31, 2002. The College's financial position remains strong with adequate liquid assets at a reasonable level of unrestricted net assets.



The following chart summarizes the Statement of Net Assets (rounded to the nearest thousand) and the changes from prior year.

<b>Assets</b>	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percentage of Change</u>
Current assets	\$ 21,828,000	29,455,000	(7,627,000)	(26) %
Capital assets, net of depreciation	83,385,000	77,008,000	6,377,000	8 %
Noncurrent assets	<u>7,918,000</u>	<u>7,700,000</u>	<u>218,000</u>	<u>3</u> %
Total assets	<u>113,131,000</u>	<u>114,163,000</u>	<u>(1,032,000)</u>	<u>(15)</u> %
<b>Liabilities</b>				
Current liabilities	17,149,000	16,226,000	923,000	6 %
Noncurrent liabilities	<u>43,893,000</u>	<u>46,471,000</u>	<u>(2,578,000)</u>	<u>(6)</u> %
Total liabilities	<u>61,042,000</u>	<u>62,697,000</u>	<u>(1,655,000)</u>	<u>(3)</u> %
<b>Net assets</b>				
Investment in capital assets, net of related debt	40,513,000	38,334,000	2,179,000	6 %
Restricted	8,685,000	8,673,000	12,000	0 %
Unrestricted	<u>2,891,000</u>	<u>4,459,000</u>	<u>(1,568,000)</u>	<u>(35)</u> %
Total net assets	\$ <u>52,089,000</u>	<u>51,466,000</u>	<u>623,000</u>	<u>1</u> %

Current assets include \$15.9 million of cash and cash equivalents, of which approximately \$3.7 is unspent bond proceeds, and \$3.9 million of student receivables related to fiscal year 2004 fall semester. Student accounts receivables increased \$1.2 million due to increase in rates and growth. The 26% decrease in current assets is due to \$7 million spent on Bryan Campus construction projects and \$1 million spent on capital improvements.

Capital assets include \$9 million of new additions with accumulated depreciation of \$16.7 million. The investment in capital assets, net of related debt increased by 6%.

Current liabilities includes approximately \$1.3 million of accounts payable, \$12.4 deferred revenues which relate to fiscal year 2004 fall semester student enrollment, and the current portion of bond and lease payments which is approximately \$2.6 million. Deferred tuition and fees increased by \$1.8 million due to increase in rates and growth. Noncurrent liabilities consist of future bond and lease payments. The 2003, \$4.5 million combined fee revenue refunding bonds series refunded the College 1993 bonds resulting in \$230,000 savings in bond indebtedness over the life of the bonds. The College made bond principal payments of \$6 million and capital lease payments of \$692,000.

The College has an unrestricted net asset balance of approximately \$2.9 million which the College maintains as a contingency reserve. Restricted net assets include endowment funds and required debt service reserves of approximately \$6.3 million and \$1.6 million.

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

The Statement of Revenues, Expenses and Change in Net Assets presents the operating results of the College, as well as the non-operating revenues and expenses. Operating revenues are primarily those that result directly from instruction, the operation of the College auxiliary services (student housing, cafeteria, athletics, bookstore, etc.) and Federal, State and local grants. Also included in operating revenues are State allocations in accordance with the Texas Higher Education Coordinating Board. Property tax receipts, while budgeted for operations, are considered non-operating revenues and depreciation is shown in operating expenses according to accounting principles generally accepted in the United States.

The following chart summarizes the Statement of Revenues, Expenses and Changes in Net Assets (rounded to the nearest thousand) and the changes from prior year.

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percentage of Change</u>
Total operating revenues	\$ 54,810,000	53,432,000	1,378,000	3 %
Total operating expenses	<u>53,582,000</u>	<u>51,890,000</u>	<u>1,692,000</u>	<u>3 %</u>
Net operating revenue	1,228,000	1,542,000	(314,000)	(20) %
Total nonoperating revenues	1,398,000	1,360,000	38,000	3 %
Total nonoperating expenses	<u>(2,387,000)</u>	<u>(1,894,000)</u>	<u>(493,000)</u>	<u>26 %</u>
Net nonoperating expense	(989,000)	(534,000)	(455,000)	85 %
Income before other revenues	239,000	1,008,000	(769,000)	(76) %
Capital appropriations and gifts	<u>384,000</u>	<u>613,000</u>	<u>(228,000)</u>	<u>(37) %</u>
Total increase in net assets	<u>623,000</u>	<u>1,621,000</u>	<u>(998,000)</u>	<u>(62) %</u>
Net assets, beginning of year	<u>51,466,000</u>	<u>49,845,000</u>	<u>1,621,000</u>	<u>3 %</u>
Net assets, end of year	\$ <u>52,089,000</u>	<u>51,466,000</u>	<u>623,000</u>	<u>1 %</u>

Operating revenues include approximately \$22.5 million in state allocations, \$17.4 million in tuition and fees, net of discounts, \$9 million in Federal and State of Texas grants and contracts and \$5.2 million from auxiliary enterprises. State appropriations decreased by \$1.2 million and federal financial aid increased by \$1.2 million with \$1 million increase in federal grants to students in scholarships allowances and discounts.

The revenue from auxiliary enterprises consists of revenues from college operated student housing and food services; leases on bookstore, vending and rentals. The most significant sources of operating revenues for the College are tuition and fees and state allocations representing 31% and 41% of total operating revenues, respectively.

Operating expenses consist mainly of personnel costs, which were approximately \$34 million for 2003 and \$32 million for 2002, or 63% and 62%, respectively of total operating expenses. Faculty salaries were \$15.6 million for 2003 and \$14.7 million for 2002.

Below is a schedule of operating expenses for fiscal year 2003 compared to fiscal year 2002.

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percentage of Change</u>
Instruction and general	\$ 35,372,000	33,934,000	1,438,000	4 %
Scholarships and fellowships	6,004,000	4,931,000	1,073,000	22 %
Auxiliary enterprises	4,956,000	5,512,000	(556,000)	(10) %
Depreciation	2,266,000	1,617,000	649,000	40 %
Institutional support	<u>4,984,000</u>	<u>5,896,000</u>	<u>(912,000)</u>	<u>(16) %</u>
Total operating expenses	\$ <u>53,582,000</u>	<u>51,890,000</u>	<u>1,692,000</u>	<u>3 %</u>

Depreciation increased by 40% due to addition of depreciation for \$13.2 of new buildings and equipment purchased in fiscal year 2003. Scholarships increased by 22% due to student growth and increase in tuition and fees. Instruction and general increased by 4% due to increase in enrollment and institutional support and auxiliary decreased by 16% and by 10% because of reduce spending as a result of state funding reductions.

**Statement of Cash Flows**

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

	<u>2003</u>	<u>2002</u>	<u>Change</u>
<b>Cash provided by (used in):</b>			
Operating activities	\$ 2,894,000	5,557,000	(2,663,000)
Non-capital financing activities	1,399,000	1,493,000	(94,000)
Capital and related financing activities	(13,196,000)	(1,804,000)	(11,392,000)
Investing activities	<u>1,384,000</u>	<u>(578,000)</u>	<u>1,962,000</u>
Net increase in cash and cash equivalents	(7,519,000)	4,668,000	(12,187,000)
Cash and cash equivalents - beginning of year	<u>31,388,000</u>	<u>26,720,000</u>	<u>4,668,000</u>
Cash and cash equivalents - end of year	<u>\$ 23,869,000</u>	<u>31,388,000</u>	<u>(7,519,000)</u>

The College provided positive cash flows from operating activities for both years of approximately \$2.9 million and \$5.6 million, respectively. However, the decrease in cash flows from operation in 2003 is due to decrease in state funding and increase in cash outlays for wages and benefits and scholarships. The change in net cash used by capital and related financing activities is due to in 2002 the College issued \$15.4 million in new debt and spent \$16 million in purchases of new assets and debt payment compared to 2003 where the College only issued \$4.5 in new debt and spent \$16 million in purchases of new assets and debt payments.

**Capital Asset and Debt Administration**

The College substantially completed the sixth building on the Bryan campus; a 50,000 square foot, two story building that added classrooms, science laboratories and a larger bookstore and copy center. The College added additional parking and renovated a theater complex into large, state-of-the-art classrooms.

The College issued \$4.5 million of revenue bonds to refund the 1993 Revenue bonds at lower interest rates, saving \$230,000 over the remaining life of the bonds.

**Future Considerations**

For the next two years, the College will receive reduced state funding. The Board of Trustees increased tuition and fees for the fall 2003 to supplement the approximate 8% reduction in state allocations. The Board of Trustees and the College’s administration have reduced expenditures to maintain a balanced budget and are committed to further reductions in expenditures or increases in tuition and fees, if necessary. However, while state funding is declining, the College continues to meet all commitments and provide quality education with few reductions in services. The administration is actively seeking to increase revenues through other sources, such as developing new workforce education courses for the business community. The College’s Foundation, which increased activities three years ago, supports the College with scholarships for students and funding for specific expenditure requests.

## BLINN COLLEGE

Statements of Net Assets  
August 31, 2003 and 2002

<u>Assets</u>	<u>2003</u>	<u>2002</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 15,951,709	24,699,402
Accounts receivables, net	5,857,250	4,715,329
Interest receivable		12,169
Inventories	13,526	6,506
Other assets	5,588	21,230
<b>Total current assets</b>	<u>21,828,073</u>	<u>29,454,636</u>
<b>Noncurrent assets:</b>		
Restricted endowment cash and cash equivalents	6,264,220	4,861,071
Restricted debt service cash and cash equivalents	1,653,504	1,827,397
Restricted endowment investments		1,011,880
Capital assets, net	83,385,556	77,008,286
<b>Total noncurrent assets</b>	<u>91,303,280</u>	<u>84,708,634</u>
<b>Total assets</b>	<u>\$ 113,131,353</u>	<u>114,163,270</u>
<b><u>Liabilities</u></b>		
<b>Current liabilities:</b>		
Accounts payable	1,372,956	2,689,901
Funds held for others	351,927	379,195
Deferred revenues	12,433,084	10,618,101
Deposits	327,930	272,105
Bonds payable-current portion	1,935,000	1,575,000
Capital leases-current portion	728,336	691,666
<b>Total current liabilities</b>	<u>17,149,233</u>	<u>16,225,968</u>
<b>Noncurrent liabilities:</b>		
Bonds payable	31,745,000	33,595,000
Capital leases	12,148,332	12,876,668
<b>Total noncurrent liabilities</b>	<u>43,893,332</u>	<u>46,471,668</u>
<b>Total liabilities</b>	<u>61,042,565</u>	<u>62,697,636</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	40,513,216	38,333,835
Restricted for:		
Nonexpendable -		
Endowments	5,328,538	4,902,473
Expendable:		
Endowments	935,682	982,698
Student aid	248,932	421,223
Debt service	1,653,504	1,827,397
Star of the Republic Museum	517,094	539,026
Unrestricted (note 11)	2,891,822	4,458,982
<b>Total net assets</b>	<u>\$ 52,088,788</u>	<u>51,465,634</u>

See accompanying notes to basic financial statements.

## BLINN COLLEGE

Statements of Revenues, Expenses, and Changes in Net Assets  
Years Ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Operating revenues:		
State allocations	\$ 22,543,586	23,694,536
Tuition and fees, net of discounts of \$3,064,086 and \$2,175,864, respectively	17,424,538	16,509,293
Federal grants and contracts	7,930,698	6,707,673
State and local grants and contracts	1,115,994	1,064,801
Sales and services of educational activities	309,340	364,950
Auxiliary enterprises, net of discounts of \$440,914 and \$378,861, respectively	5,174,707	4,894,402
Other operating revenues	311,132	196,344
Total operating revenues (Schedule A)	<u>54,809,995</u>	<u>53,431,999</u>
Expenses:		
Operating expenses:		
Instruction	23,430,205	22,812,980
Public service	209,136	211,808
Academic support	4,098,388	3,036,365
Student services	3,320,096	3,016,312
Institutional support	4,984,109	5,896,383
Operation and maintenance of plant	3,894,228	4,284,287
Star of the Republic Museum	419,713	571,841
Scholarships and fellowships	6,004,057	4,931,416
Auxiliary enterprises	4,955,687	5,511,879
Depreciation	2,266,045	1,616,685
Total operating expenses (Schedule B)	<u>53,581,664</u>	<u>51,889,956</u>
Operating income	<u>1,228,331</u>	<u>1,542,043</u>
Nonoperating revenues (expenses):		
Property tax revenue	933,866	880,533
Interest on capital related debt	(2,165,663)	(1,589,380)
Bond issuance costs	(152,233)	(265,844)
Federal grant related to capital debt	16,094	33,574
Investment income	360,082	446,032
Loss on sale of capital assets	(68,947)	(38,885)
Total net nonoperating expenses	<u>(1,076,801)</u>	<u>(533,970)</u>
Income before other revenues	151,530	1,008,073
Other revenues:		
Capital contributions		262,261
Additions to permanent endowments	471,624	349,963
Total other revenues	<u>471,624</u>	<u>612,224</u>
Increase in net assets	623,154	1,620,297
Net assets - beginning of year	<u>51,465,634</u>	<u>49,845,337</u>
Net assets - end of year	<u>\$ 52,088,788</u>	<u>51,465,634</u>

See accompanying notes to basic financial statements.

## BLINN COLLEGE

Statements of Cash Flows  
Years Ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Receipts from students and other customers	\$ 23,535,344	22,560,868
Receipts of allocations, grants and contracts	28,806,984	28,917,374
Payments to or on behalf of employees	(31,021,392)	(29,320,350)
Payments to suppliers for goods or services	(12,733,724)	(11,865,579)
Payments of scholarships	(6,004,057)	(4,931,416)
Other cash receipts	311,132	196,344
Net cash provided by operating activities	<u>2,894,287</u>	<u>5,557,241</u>
Cash flows from noncapital financing activities:		
Property tax revenues	927,251	880,536
Gifts and grants for other than capital purposes		262,261
Additions to permanent endowments	471,624	349,963
Net cash provided by noncapital financing activities	<u>1,398,875</u>	<u>1,492,760</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	4,475,000	15,355,000
Purchases of capital assets	(8,717,364)	(13,642,056)
Payments on capital debt and leases	(8,822,329)	(3,308,786)
Bond issue costs paid on new debt issue	(152,233)	(265,844)
Other	21,196	57,132
Net cash used by capital and related financing activities	<u>(13,195,730)</u>	<u>(1,804,554)</u>
Cash flows from investing activities:		
Sale (purchase) of investments	1,011,880	(1,011,880)
Investment income provided (used) by	372,251	433,863
Net cash provided (used by) investing activities	<u>1,384,131</u>	<u>(578,017)</u>
(Decrease) increase in cash and cash equivalents	(7,518,437)	4,667,430
Cash and cash equivalents - beginning of year	31,387,870	26,720,440
Cash and cash equivalents - end of year	<u>\$ 23,869,433</u>	<u>31,387,870</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	1,228,331	1,542,043
Adjustments to reconcile operating income to net cash provided		
by operating activities:		
Depreciation expense	2,266,045	1,616,685
Changes in assets and liabilities:		
Receivables, net	(1,135,306)	(639,467)
Inventories	(7,020)	455,810
Other assets	15,642	139,933
Accounts payable	(1,316,945)	941,412
Deferred revenues - tuition and fees	1,820,908	1,153,376
Deferred revenues - grants and contracts	(5,925)	77,206
Deposits	55,825	183,045
Funds held for others	(27,268)	87,198
Net cash provided by operating activities	<u>\$ 2,894,287</u>	<u>5,557,241</u>

See accompanying notes to basic financial statements.

# BLINN COLLEGE

## Notes to Basic Financial Statements August 31, 2003 and 2002

### 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 and Schulenburg. 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.

In evaluating how to define the College for financial reporting purposes, management has considered all potential component units, including the Blinn College Foundation (the Foundation). The Foundation is a legally separate not-for-profit organization which provides benefits such as scholarships to the College's students and assists in the development and growth of the College. The Foundation does not provide a financial benefit or impose a financial burden on the College. The College does not appoint any of the Foundation's Board members. As a result, the financial position and results of operations of the Foundation are not combined with the financial position and changes in net assets of the College. The Government Accounting Standard Board Statement No. 39, has been issued and will be effective for fiscal year 2004. It clarifies the inclusion criteria for affiliated entities, and accordingly the Foundation's financial statements will be included in the College's August 31, 2004 annual report.

### 2. Summary of Significant Accounting Policies

#### Reporting guidelines

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 Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. Under GASB Statement No. 35 *Basic Financial Statements – Management's Discussion and Analysis for Public Colleges and Universities*, the College is reported as a special-purpose government engaged in business-type activities.

#### Tuition discounting

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

*Student Financial Aid Programs (Title IV)* - Certain Title IV 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.

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

*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 - 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.

*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.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state allocations, 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 governing board 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

#### 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 November 1.

Continued



# BLINN COLLEGE

## Notes to Basic Financial Statements, Continued

### 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 governing board has designated public funds investment pools to be cash equivalents.

### 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 value of United States Treasury securities and United States agencies are based on quoted market value. The fair value of Lone Star Investment Pool, TexPool, TexStar and LOGIC 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. The College held no long-term investments at August 31, 2003.

### Capital assets

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date of donation. The College's capitalization policies includes real or business personal property with a value equal to or greater than \$5,000. The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
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

Revenues consisting of tuition, fees and housing charges, related to academic terms in the next fiscal year are recorded as deferred revenues.

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

#### Operating and non-operating revenue and expense policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees, sales and services of educational enterprises, and Federal, State and local grants and contracts. The College also recognizes as operating revenue allocations from the State of Texas (the State).

State allocations are classified as operating revenue because the college is a separate primary government and is not included as part of the Texas state-wide CAFR. In addition, State allocations are program specific for instruction services provided on behalf of the State and are affected by performance through a formula funding process based on contact hours of instruction provided.

Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34 such as property taxes and investment income.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

#### 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.

#### Income taxes

Blinn College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The College had no unrelated business income tax liability for the years ended August 31, 2003 or 2002.

#### Reclassification

Certain 2002 amounts have been reclassified to conform to current year presentation.

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

#### 3. Authorized Investments

The Board of Trustees of Blinn 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) directed 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

At August 31, 2003 and 2002, the carrying amount of the College's deposits was \$5,335,646 and \$6,117,914, respectively, and total bank balances equaled \$5,349,705 and \$6,480,027, respectively. Bank balances of \$200,000 are covered by federal depository insurance. Bank balances totaling \$5,149,705 and \$6,180,027 were collateralized with securities held by the pledging financial institution's agent in the College's name (category 2) at August 31, 2003 and 2002, respectively. Cash and cash equivalents reported on the statement of net assets consist of the items reported below at August 31:

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents:		
Bank deposits -		
Demand deposits	\$ 5,335,646	6,117,914
Investment pools:		
Lone Star Investment Pool	4,183,834	5,280,552
TexPool	10,329,699	19,936,279
TexSTAR	4,012,113	
Local Government Investment Cooperative		44,166
Petty cash	<u>8,141</u>	<u>8,959</u>
Cash and cash equivalents	<u>\$ 23,869,433</u>	<u>31,387,870</u>

#### Lone Star Investment Pool (Lone Star)

The Lone Star Investment Pool (Lone Star) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Lone Star is governed by an eleven member board of trustees made up of active participants in Lone Star. The board of trustees for Lone Star has the responsibility of adopting and monitoring compliance with investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. Lone Star's Liquidity Plus Fund is rated AAAM by Standard & Poor and rated monthly. The fair value of Lone Star's Liquidity Plus Fund is valued at market.

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

#### TexPool

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the portion in TexPool is the same as the value of TexPool shares.

#### TexSTAR

Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase Asset Management, Inc. TexSTAR is governed by a five member board of trustees made up of participants and representatives designated by the co-administrators. The fund is rated AAAM by Standard and Poor's and maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. All TexSTAR securities are valued at market.

#### Local Government Investment Cooperative (LOGIC)

LOGIC may invest in any of the securities authorized by statute. LOGIC must demonstrate compliance with Chapter 2256, Sections .016, .017, .018 and .019.

The investments in Lone Star Investment Pool, TexPool, TexSTAR and LOGIC and any accrued interest may be redeemed at the College's discretion.

#### Investments

To comply with the reporting requirements of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the College's investments are categorized under "Investment Categories" to give an indication of credit risk assumed by the College at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

The following categories of credit risk are included:

- Category 1: Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name
- Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the institution's name.
- Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the institution's name.

As of August 31, 2003, the College had no assets to be categorized.

Categories for the investments were as follows at August 31, 2002:

Type of <u>Security</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Discount Notes	\$ 501,565			501,565	501,565
FNMA Unsecured Discount note	<u>510,315</u>			<u>510,315</u>	<u>510,315</u>
Total	<u>\$ 1,011,880</u>	<u>-</u>	<u>-</u>	<u>1,011,880</u>	<u>1,011,880</u>

#### 5. **Accounts Receivable**

Accounts receivable were as follows at August 31:

	<u>2003</u>	<u>2002</u>
Student receivables	\$ 5,141,022	3,957,371
Taxes receivable	83,427	76,812
Federal receivables	394,804	425,981
State receivables	133,115	189,339
Other receivables	<u>104,882</u>	<u>65,826</u>
Total	<u>\$ 5,857,250</u>	<u>4,715,329</u>

#### 6. **Accounts Payable**

Accounts payable were as follows at August 31:

	<u>2003</u>	<u>2002</u>
Vendors payable	\$ 1,197,789	2,675,172
Salaries and benefits payable	<u>175,167</u>	<u>14,729</u>
Total	<u>\$ 1,372,956</u>	<u>2,689,901</u>

Continued

# BLINN COLLEGE

## Notes to Basic Financial Statements, Continued

### 7. Capital Assets

Capital assets activities for the years ended August 31:

	2003			Balance August 31, 2003
	Balance September 1, 2002	Increase	Decrease	
<b>Not depreciated:</b>				
Land	\$ 4,556,425	136,423		4,692,848
Library books	2,830,770	153,118	(33,889)	2,949,999
Collections	<u>609,186</u>	<u>8,116</u>	<u>          </u>	<u>617,302</u>
Total not depreciated	<u>7,996,381</u>	<u>297,657</u>	<u>(33,889)</u>	<u>8,260,149</u>
<b>Other capital assets:</b>				
Buildings	74,757,130	7,626,842		82,383,972
Land improvements	3,256,970	144,930		3,401,900
Furniture, equipment and vehicles	3,496,419	114,317	(79,094)	3,531,642
Computer equipment	<u>1,987,445</u>	<u>533,618</u>	<u>(11,400)</u>	<u>2,509,663</u>
Total depreciated	<u>83,497,964</u>	<u>8,419,707</u>	<u>(90,494)</u>	<u>91,827,177</u>
<b>Less accumulated depreciation:</b>				
Buildings	10,296,139	1,332,091		11,628,230
Land improvements	2,543,592	30,733		2,574,325
Furniture, equipment and vehicles	496,785	616,006	(34,127)	1,078,664
Computer equipment	<u>1,149,543</u>	<u>287,215</u>	<u>(16,207)</u>	<u>1,420,551</u>
Total accumulated depreciation	<u>14,486,059</u>	<u>2,266,045</u>	<u>(50,334)</u>	<u>16,701,770</u>
Net capital assets	\$ <u>77,008,286</u>	<u>6,451,319</u>	<u>(74,049)</u>	<u>83,385,556</u>

Continued

BLINN COLLEGE

Notes to Basic Financial Statements, Continued

	2002			Balance August 31, 2002
	Balance September 1, 2001	Increase	Decrease	
Not depreciated:				
Land	\$ 4,227,080	329,345		4,556,425
Library books	2,671,376	180,958	(21,564)	2,830,770
Collections	<u>609,186</u>			<u>609,186</u>
Total not depreciated	<u>7,507,642</u>	<u>510,303</u>	<u>(21,564)</u>	<u>7,996,381</u>
Other capital assets:				
Buildings	64,335,779	10,651,727	(230,376)	74,757,130
Land improvements	3,195,733	61,237		3,256,970
Furniture, equipment and vehicles	1,313,771	2,266,684	(84,036)	3,496,419
Computer equipment	<u>2,078,345</u>	<u>152,105</u>	<u>(243,005)</u>	<u>1,987,445</u>
Total depreciated	<u>70,923,628</u>	<u>13,131,753</u>	<u>(557,417)</u>	<u>83,497,964</u>
Less accumulated depreciation:				
Buildings	9,382,080	1,144,437	(230,378)	10,296,139
Land improvements	2,515,390	28,202		2,543,592
Furniture, equipment and vehicles	364,442	175,411	(43,068)	496,785
Computer equipment	<u>1,123,913</u>	<u>268,635</u>	<u>(243,005)</u>	<u>1,149,543</u>
Total accumulated depreciation	<u>13,385,825</u>	<u>1,616,685</u>	<u>(516,451)</u>	<u>14,486,059</u>
Net capital assets	\$ <u>65,045,445</u>	<u>12,025,371</u>	<u>(62,530)</u>	<u>77,008,286</u>

8. Noncurrent Liabilities

Noncurrent liabilities activities for the years ended August 31:

	2003				
	Balance September 1, 2002	Additions	Payments	Balance August 31, 2003	Current Portion
Bonds payable	\$ 35,170,000	4,475,000	(5,965,000)	33,680,000	1,935,000
Capital leases	<u>13,568,334</u>		<u>(691,666)</u>	<u>12,876,668</u>	<u>728,336</u>
Total	\$ <u>48,738,334</u>	<u>4,475,000</u>	<u>(6,656,666)</u>	<u>46,556,668</u>	<u>2,663,336</u>

	2002				
	Balance September 1, 2001	Additions	Payments	Balance August 31, 2002	Current Portion
Bonds payable	\$ 20,895,000	15,355,000	(1,080,000)	35,170,000	1,575,000
Capital leases	<u>14,278,749</u>		<u>(710,415)</u>	<u>13,568,334</u>	<u>691,666</u>
Total	\$ <u>35,173,749</u>	<u>15,355,000</u>	<u>(1,790,415)</u>	<u>48,738,334</u>	<u>2,266,666</u>

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

#### 9. Bonds Payable

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

##### Combined Fee and Revenue System Refunding Bonds, Series 1993

- Washington County Junior College District Combined Fee and Revenue System Refunding Bonds, Series 1993
- To refund all previously issued outstanding bonds and \$1 million used for dormitory construction
- Issued March 1, 1993
- \$8,220,000, all authorized bonds have been issued
- Interest rate range from 2.5% to 5.45%
- 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 \$4,770,000 at August 31, 2002
- Bonds were refunded in their entirety in January 2003

##### 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, 2003 and 2002 of \$9,210,000 and \$9,545,000, respectively

##### 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, 2003 and 2002 of \$5,175,000 and \$5,500,000, respectively

Continued



## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

#### 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, 2003 and 2002 of \$14,910,000 and \$15,355,000, respectively
- Approximately \$3.7 million of bonds proceeds remain to be spent at August 31, 2003

#### 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, 2003 of \$4,385,000
- 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

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, 2003 is \$1,653,504, 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.

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

#### Combined bond debt service requirements

The College has complied with all bond 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>
2004	\$ 1,935,000	1,391,614	3,326,614
2005	1,995,000	1,324,949	3,319,949
2006	2,075,000	1,252,067	3,327,067
2007	2,150,000	1,176,199	3,326,199
2008	2,235,000	1,095,324	3,330,324
2009-2013	9,865,000	4,190,531	14,055,531
2014-2018	7,365,000	2,396,689	9,761,689
2019-2023	<u>6,060,000</u>	<u>642,097</u>	<u>6,702,097</u>
Total	\$ <u>33,680,000</u>	<u>13,469,470</u>	<u>47,149,470</u>

#### 10. Capital Leases

The College leases a campus located in Bryan, Texas from the City of Bryan under a lease agreement dated December 14, 1995. The agreement obligates 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 are 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 may 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 are 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 is being capitalized by discounting all future land rent payments using a discount rate of approximately 6%. This results in a value of \$1,593,749 classified as an addition to land. The final payment is due on July 1, 2014.

Continued

## BLINN COLLEGE

### Notes to Basic Financial Statements, Continued

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 728,336	671,850	1,400,186
2005	766,667	634,972	1,401,639
2006	808,333	595,374	1,403,707
2007	850,000	552,783	1,402,783
2008	896,666	507,228	1,403,894
2009-2013	5,268,333	1,731,946	7,000,279
2014-2017	<u>3,558,333</u>	<u>286,451</u>	<u>3,844,784</u>
Total	\$ <u>12,876,668</u>	<u>4,980,604</u>	<u>17,857,272</u>

#### 11. 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, 2003 and 2002, \$30,976 and \$30,532 of unrestricted net assets were designated for future capital projects, respectively.

#### 12. Fund Balances

Ending fund balances at August 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Current funds:		
Fund balance – unrestricted	\$ 1,873,014	2,855,162
Fund balance – auxiliary	1,018,808	1,603,820
Fund balance – restricted	<u>766,026</u>	<u>960,249</u>
Total current funds	<u>3,657,848</u>	<u>5,419,231</u>
Restricted funds:		
Fund balance – endowments	6,264,220	5,885,171
Fund balance – debt service	<u>1,653,504</u>	<u>1,827,397</u>
Total restricted funds	<u>7,917,724</u>	<u>7,712,568</u>
Fund balance – plant fund	<u>40,513,216</u>	<u>38,333,835</u>
Total fund balance	\$ <u>52,088,788</u>	<u>51,465,634</u>

#### 13. Teacher Retirement System of Texas

The State of Texas (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 Retirement System's annual financial report.

Continued

# BLINN COLLEGE

## Notes to Basic Financial Statements, Continued

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in 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. Since these are individual contracts, the State has no additional or unfunded liability for this program.

### 14. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$309 and \$285 per month depending on the coverage elected for the years ended August 31, 2003 and 2002, respectively, and totaled \$2,247,905 and \$2,038,706, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

### 15. 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 states the rights to receive these compensated absences 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 non-accumulating rights.

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.

### 16. 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.

### 17. 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.

Continued

# BLINN COLLEGE

## Notes to Basic Financial Statements, Continued

### 18. 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>2003</u>	<u>2002</u>
Assessed valuation of the College	\$ 1,743,970,560	1,674,212,144
Less exemptions	<u>39,004,298</u>	<u>39,423,638</u>
Net assessed valuation of the College	<u>\$ 1,704,966,262</u>	<u>1,634,788,506</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.05444	-	0.05444
Tax rate per \$100 valuation assessed	0.05444	-	0.05444

Tax levied for the years ended August 31, 2003 and 2002 is \$936,067 and \$884,864, 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, 2003</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 906,935		906,935
Delinquent taxes collected	<u>20,316</u>	_____	<u>20,316</u>
Total collections	<u>\$ 927,251</u>	<u>_____</u>	<u>927,251</u>

<u>Taxes collected at August 31, 2002</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 864,584		864,584
Delinquent taxes collected	<u>15,949</u>	_____	<u>15,949</u>
Total collections	<u>\$ 880,533</u>	<u>_____</u>	<u>880,533</u>

Tax collections for the year ended August 31, 2003 and 2002 were 97% and 98%, respectively, 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 expenditures.

Continued

# BLINN COLLEGE

## Notes to Basic Financial Statements, Continued

### 19. Operating Leases

The College leases two facilities related to the Bryan Campus and several copiers under non-cancellable leases. Rental expense was approximately \$79,000 and \$60,000 for the years ended August 31, 2003 and 2002, respectively. The future minimum payments under the agreements are as follows:

2004	\$ 72,990
2005	63,229
2006	<u>59,094</u>
	\$ <u>195,313</u>

The College leases retail space to various tenants expiring through November 2011 for property near the Bryan campus. These leases were assumed by the College with the purchase of the property. Future minimum rental income under the agreements are as follows:

2004	\$ 94,500
2005	96,900
2006	96,900
2007	92,800
2008	39,525
Thereafter	<u>122,850</u>
	\$ <u>543,475</u>

Rental income was approximately \$98,000 for the year ended August 31, 2003.

### 20. Contingent Liabilities

#### State and Federally assisted program

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.

### 21. Related Parties

During the years ended August 31, 2003 and 2002, the College furnished certain services to the Foundation (see note 1) such as staff assistance, office space and supplies amounting to \$303,825 and \$223,294, respectively.

### 22. 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, 2003 are approximately \$1.5 million.

**OMB CIRCULAR A-133  
AND STATE OF TEXAS AUDIT CIRCULAR  
SUPPLEMENTAL FINANCIAL  
AND COMPLIANCE REPORT**

## BLINN COLLEGE

Schedule of Detailed Operating Revenues  
Year Ended August 31, 2003

	Educational Activities	Auxiliary Enterprises	Total
<b>State allocations:</b>			
Education and general state support	\$ 18,747,124		18,747,124
State group insurance	2,247,905		2,247,905
State retirement matching	1,227,662		1,227,662
Other	320,895		320,895
<b>Total state allocations</b>	<b>22,543,586</b>	<b>-</b>	<b>22,543,586</b>
<b>Tuition:</b>			
<b>State funded courses:</b>			
In-district resident tuition	345,204		345,204
Out-of-district resident tuition	5,169,332		5,169,332
TPEG (set aside) *	579,530		579,530
Non-resident tuition	931,566		931,566
Non-state funded continuing education	391,467		391,467
<b>Total tuition</b>	<b>7,417,099</b>	<b>-</b>	<b>7,417,099</b>
<b>Fees:</b>			
General fee	6,739,267	1,189,282	7,928,549
Registration fees			-
Out-of-district fees	3,610,456		3,610,456
Laboratory fee	318,942		318,942
Other fees	1,213,578		1,213,578
<b>Total fees</b>	<b>11,882,243</b>	<b>1,189,282</b>	<b>13,071,525</b>
<b>Scholarships allowances and discounts:</b>			
Scholarship allowances	(525,766)		(525,766)
Remissions and exemptions	(240,000)		(240,000)
TPEG allowances	(699,639)		(699,639)
Federal grants to students	(1,506,106)		(1,506,106)
Other	(92,575)		(92,575)
<b>Total scholarships allowance and discounts</b>	<b>(3,064,086)</b>	<b>-</b>	<b>(3,064,086)</b>
<b>Total net tuition and fees</b>	<b>16,235,256</b>	<b>1,189,282</b>	<b>17,424,538</b>
<b>Other operating revenues:</b>			
Federal grants and contracts	7,930,698		7,930,698
State and local grants and contracts	1,115,994		1,115,994
Sales and services of educational activities	309,340		309,340
Other operating revenues	311,132		311,132
<b>Total other operating revenues</b>	<b>9,667,164</b>	<b>-</b>	<b>9,667,164</b>
<b>Auxiliary enterprises:</b>			
Residential life, net of discounts of \$156,487		2,023,006	2,023,006
Cafeteria, net of discounts of \$175,683		1,874,448	1,874,448
Bookstore, net of discounts of \$108,744		530,448	530,448
Other auxiliary		746,805	746,805
<b>Total net auxiliary enterprises</b>	<b>-</b>	<b>5,174,707</b>	<b>5,174,707</b>
<b>Total operating revenues (Exhibit 2)</b>	<b>\$ 48,446,006</b>	<b>6,363,989</b>	<b>54,809,995</b>

\* In accordance with Education Code 56.033, \$579,530 of tuition was set aside for Texas Public Education Grants.



## BLINN COLLEGE

Schedule of Detailed Operating Revenues  
Year Ended August 31, 2002

	Educational Activities	Auxiliary Enterprises	Total
State allocations:			
Education and general state support	\$ 20,145,138		20,145,138
State group insurance	2,038,706		2,038,706
State retirement matching	1,165,643		1,165,643
Other	345,049		345,049
Total state allocations	<u>23,694,536</u>	<u>-</u>	<u>23,694,536</u>
Tuition:			
State funded courses:			
In-district resident tuition	238,192		238,192
Out-of-district resident tuition	4,864,845		4,864,845
TPEG (set aside) *	636,065		636,065
Non-resident tuition	808,334		808,334
Non-state funded continuing education	294,281		294,281
Total tuition	<u>6,841,717</u>	<u>-</u>	<u>6,841,717</u>
Fees:			
General fee	5,077,012	771,588	5,848,600
Registration fees	1,882,327		1,882,327
Out-of-district fees	3,325,927		3,325,927
Laboratory fee	285,825		285,825
Other fees	500,761		500,761
Total fees	<u>11,071,852</u>	<u>771,588</u>	<u>11,843,440</u>
Scholarships allowances and discounts:			
Scholarship allowances	(536,368)		(536,368)
Remissions and exemptions	(239,858)		(239,858)
TPEG allowances	(709,987)		(709,987)
Federal grants to students	(576,731)		(576,731)
Other	(112,920)		(112,920)
Total scholarships allowance and discounts	<u>(2,175,864)</u>	<u>-</u>	<u>(2,175,864)</u>
Total net tuition and fees	<u>15,737,705</u>	<u>771,588</u>	<u>16,509,293</u>
Other operating revenues:			
Federal grants and contracts	6,707,673		6,707,673
State grants and contracts	1,064,801		1,064,801
Sales and services of educational activities	364,950		364,950
Other operating revenues	196,344		196,344
Total other operating revenues	<u>8,333,768</u>	<u>-</u>	<u>8,333,768</u>
Auxiliary enterprises:			
Residential life, net of discounts of \$149,026		1,358,187	1,358,187
Cafeteria, net of discounts of \$205,222		1,802,289	1,802,289
Bookstore, net of discounts of \$24,613		654,696	654,696
Other auxiliary		<u>1,079,230</u>	<u>1,079,230</u>
Total net auxiliary enterprises	<u>-</u>	<u>4,894,402</u>	<u>4,894,402</u>
Total operating revenues (Exhibit 2)	<u>\$ 47,766,009</u>	<u>5,665,990</u>	<u>53,431,999</u>

\* In accordance with Education Code 56.033, \$636,065 of tuition was set aside for Texas Public Education Grants.

## BLINN COLLEGE

Schedule of Operating Expenses By Functional and Natural Classifications  
Year Ended August 31, 2003

	Salaries and Wages	Benefits		Other Expenses	Total (Exhibit 2)
		State	Local		
Educational activities:					
Instruction	\$ 17,293,198	2,214,761	1,559,804	2,362,442	23,430,205
Public service	89,966		26,418	92,752	209,136
Academic support	2,194,477	327,812	210,147	1,365,952	4,098,388
Student services	2,275,242	433,545	195,004	416,305	3,320,096
Institutional support	2,664,736	460,987	357,922	1,500,464	4,984,109
Operation and maintenance of plant	998,814		374,976	2,520,438	3,894,228
Star of the Republic Museum	230,237	38,462	23,519	127,495	419,713
Scholarships and fellowships				6,004,057	6,004,057
Total educational activities	<u>25,746,670</u>	<u>3,475,567</u>	<u>2,747,790</u>	<u>14,389,905</u>	<u>46,359,932</u>
Auxiliary enterprises	1,370,912		708,661	2,876,114	4,955,687
Depreciation				2,266,045	2,266,045
	<u>\$ 27,117,582</u>	<u>3,475,567</u>	<u>3,456,451</u>	<u>19,532,064</u>	<u>53,581,664</u>

## BLINN COLLEGE

Schedule of Operating Expenses By Functional and Natural Classifications  
Year Ended August 31, 2002

	Salaries and Wages	Benefits		Other Expenses	Total (Exhibit 2)
		State	Local		
<b>Educational activities:</b>					
Instruction	\$ 16,243,481	1,887,097	1,511,935	3,170,467	22,812,980
Public service	90,877		23,579	97,352	211,808
Academic support	1,531,279	211,144	133,228	1,160,714	3,036,365
Student services	2,006,698	352,310	159,634	497,670	3,016,312
Institutional support	3,050,110	715,493	597,815	1,532,965	5,896,383
Operation and maintenance of plant	957,359		299,444	3,027,484	4,284,287
Star of the Republic Museum	245,280	38,305	21,224	267,032	571,841
Scholarships and fellowships				4,931,416	4,931,416
Total educational activities	24,125,084	3,204,349	2,746,859	14,685,100	44,761,392
Auxiliary enterprises	1,294,191		568,638	3,649,050	5,511,879
Depreciation				1,616,685	1,616,685
	<u>\$ 25,419,275</u>	<u>3,204,349</u>	<u>3,315,497</u>	<u>19,950,835</u>	<u>51,889,956</u>

## BLINN COLLEGE

Schedule of Current Funds Revenues, Expenditures, and Other Changes  
For the Year Ended August 31, 2003  
(With comparative totals for 2003)  
(Unaudited)

	Unrestricted	Auxiliary Enterprises	Restricted	Total Memorandum Only	
				Current Year	Prior Year
<b>Revenues:</b>					
State allocations - general revenue	\$ 18,747,124		3,796,462	22,543,586	23,694,536
Tuition and fees	19,299,342	1,189,282		20,488,624	18,685,157
Taxes for current operations	933,866			933,866	880,533
Federal grants and contracts			7,946,792	7,946,792	6,741,247
State grants and contracts			1,115,994	1,115,994	1,064,801
Private gifts, grants and contracts			121,566	121,566	57,724
Sales and services of educational activities	240,919		68,421	309,340	364,950
Sales and services of auxiliary enterprises		5,615,622		5,615,622	5,273,263
Investment income	196,622		13,555	210,177	320,696
Other miscellaneous income	189,566			189,566	138,620
<b>Total current funds revenues</b>	<b>39,607,439</b>	<b>6,804,904</b>	<b>13,062,790</b>	<b>59,475,133</b>	<b>57,221,527</b>
<b>Educational and general expenses:</b>					
Instruction	20,192,672		3,561,159	23,753,831	22,850,085
Public service	44,714		164,422	209,136	211,808
Academic support	3,712,921		753,180	4,466,101	3,291,951
Student services	3,331,170			3,331,170	3,016,312
Institutional support	4,535,488		462,208	4,997,696	5,675,403
Operation and maintenance of plant	3,942,754			3,942,754	4,408,927
Star of the Republic Museum			427,829	427,829	571,841
Scholarship allowances	525,766		8,449,802	8,975,568	7,220,270
<b>Total educational and general expenses</b>	<b>36,285,485</b>	<b>-</b>	<b>13,818,600</b>	<b>50,104,085</b>	<b>47,246,597</b>
	(Sch G)		(Sch G)		
Auxiliary enterprises		5,433,128		5,433,128	5,918,696
		(Sch G)			
Mandatory transfers - TPEG	(579,530)		579,530		
<b>Other transfers:</b>					
Excess of TPEG over grant awarded			(91,837)	(91,837)	(178,007)
Scholarships from endowment funds		(73,894)	73,894		
Transfer to building fund	(3,724,572)	(712,870)		(4,437,442)	(3,498,599)
<b>Total transfers</b>	<b>(4,304,102)</b>	<b>(786,764)</b>	<b>561,587</b>	<b>(4,529,279)</b>	<b>(3,676,606)</b>
<b>Net increase in fund balances</b>	<b>\$ (982,148)</b>	<b>585,012</b>	<b>(194,223)</b>	<b>(591,359)</b>	<b>379,628</b>
<b>Explanation of differences between Statement of Current Funds Revenue, Expenditures and Other Changes and the Statement of Activity:</b>					
<b>Plus:</b>					
Capital assets				809,169	
Interest earnings on plant funds				149,859	
Transfer to building fund				4,437,442	
Endowment additions and interest earnings				471,669	
Texas Public Education Grants (TPEG)				91,837	
<b>Less:</b>					
Depreciation				(2,266,045)	
Endowment scholarships				(92,575)	
Loss on fixed asset disposal				(68,947)	
Bond issuance costs				(152,233)	
Interest on capital related debt				(2,165,663)	
<b>Change in net assets (Exhibit 2)</b>				<b>\$ 623,154</b>	

## BLINN COLLEGE

Schedule of Detail of State Allocations and Tuition and Fees  
 Year Ended August 31, 2003  
 (With comparative totals for 2002)  
 (Unaudited)

	Current Funds			Total Memorandum Only	
	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
<b>State allocations:</b>					
Education and general state support	\$ 18,747,124			18,747,124	20,145,138
State group insurance			2,247,905	2,247,905	2,038,706
State retirement matching			1,227,662	1,227,662	1,165,643
Other			320,895	320,895	345,049
<b>Total state allocations</b>	<b>18,747,124</b>	<b>-</b>	<b>3,796,462</b>	<b>22,543,586</b> (Sch. E)	<b>23,694,536</b> (Sch. E)
<b>Tuition and fees:</b>					
<b>State funded courses</b>					
In-district resident tuition	330,804			330,804	259,231
Out-of-district resident tuition	5,523,262			5,523,262	5,240,871
Non-resident tuition	931,566			931,566	808,334
Non-state funded continuing education	391,467			391,467	294,281
<b>Subtotal tuition</b>	<b>7,177,099</b>	<b>-</b>	<b>-</b>	<b>7,177,099</b>	<b>6,602,717</b>
<b>Out-of-district fees</b>					
General fee	3,610,456			3,610,456	3,325,927
Laboratory fee	6,739,267	1,189,282		7,928,549	5,848,600
Registration fee	318,942			318,942	285,825
Other fees	1,213,578			1,213,578	1,882,327
<b>Subtotal fees</b>	<b>11,882,243</b>	<b>1,189,282</b>	<b>-</b>	<b>13,071,525</b>	<b>11,843,440</b>
<b>Remissions and exemptions-state</b>	<b>240,000</b>	<b>-</b>		<b>240,000</b>	<b>239,000</b>
<b>Total tuition and fees</b>	<b>\$ 19,299,342</b>	<b>1,189,282</b>	<b>-</b>	<b>20,488,624</b> (Sch. E)	<b>18,685,157</b> (Sch. E)

\*In accordance with Education Code §56.033, \$579,530 (2003) and \$636,065 (2002) of tuition was set aside for Texas Public Education Grants (TPEG) for August 31, 2003.

BLINN COLLEGE

Schedule of Current Funds Expenditures by Object  
Year Ended August 31, 2003  
(Unaudited)

	Salaries and Wages	Staff Benefits	Other Expenses	Capital Outlay	Total Memorandum Only	
					Current Year	Prior Year
Unrestricted - educational and general:						
Instruction	\$ 16,701,192	1,408,854	1,757,779	324,847	20,192,672	19,449,566
Public service			44,714		44,714	50,000
Academic support	2,138,622	196,505	1,151,270	226,524	3,712,921	2,447,895
Student services	2,275,242	628,549	416,305	11,074	3,331,170	3,016,312
Institutional support	2,664,736	357,922	1,500,464	12,366	4,535,488	4,959,097
Operation and maintenance of plant	998,814	374,976	2,520,438	48,526	3,942,754	4,408,927
Scholarship allowances			525,766		525,766	536,368
Total unrestricted	<u>24,778,606</u>	<u>2,966,806</u>	<u>7,916,736</u>	<u>623,337</u>	<u>36,285,485</u>	<u>34,868,165</u>
					(Sch. E)	(Sch. E)
Restricted - educational and general:						
Instruction	592,006	2,365,711	603,442		3,561,159	3,400,519
Public service	89,966	26,418	48,038		164,422	161,808
Academic support	55,855	341,454	214,682	141,189	753,180	844,056
Institutional support		460,987	1,221		462,208	716,306
Museum operations	230,237	61,981	127,495	8,116	427,829	571,841
Scholarship allowances			8,449,802		8,449,802	6,683,902
Total restricted	<u>968,064</u>	<u>3,256,551</u>	<u>9,444,680</u>	<u>149,305</u>	<u>13,818,600</u>	<u>12,378,432</u>
					(Sch. E)	(Sch. E)
Total educational and general	25,746,670	6,223,357	17,361,416	772,642	50,104,085	47,246,597
Auxiliary enterprises	<u>1,370,912</u>	<u>708,661</u>	<u>3,317,028</u>	<u>36,527</u>	<u>5,433,128</u>	<u>5,918,696</u>
					(Sch. E)	(Sch. E)
Total current fund expenditures	<u>\$ 27,117,582</u>	<u>6,932,018</u>	<u>20,678,444</u>	<u>809,169</u>	<u>55,537,213</u>	<u>53,165,293</u>

BLINN COLLEGE

Schedule of Bonds Payable and Debt Service Requirements  
Year Ended August 31, 2003

Bonds Payable

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding September 1, 2002	Bonds Issued After September 1, 2002	Bonds Matured or Retired	Bonds Outstanding August 31, 2003	Maturities		First Call Date
							First Year	Last Year	
Combined Fee Revenue Bonds, Series 1993	8,220,000	2.5% - 5.45%	4,770,000	-	(4,770,000)	-	1994	2018	4/1/2003
Combined Fee Revenue Bonds, Series 1998	9,870,000	4.0% - 4.75%	9,545,000	-	(335,000)	9,210,000	2001	2020	10/1/2008
Combined Fee Revenue Bonds, Series 1999	6,110,000	4.2% - 4.85%	5,500,000	-	(325,000)	5,175,000	2000	2019	10/1/2008
Combined Fee Revenue Bonds, Series 2002	15,355,000	2.5% - 5.125%	15,355,000	-	(445,000)	14,910,000	2003	2023	10/1/2011
Combined Fee Revenue Bonds, Series 2003	4,475,000	3.00% - 4.00%	-	4,475,000	(90,000)	4,385,000	2003	2018	4/1/2013
<b>Total</b>	<b>\$ 44,030,000</b>		<b>35,170,000</b>	<b>4,475,000</b>	<b>(5,965,000)</b>	<b>33,680,000</b>			

Debt Service Requirements

Description	Years Ending August 31,						Total
	2004	2005	2006	2007	2008	2009-2013	
Combined Fee Revenue Bonds, Series 1998	745,143	745,843	745,943	745,443	744,240	3,726,965	13,421,839
Combined Fee Revenue Bonds, Series 1999	556,625	552,135	557,015	556,160	554,675	2,455,480	6,848,693
Combined Fee Revenue Bonds, Series 2002	1,409,656	1,415,881	1,412,269	1,417,606	1,414,569	6,463,270	21,531,042
Combined Fee Revenue Bonds, Series 2003	615,190	616,090	611,840	606,990	616,840	1,409,816	5,347,896
<b>Total</b>	<b>\$ 3,326,614</b>	<b>3,319,949</b>	<b>3,327,067</b>	<b>3,326,199</b>	<b>3,330,324</b>	<b>14,055,531</b>	<b>47,149,470</b>

**OMB CIRCULAR A-133  
AND STATE OF TEXAS AUDIT CIRCULAR  
SUPPLEMENTAL FINANCIAL  
AND COMPLIANCE REPORT**



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

Board of Trustees  
Blinn College:

We have audited the basic financial statements of Blinn College (the College) as of and for the year ended August 31, 2003, and have issued our report thereon dated October 24, 2003. 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.

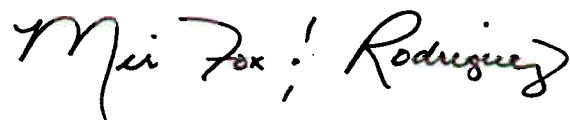
**Compliance**

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 grants, (including the Public Funds Investment Act) 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 that are required to be reported under *Government Auditing Standards*.

**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 basic financial statements and not to provide assurance 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 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 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 24, 2003.

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



October 24, 2003

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 AND  
STATE OF TEXAS SINGLE AUDIT CIRCULAR

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 and state programs for the year ended August 31, 2003. The College's major federal and major state 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 and major state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133, and the *State of Texas Single Audit Circular*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

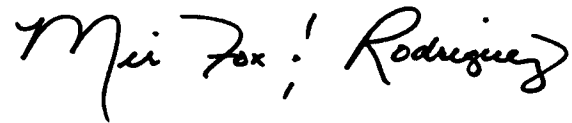
In our opinion, Blinn College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal or major state programs for the year ended August 31, 2003.

**Internal Control over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal or major state 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, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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 24, 2003

## BLINN COLLEGE

Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2003

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	P007A023969	\$ 168,750
Federal Family Education Loans	84.032		9,500,484
Federal Pell Grant	84.063	P063P022262	6,414,442
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education-Basic Grants to State	84.048	34206	355,846
Carl Perkins Tech-Prep Education	84.243	31705	237,966
Quality Teaching for the Improvement of Math & Science (QTMPS)	84.367		28,882
Pass-Through From:			
Texas A&M Research Foundation			
Texas 2+2 Project	84.195		24,250
Educational Career Ladder Program	84.195		26,652
Total U.S. Department of Education			<u>16,757,272</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs -			
Federal Interest Subsidy	14.864		16,094
Total U.S. Department of Housing and Urban Development			<u>16,094</u>
<u>U.S. Department of Labor</u>			
Pass-Through from:			
Brazos Valley Development Council			
Rapid Response	17.250		4,030
Welfare-to-Work	17.253		95,287
Workforce Investment Act	17.258		93,318
Workforce Investment Act	17.258		1,035
Total U.S. Department of Labor			<u>193,670</u>
<u>U.S. Small Business Administration</u>			
Pass-Through from:			
University of Houston			
Small Business Development Center	59.037		15,766
Small Business Development Center	59.037		69,642
Total U.S. Small Business Administration			<u>85,408</u>

Continued

BLINN COLLEGE

Schedule of Expenditures of Federal Awards, Continued

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 to Needy Families	93.558		12,568
Temporary Assistance to Needy Families	93.558		202,112
Temporary Assistance to Needy Families	93.558		2,809
Self-Sufficiency Workers			
Achievement Training (SWAT)	93.558		<u>177,343</u>
Total U.S. Department of Health and Human Services			<u>394,832</u>
Total expenditures of federal awards			<u>\$ 17,447,276</u>

See accompanying notes to schedule of expenditures of federal and state awards.

## BLINN COLLEGE

Schedule of Expenditures of State Awards  
Year Ended August 31, 2003

Grantor Agency Program Title	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
Texas Workforce Commission:		
Skills Development Fund	1602SDF002	\$ 56,455
Skills Development Fund-Blue Bell	1603SDF001	13,962
Texas Comptroller of Public Accounts		
Law Enforcement Officer Standards & Education (LEOSE)		1,221
Texas Higher Education Coordinating Board		
Telecommunications Infrastructure Board Stream Media Grant		321
Higher ED 3 Telecommunications Infrastructure Board Grant	QE-2001-HTA2S-5466	17,155
Higher ED 4 Telecommunications Infrastructure Board Grant	QE-2002-HE4C-7200	259,238
Texas Grant Program		600,089
Nursing Innovation Grant Program (NIGP)	AC25	13,213
Public State Incentive Program (PSIG)		18,192
Special Educational Assistance Partnership (SLEAP)		12,440
Total state financial assistance		<u>\$ 992,286</u>

See accompanying notes to schedule of federal and state awards.

## BLINN COLLEGE

### Notes to Schedules of Expenditures of Federal and State Awards Year Ended August 31, 2003

**1. Relationship to Financial Statements**

	<u>Federal</u>	<u>State</u>
Total revenue - per Schedule A	\$ 7,930,698	1,115,994
Loans	9,500,484	
Federal interest subsidy	16,094	
Local grants	<u>                    </u>	<u>(123,708)</u>
Total per Schedule of Expenditures of Federal and State Awards	<u>\$ 17,447,276</u>	<u>992,286</u>

**2. Significant Accounting Policies Used in Preparing the Schedule**

The schedules present the activity of all federal and state programs of the College for the year ended August 31, 2003. 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. Some amounts recorded in the schedule may differ from the amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**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 schedule of expenditures of federal and state awards are due to different program year ends and different method of accounting (cash versus accrual basis).

**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 Tech-Prep program, CFDA 84.243, from the U.S. Department of Education through the Texas Higher Education Coordinating Board.

Anderson-Shiro ISD	\$	1,500	Mumford ISD	1,500
Blinn ISD		2,696	Navasota ISD	7,098
Brenham ISD		7,371	Normangee ISD	1,500
Bryan ISD		21,931	North Zulch ISD	1,435
Buffalo ISD		1,305	Snook ISD	1,475
Burton ISD		6,444	Somerville ISD	<u>1,500</u>
Caldwell ISD		3,413		
Calvert ISD		1,500	Total	\$ <u>82,165</u>
Centerville ISD		1,500		
College Station ISD		11,194		
Franklin ISD		1,500		
Hearne ISD		1,500		
Iola ISD		1,500		
Leon ISD		1,335		
Madisonville ISD		2,968		

**BLINN COLLEGE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2003**

**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 and State 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 Circular OMB A-133, Section 510(a)? | No   |
| 4. Identification of major programs:  |  |
| <u>Federal CFDA Number</u>  | <u>Name of Federal Program</u>                           |
| Cluster of Programs - Student Financial Aid   |  |
| 84.007  | Federal Supplemental Education Opportunity Grant         |
| 84.032  | Federal Family Education Loan Program                    |
| 84.063  | Federal Pell Grant Program                               |
| 84.048  | Carl Perkins Vocational Education Basic Grants to States |
| <u>State – Contractor Number</u>  | <u>Name of State Program</u>                             |
| N/A   | Texas Grant Program                                      |
| QE-2002-HEC4-7200   | Higher ED4 Telecommunications Infrastructure Board Grant |
| 5. Dollar threshold used to distinguish between Type A and Type B programs  |  |
| Federal   | \$ 523,000   |
| State   | \$ 300,000   |
| 6. Auditee qualified as a low-risk auditee  |  |
| Federal   | Yes  |
| State   | No   |

**Section 2**

Financial Statement Findings

(None reported)

**Section 3**

Federal and State 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.



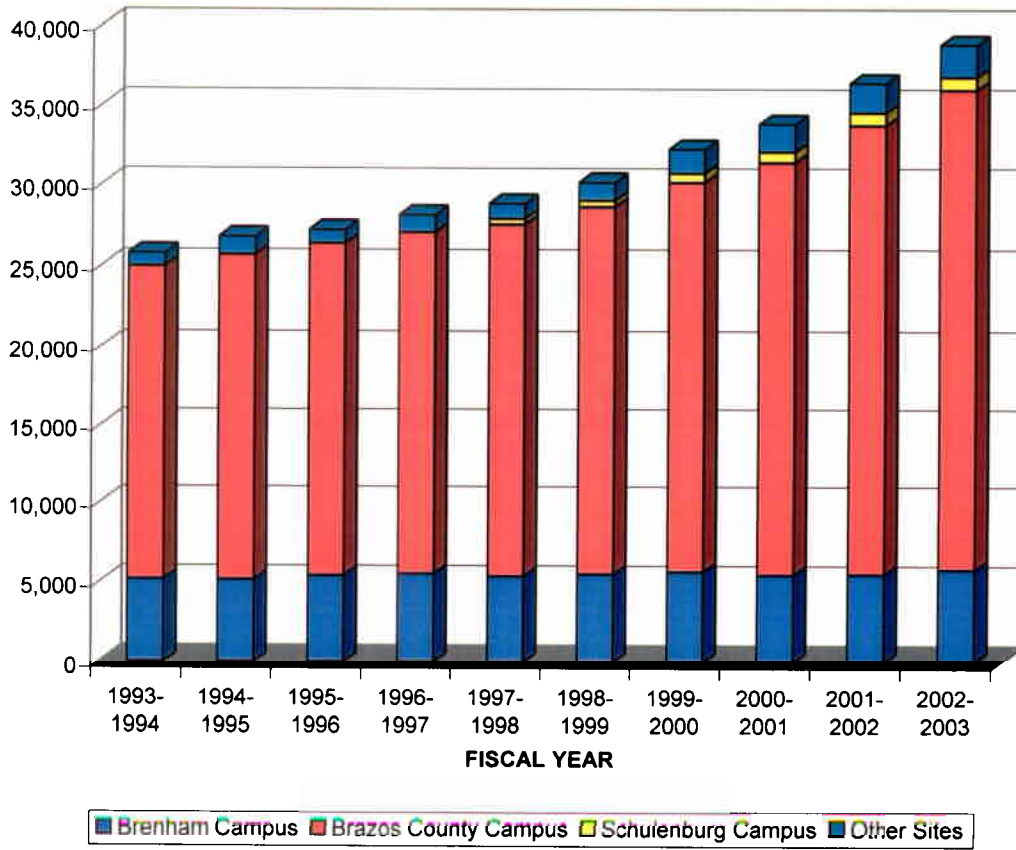
**STATISTICAL SECTION  
(Unaudited)**

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

FISCAL YEAR	Brenham	Brazos County	Schulenburg	Other Sites	Total
1993-1994	5,165	19,812	-	803	25,780
1994-1995	5,137	20,555	-	1,098	26,790
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	5,458	25,923	680	1,762	33,823
2001-2002	5,511	28,227	813	1,848	36,399
2002-2003	5,799	30,181	819	2,040	38,839

Source: THECB certified data

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



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

FISCAL YEAR	ASSESSED VALUATIONS	LESS EXEMPTIONS	NET ASSESSED VALUATIONS
1993-94	\$ 871,797,806	-	871,797,806
1994-95	\$ 933,974,187	-	933,974,187
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

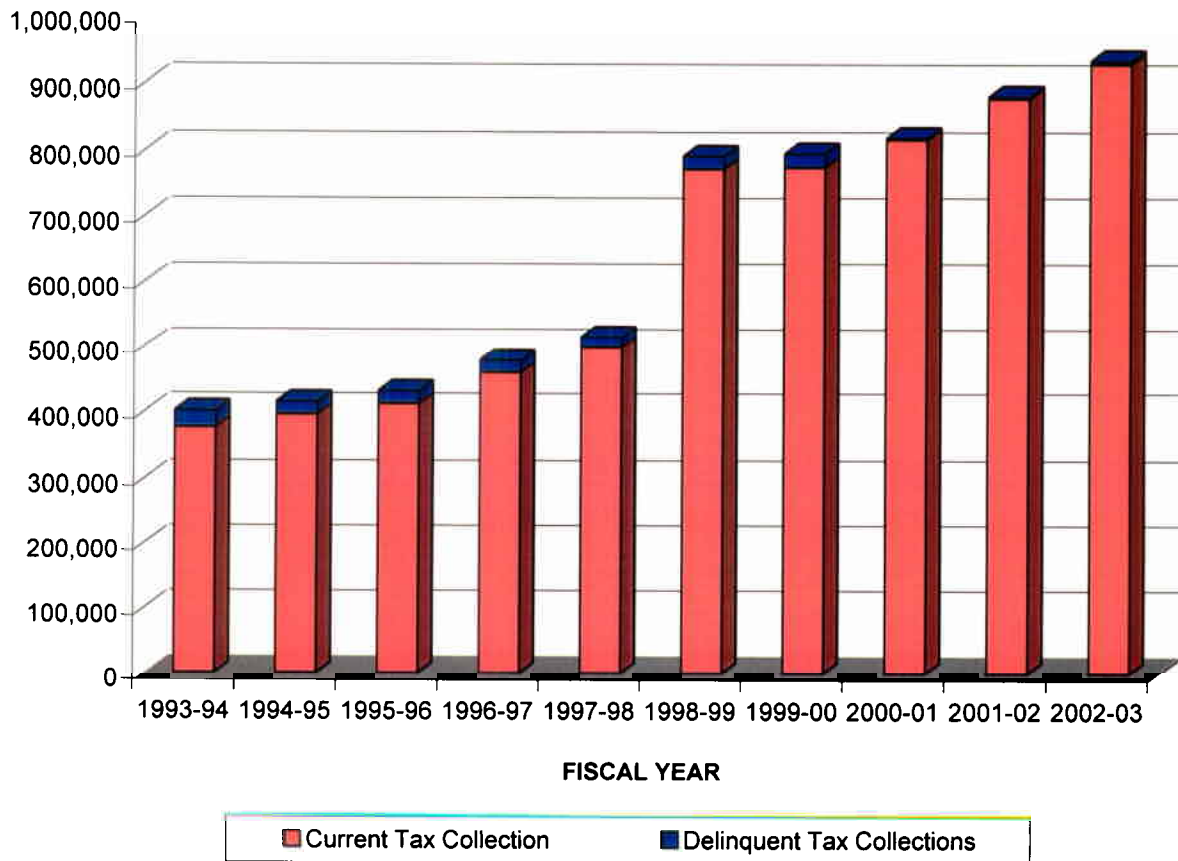
Source: Washington County Appraisal District

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

FISCAL YEAR	CURRENT TAX COLLECTIONS	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS
1993-94	\$ 377,878	23,880	401,758
1994-95	\$ 397,143	18,522	415,665
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	\$ 816,998	1,995	818,993
2001-02	\$ 878,067	2,466	880,533
2002-03	\$ 928,830	5,036	933,866

Source: Washington County Appraisal District

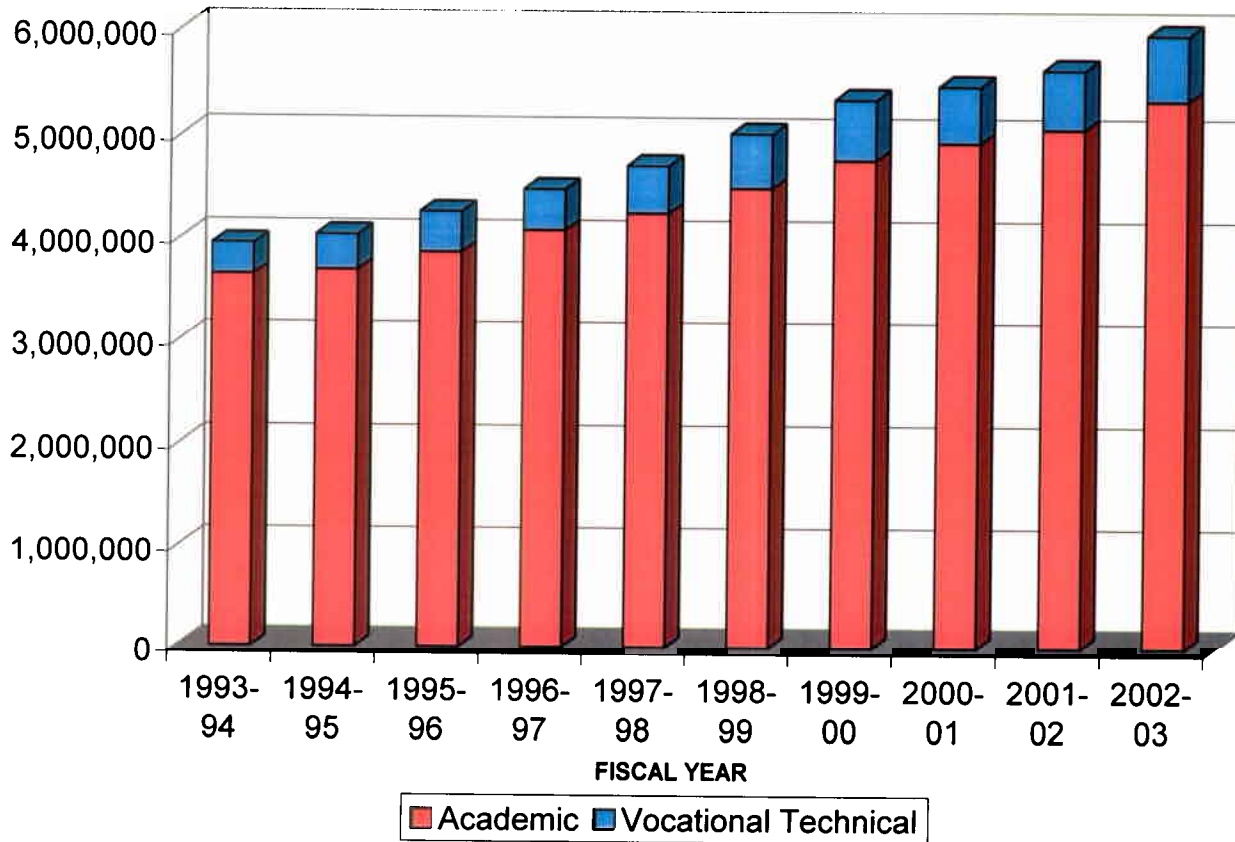
**BLINN COLLEGE  
PROPERTY TAXES COLLECTED  
LAST TEN FISCAL YEARS  
(Unaudited)**



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

FISCAL YEAR	ACADEMIC	VOCATIONAL TECHNICAL	TOTAL CONTACT HOURS
1993-94	3,643,310	305,839	3,949,149
1994-95	3,690,564	346,110	4,036,674
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

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



**BLINN COLLEGE  
FULL TIME STUDENT EQUIVALENTS (FTE'S)  
LAST TEN FISCAL YEARS  
(Unaudited)**

FISCAL YEAR	FALL*	SPRING*	SUMMER 1**	SUMMER 2**	TOTAL***
1993-94	5,985	5,633	3,288	2,723	17,629
1994-95	6,102	5,685	3,560	2,772	18,119
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	7,384	7,052	4,021	2,846	21,303
1999-00	8,001	7,651	4,137	2,949	22,738
2000-01	8,289	7,611	4,451	3,110	23,461
2001-02	8,549	8,011	4,781	3,289	24,630
2002-03	9,166	8,404	5,048	3,497	26,115

\* 1 FTE = 15 Semester Hours  
 \*\* 1 FTE = 6 Semester Hours  
 \*\*\*Duplicated FTE Count

**BLINN COLLEGE  
FTE'S  
LAST TEN FISCAL YEARS  
(Unaudited)**

