

LAMAR STATE COLLEGE ORANGE



Annual Financial Report

Fiscal Year 2006

(September 1, 2005 - August 31, 2006)

*A Member of the Texas State University System
An Equal Opportunity Institution*



Office of the President

October 30, 2006

The Honorable Rick Perry
Governor of Texas

Mr. Lawrence F. Alwin, CPA
State Auditor

Mr. John Keel, CPA
Director, Legislative Budget Board

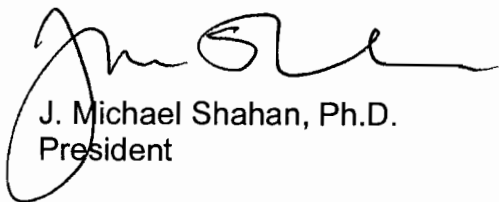
The Honorable Carole Keeton Rylander Strayhorn
Comptroller of Public Accounts

To Agency Heads Addressed:

The Financial Report of Lamar State College-Orange, with which this letter is bound, is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2006. The State Auditor will consider the accompanying Annual Financial Report for audit as part of the audit of the State's Comprehensive Annual Financial Report; therefore, an opinion on the financial statements and related information contained in this report has not been expressed. This report is intended to present a complete picture of the fiscal affairs of Lamar State College-Orange for the year ended August 31, 2006.

As indicated by the following letter of transmittal, this report has been prepared by the fiscal office of Lamar State College-Orange to provide a summary of the College's financial records.

Sincerely,



J. Michael Shahan, Ph.D.
President

JMS/prf

LAMAR STATE COLLEGE - ORANGE

410 Front Street • Orange, Texas 77630 • Phone: 409/883-7750 • Fax: 409/882-3374

A Member of the Texas State University System
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Business Office

Phone: 409/882-3363

Fax: 409/882-3375

October 30, 2006

Dr. J. Michael Shahan
President
Lamar State College - Orange
Orange, Texas 77630

Dear Dr. Shahan:

Submitted herein is the Annual Financial Report of Lamar State College - Orange for the fiscal year ended August 31, 2006.

The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State's Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the statements and related information contained in this report.

If you have any questions, please contact Ronald Michalk at (409) 882-3356 or Dana Rogers at (409) 882-3372.

Respectfully Submitted,

Ronald E. Michalk, CPA
Director of Accounting

Approved:

Dana N. Rogers, CPA
Vice President for Finance and Operations

LAMAR STATE COLLEGE - ORANGE

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LAMAR STATE COLLEGE - ORANGE

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TEXAS STATE UNIVERSITY SYSTEM

Lamar State College - Orange

Organizational Data as of August 31, 2006

BOARD OF REGENTS

OFFICERS

Kent M. AdamsChair

Bernie C. Francis..... Vice Chair

MEMBERS

	<u>City (Texas)</u>	<u>Term Expires</u>
Kent M. Adams	Beaumont	2007
Bernie C. Francis	Carrollton	2009
Dora G. Alcalá	Del Rio	2009
Alan W. Dreeben	San Antonio	2007
John E. Dudley	Comanche	2009
Dionicio "Don" Flores	El Paso	2005 ¹
Ken Luce	Dallas	2011
Pollyanna A. Stephens	San Angelo	2007
Greg Wilkinson	Dallas	2011
Francis "Frank" Bartley, Student	San Marcos	2007

¹ By law Regents serve until reappointment or replacement by the Governor with confirmation of the Senate.

ADMINISTRATIVE OFFICERS

SYSTEM OFFICE

Charles R. MatthewsChancellor

Fernando C. GomezVice Chancellor and General Counsel

Roland SmithVice Chancellor for Finance

Kenneth R. Craycraft Vice Chancellor for Academic Affairs

LAMAR STATE COLLEGE – ORANGE

J. Michael Shahan President

Dana Rogers Vice President for Finance and Operations

Barbara Burgess Vice President for Student Services and Auxiliary Enterprises

Sheila Gunter Vice President for Academic Affairs

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LAMAR STATE COLLEGE - ORANGE

ENROLLMENT DATA

For the Fiscal Year 2005-2006

TYPE OF STUDENT	NUMBER OF STUDENTS BY SEMESTER			
	Fall 2005	Spring 2006	Summer I 2006	Summer II 2006
Texas Resident	1,753	1,405	370	199
Nursing	113	105	103	0
Out-of-State	15	14	5	4
Foreign				
Type of Exemption (List each)				
Early High School Graduate 56.201				
Early High School Graduate 56.203				
Hazelwood	10	9	3	2
Honor Graduate				
Child of Fireman/Peace Officer				
Deaf/Blind	7	7	1	1
Competitive Scholarship				
Reciprocal Exemption	216	209	92	34
AFDC Exemption				
Senior Citizen	3	2		1
Fireman Exemption	1			
Multiple Texas Universities				
Educational Aide.	14	9	6	3
Distance Learning/Off Campus Waiver				
Military Dependent		1		
Texas National Guard		2		1
Foster/Resident Care	3	3		
Articulation				
Total	2,135	1,766	580	245

ENROLLMENT DATA TREND

(Fall Semester)

<u>FISCAL YEAR</u>	<u>STUDENTS</u>	<u>SEMESTER HOURS</u>
2006	2,143	19,726
2005	2,047	19,817
2004	1,853	17,893
2003	1,985	17,493
2002	2,020	18,169
2001	1,939	17,390
2000	1,764	15,077
1999	1,579	13,567
1998	1,562	14,082
1997	1,513	13,892

Texas State University System
Lamar State College - Orange
Statement of Net Assets
August 31, 2006

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	900.00
Cash in Bank	614,786.40
Cash in State Treasury	2,758,120.32 (schedule 3)
Cash Equivalents	6,931,868.02
Restricted:	
Cash and Cash Equivalents	
Cash Equivalents	297,437.53
Short Term Investments	
Legislative Appropriations	1,207,517.47
Receivables from:	
Federal	317,745.52
Interest and Dividends	
Accounts Receivable	535,623.75
Deferred Charges	199,398.00
Total Current Assets	12,863,397.01
Noncurrent Assets:	
Restricted:	
Cash and Cash Equivalents	
Cash Equivalents	10,524.00
Loans and Contracts	335,451.75
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	1,198,576.81
Construction in Progress	1,367,043.58
Depreciable:	
Buildings and Building Improvements	23,276,919.47
Less Accumulated Depreciation	(7,733,476.58)
Facilities and Other Improvements	938,654.00
Less Accumulated Depreciation	(343,982.66)
Furniture and Equipment	1,795,224.00
Less Accumulated Depreciation	(1,106,618.34)
Vehicles, Boats, and Aircraft	41,290.00
Less Accumulated Depreciation	(41,290.00)
Other Capital Investments	2,716,309.76
Less Accumulated Depreciation	(1,363,529.28)
Total Non-Current Assets	21,091,096.51
Total Assets	33,954,493.52

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Texas State University System
Lamar State College - Orange
Statement of Net Assets
August 31, 2006

	Total
LIABILITIES	
Current Liabilities:	
Payables From:	
Accounts	83,343.11
Payroll	590,455.45
Due to Other Agencies	3,497.84
Deferred Revenues	2,304,382.00
Employees' Compensable Leave	33,437.66
Funds Held for Others	16,191.58
Other Current Liabilities	14,601.09
Total Current Liabilities	3,045,908.73
Noncurrent Liabilities:	
Employees Compensable Leave	230,290.61
Other Non-Current Liabilities	131,409.81
Total Noncurrent Liabilities	361,700.42
Total Liabilities	3,407,609.15
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	20,745,120.76
Restricted for	
Non-Expendable	10,524.00
Other	383,732.36
Unrestricted	9,407,507.25
Total Net Assets	\$ 30,546,884.37

See accompanying Notes to the Financial Statements

Texas State University System
Lamar State College - Orange
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

	Total
OPERATING REVENUES	
Sales of Goods and Services	
Tuition and Fees (PR-Chgs for Services)	\$ 5,822,852.82
Discounts and Allowances	(3,514,741.28)
Other Sales of Goods and Services	286,288.66
Interest and Investment Income (PR-Chgs for Services)	287,877.17
Federal Revenue-Operating (PR-OP Grants/Contributions)	3,305,368.16
Federal Pass Through Revenue (PR-OP Grants/Contributions)	825,855.97
State Grant Revenue (PR-OP Grants/Contributions)	17,477.00
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	169,512.00
Other Grants and Contracts (PR-OP Grants/Contributions)	43,543.01
Other Operating Revenues (GR)	25,737.02
Total Operating Revenues	7,269,770.53
OPERATING EXPENSES	
Instruction	5,081,743.61
Research	
Public Service	996,920.80
Academic Support	1,382,250.68
Student Services	1,301,378.79
Institutional Support	2,306,153.31
Operation and Maintenance of Plant	956,600.93
Scholarship and Fellowships	584,151.13
Auxiliary Enterprise Expenditures	-
Depreciation and Amortization	1,037,634.25
Total Operating Expenses	13,646,833.50
Operating Income (Loss)	(6,377,062.97)

Texas State University System
Lamar State College - Orange
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

	Total
NONOPERATING REVENUES (EXPENSES):	
Legislative Revenue (GR)	6,246,349.00
Additional Appropriations (GR)	1,233,301.84
HEAF Appropriation Revenue (GR)	221,066.27
Gifts (PR-OP Grants/Contributions)	(915,469.46)
Other Nonoperating Revenues (Expenses) (GR)	(915,469.46)
Total Nonoperating Revenues (Expenses)	6,785,247.65
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	408,184.68
OTHER REVENUES, EXPENSES, GAINS/ LOSSES AND TRANSFERS	
Capital Appropriations (HEAF)	743,365.00
Transfers-In	-
Transfers-Out	(179,950.49)
Legislative Transfers-In	1,214,049.98
Legislative Transfers-Out	(439,727.01)
Legislative Appropriations Lapsed	(4,955.99)
Total Other Revenues, Expenses, Gains/Losses and Transfers	1,332,781.49
CHANGE IN NET ASSETS	1,740,966.17
Total Net Assets, Beginning	28,805,918.20
Restatements	
Total Net Assets, Beginning, as Restated	28,805,918.20
TOTAL NET ASSETS, ENDING	\$ 30,546,884.37

See accompanying Notes to the Financial Statements

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Texas State University System
Lamar State College - Orange
Matrix of Operating Expenses Reported by Function
For the Fiscal Year Ended August 31, 2006

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenditures
Salaries and Wages	3,249,573.51	\$ -	460,993.40	722,711.40	725,568.87	1,402,859.64	153,105.95	80,242.53	\$ -	\$ -	\$ 6,795,055.30
Payroll Related Costs	859,991.86	-	111,566.00	212,662.47	186,396.41	358,687.52	41,306.43	3,143.11	-	-	1,773,753.80
Professional Fees and Services	302,239.22	-	162,621.16	219,814.00	35,382.04	22,821.63	16,791.95	4,631.39	-	-	764,301.39
Federal Pass Through Expense	8,122.25	-	-	-	-	-	-	-	-	-	8,122.25
Travel	59,459.10	-	5,394.71	6,021.54	29,423.36	43,084.69	-	-	-	-	143,383.40
Materials and Supplies	220,455.10	-	89,983.43	57,534.48	84,686.16	80,428.97	22,760.29	871.79	-	-	556,720.22
Communication and Utilities	1,609.21	-	23,171.65	75,693.85	25,661.37	41,450.15	362,074.51	-	-	-	529,660.74
Repairs and Maintenance	174,208.70	-	82,635.54	4,000.00	3,630.05	6,667.95	294,682.60	-	-	-	565,824.84
Rentals and Leases	500.00	-	8,376.91	2,685.07	4,728.16	48,877.08	3,408.97	-	-	-	68,576.19
Printing and Reproduction	39,954.23	-	14,224.80	3,232.45	19,102.64	-57,913.47	-	-	-	-	18,600.65
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	1,037,634.25	1,037,634.25
Scholarships	47,114.90	-	-	10,477.00	114,329.00	-	-	495,262.31	-	-	667,183.21
Claims and Losses	4,954.69	-	3,406.00	3,599.40	17,926.98	86,798.77	-	-	-	-	116,685.84
Other Operating Expenses	113,560.84	-	34,547.20	63,819.02	54,543.75	272,390.38	62,470.23	-	-	-	601,331.42
Total Operating Expenses	\$ 5,081,743.61	\$ -	\$ 996,920.80	\$ 1,382,250.68	\$ 1,301,378.79	\$ 2,306,153.31	\$ 956,600.93	\$ 584,151.13	\$ -	\$ 1,037,634.25	\$ 13,646,833.50

See accompanying Notes to the Financial Statements

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Texas State University System
Lamar State College - Orange
Statement of Cash Flows
For the Year Ended August 31, 2006

	Total
Cash Flows from Operating Activities	
Receipts from Customers	\$ 286,288.66
Proceeds from Tuition and Fees	2,129,373.93
Proceeds from Other Revenues	3,768,826.86
Payments to Suppliers for Goods and Services	(2,845,197.23)
Payments to Employees for Salaries	(6,795,055.30)
Payments to Employees for Benefits	(1,767,652.15)
Payments for Loans Provided	(81,739.07)
	<u>(5,305,154.30)</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,305,154.30)</u>
Cash Flows from Noncapital Financing Activities	
Proceeds from Debt Issuance	
Proceeds from State Appropriations	9,498,959.69
Proceeds from Gifts	221,066.27
Payments for Other Uses	(924,893.04)
	<u>8,795,132.92</u>
Net Cash Provided by Noncapital Financing Activities	<u>8,795,132.92</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Additions to Capital Assets	(1,320,393.58)
Payments of Principal on Debt	(328,024.03)
Payments of Interest on Debt Issuance	(260,491.16)
	<u>(1,908,908.77)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(1,908,908.77)</u>
Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,581,069.85
Cash and Cash Equivalents, September 1, 2005	<u>9,032,566.42</u>
Cash and Cash Equivalents, September 1, 2005 - Restated	<u>9,032,566.42</u>
Cash and Cash Equivalents, August 31, 2006	<u>\$ 10,613,636.27</u>

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Texas State University System
Lamar State College - Orange
Statement of Cash Flows
For the Year Ended August 31, 2006

	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (6,377,062.97)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Amortization and Depreciation	1,037,634.25
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(228,208.49)
(Increase) Decrease in Prepaid Expenses	1,130,721.70
(Increase) Decrease in Notes Receivable	(81,739.07)
Increase (Decrease) in Payables	43,166.03
Increase (Decrease) in Deposits	29,473.10
Increase (Decrease) in Deferred Income	(886,545.69)
Increase (Decrease) in Compensated Absence Liability	6,101.65
Increase (Decrease) in Other Liabilities	21,305.19
Total Adjustments	1,071,908.67
Net Cash Provided by Operating Activities	\$ (5,305,154.30)

See accompanying Notes to the Financial Statements

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LAMAR STATE COLLEGE-ORANGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

Note 1: Summary of Significant Accounting Policies

Entity

Lamar State College - Orange is a state funded two-year Institution of Higher Education of the State of Texas, and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Institutions of Higher Education.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No 34. *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Fund Structure

The accompanying financial statements are presented on the bases of funds. A fund is considered a separate accounting entity. The fund designation for institutions of higher education is a Business Type Activity within the Proprietary Fund Type.

Proprietary Funds

Business Type Activity

Business type funds are used for activities that are financed through the charging of fees and sales for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type; because, the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

Component Units

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 17.

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Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Business activity type funds (proprietary funds) are accounted for using the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Budget and Budgetary Accounting

The operating budget is prepared annually and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act) and other revenues generated by System Administration.

Unencumbered appropriations area generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Fund Balances/Net Assets

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Securities Lending Collateral

Investments are stated at fair value in all funds except pension trust funds in accordance with **GASB Statement 31-Accounting and Financial Reporting for Certain Investments and for External Investment Pools**.

For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with **GASB Statement 25 - Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans**. Securities lent are reported as assets on the Statement of Net Assets.

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The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Current Receivables - Other

Other receivables include year-end accruals not included in any other receivable category.

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the Statement of Net Assets date for which payment is pending.

Current Payables - Other

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

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Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the Statement of Net Assets.

Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or noncurrent in the Statement of Net Assets.

Bonds Payable - General Obligation Bonds and Revenue Bonds

General Obligation and Revenue bonds are generally accounted for in the proprietary funds by institutions of higher education. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the Statement of Net Assets. Bond proceeds and principal payments are reported in the Statement of Cash Flows.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets which do not meet the definition of the two *preceding* categories. Unrestricted net assets often

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have constraints on resources which are imposed by management, but can be removed or modified.

INTERFUND TRANSACTIONS AND BALANCES

Lamar State College Orange has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current".
- (4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of Lamar State College - Orange's Interfund activities is presented in Note 8.

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Note 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2006 is presented below:

Capital Assets	Balance 09/01/05	Adjustments/ Reclass	Additions	Deletions	Balance 08/31/06
Non Depreciable Assets					
Land & Land Improv.	\$ 1,198,576.81	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,198,576.81
Construction In Progress	510,684.13	0.00	856,359.45	0.00	1,367,043.58
Total Non-Depreciable Assets	<u>\$ 1,709,260.94</u>	<u>\$ 0.00</u>	<u>\$ 856,359.45</u>	<u>\$ 0.00</u>	<u>\$ 2,565,620.39</u>
Depreciable Assets					
Buildings	\$ 23,126,424.48	\$ 0.00	\$ 150,494.99	\$	\$ 23,276,919.47
Furniture and Equipment	1,677,401.11	0.00	157,962.87	(40,139.98)	1,795,224.00
Vehicles, Boats, & Aircraft	41,290.00	0.00	0.00	0.00	41,290.00
Other Assets	2,578,718.08	0.00	155,576.27	(17,984.59)	2,716,309.76
Facilities and Other	938,654.00	0.00	0.00	0.00	938,654.00
Total Depreciable Assets at Historical Costs	<u>\$ 28,362,487.67</u>	<u>\$ 0.00</u>	<u>\$ 464,034.13</u>	<u>\$ (58,124.57)</u>	<u>\$ 28,768,397.23</u>
Less: Accumulated Depreciation for:					
Buildings	\$ (7,090,290.10)	\$ 0.00	\$ (643,186.48)	\$	\$ (7,733,476.58)
Furniture and Equipment	(975,815.24)	0.00	(167,188.94)	36,385.84	(1,106,618.34)
Fleet Vehicles	(41,290.00)	0.00	0.00	0.00	(41,290.00)
Other Assets	(1,203,939.17)	0.00	(159,590.11)	0.00	(1,363,529.28)
Facilities and Other	(276,313.94)	0.00	(67,668.72)	0.00	(343,982.66)
Total Accumulated Depreciation	<u>\$ (9,587,648.45)</u>	<u>\$ 0.00</u>	<u>\$ (1,037,634.25)</u>	<u>\$ 36,385.84</u>	<u>\$ (10,588,896.86)</u>
Depreciable Assets, Net	<u>\$ 18,774,839.22</u>	<u>\$ 0.00</u>	<u>\$ (573,600.12)</u>	<u>\$ (21,738.73)</u>	<u>\$ 18,179,500.37</u>
Total Capital Assets	<u><u>\$ 20,484,100.16</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 282,759.33</u></u>	<u><u>(21,738.73)</u></u>	<u><u>\$ 20,745,120.76</u></u>

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Note 3: Deposits and Investments

Lamar State College - Orange is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (§ 2256.001 Texas Government Code). Endowment Funds may be invested in accordance with the Uniform Management of Institutional Funds Act, Property Code Chapter 163. Such investments include: (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

Deposits of Cash in Bank

As of August 31, 2006, the carrying value of demand deposits at local banks was \$614,786.40. This amount consists entirely of cash and appears on the Statement of Net Assets under the caption – Cash and Cash Equivalents.

At August 31, 2006, the total Cash in Bank balance of \$755,911.23 is identified as a Governmental and Business-Type Activity.

Investments

The carrying and fair values of investments as of the Statement of Net Assets date (both short and long term) are shown below:

Other Commingled Funds	TexPool	\$	7,239,829.55
Total Short Term Current Investments		\$	<u>7,239,829.55</u>

As of August 31, 2006 the carrying value and fair value of investments are as presented below:

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Proprietary Funds	Current Assets	Cash Equivalents	\$	6,931,868.02
Proprietary Funds	Current Assets	Restricted Cash Equivalents		297,437.53
Proprietary Funds	Noncurrent Assets	Restricted Cash Equivalents		<u>10,524.00</u>
Total Investments			\$	<u>7,239,829.55</u>

Note 4: Short Term Debt

Lamar State College - Orange has no short term debt as of August 31, 2006.

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Note 5: Summary of Long Term Liabilities

Bonds Payable

See Note 13 for a discussion of Bonds Payable.

Compensable Leave

A state employee is entitled to be paid for any unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability for Business Type Activities are recorded in the accounts as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

	Balance 9/1/2005	Additions	Reductions	Balance 8/31/2006	Amount Due Within One Year
Compensable Leave	\$ 257,626.62	\$ 33,437.66	\$ 27,336.01	263,728.27	\$ 33,437.66

Note 6: Capital Leases

Lamar State College - Orange has no capital lease obligations as of August 31, 2006.

Note 7: Operating Lease Obligations

Lamar State College - Orange has no operating lease obligations as of August 31, 2006

Note 8: Interfund Balances/Activities

As explained in Note 1 on interfund Activities and Balances are numerous transactions between funds and agencies. At year end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due to Other Agencies
- Due From Other Funds or Due to Other Funds
- Transfers in or Transfers Out
- Legislative Transfers in or Legislative Transfers Out

Lamar State College - Orange experienced routine transfers with other State agencies, which were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statement.

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Individual balances and activity at August 31, 2006 follows:

Optional Note 8 Presentation:			
	Due From Other Agencies	Due to Other Agencies	Source
Agency 758, D23, Fund 0001		\$3,497.84	Designated
Total Due From/To Other Agencies		\$3,497.84	

Required Note 8 Presentation:			
	Legislative TRANSFERS IN	Legislative TRANSFERS OUT	
General Revenue (01) TRB			\$439,727.01
Agency 758, D23, Fund 0001	\$1,214,049.98		
Total Legislative Transfers	\$1,214,049.98		\$439,727.01

	TRANSFERS IN	TRANSFERS OUT	SOURCE
Agency 758 , D23, Fund 7999		\$179,950.49	Designated Funds
Total Due From/To Other Agencies		\$179,950.49	

Note 9: Contingent Liabilities

At August 31, 2006 various lawsuits and claims involving Lamar State College-Orange were pending. While the ultimate liability with respect to litigation and other claims asserted against the College or the Board of Regents cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

Note 10: Continuance Subject to Review

Lamar State College - Orange is not subject to a review of continuance.

Note 11: Risk Financing and Related Insurance

The State provides coverage for workers' compensation and unemployment compensation benefits from appropriations made to other State agencies for Lamar State College-Orange employees. The current General Appropriations Act provides that the College must reimburse General Revenue Fund-Consolidated, from the College's appropriations, one-half of the unemployment benefits paid and twenty-five percent of the worker's compensation benefits paid for current and former employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each fund type. The College must reimburse the General Revenue Fund one hundred percent of the cost for worker's compensation and

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employment compensation for any employees paid from funds held in local bank accounts. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2006. The following insurance coverage is maintained by Lamar State College – Orange.

Property and other Insurance Coverage - The College is required by certain bond covenants to carry Fire and Extended Coverage and Boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other non-Educational and General Funds. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. Insurance claims made during the fiscal year ended August 31, 2006 were related to Hurricane Rita.

Vehicle Insurance - The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$20,000/\$40,000 bodily injury and \$15,000 property damage. However, Lamar State College - Orange has chosen to carry liability insurance on their licensed vehicles in the amount of \$1,000,000 combined single liability amount. The coverage exceeds the extent of the waivers of state immunity in the Tort Claims Act.

Lamar State College – Orange is exposed to a variety of civil claims resulting from the performance of its duties. It is College's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

Lamar State College – Orange assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the College involved in any risk pool with other government entities for these risks.

Note 12: Segment Information

Lamar State College - Orange has no segments to report as of August 31, 2006.

Note 13: Bond Indebtedness

All bonded indebtedness for Lamar State College – Orange is issued by System Administration through the Texas State University Revenue Financing System. System Administration and each component institution within the System are members of the Revenue Financing System. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the Board for payments on Parity Debt.

System Administration issues the debt; therefore, the bonds payable attributable to the College are included with the Bonds Payable reported by System Administration. The College must

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repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented for informational purposes, only:

**DEBT SERVICE REQUIREMENTS ATTRIBUTABLE
TO LAMAR STATE COLLEGE - ORANGE**

<u>DESCRIPTION</u>	<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
All Issues	2007	\$ 347,311.67	\$ 243,151.15	\$ 590,462.82
	2008	367,931.60	224,681.13	592,612.73
	2009	384,549.34	204,270.79	588,820.13
	2010	407,436.65	183,220.35	590,657.01
	2011	279,571.86	160,841.00	440,412.86
	2012-2016	1,627,251.94	585,178.69	2,212,430.63
	2017-2021	1,180,951.37	174,532.75	1,355,484.13
	2022-2026	149,005.41	7,077.76	156,083.17
TOTALS		<u>\$ 4,744,009.84</u>	<u>\$ 1,782,953.62</u>	<u>\$ 6,526,963.48</u>

A portion of the debt represents Tuition Revenue Bonds that the Legislature has historically provided General Revenue Appropriations to meet the debt service requirements. The College was appropriated \$440,223 during the current fiscal year for the debt service. The College expects future Legislative appropriations to meet the debt service for Tuition revenue Bonds.

Note 14: Subsequent Events

Not Used

Note 15: Related Parties

Not Used

Note 16: Stewardship, Compliance and Accountability

Not Used

Note 17: The Financial Reporting Entity and Joint Ventures

Lamar State College - Orange is a state-supported college, governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are presented for Lamar State College - Orange. There are no component units.

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Lamar State College – Orange Foundation, Inc. is a non-profit organization, which was established in December 1983, to support the development and promotion of Lamar State College – Orange, its students, faculty, staff, and physical facilities. Neither the balance nor the transactions of this organization’s fund are reflected in the financial statements during the year ended August 31, 2006. Lamar State College – Orange received \$30,000 from the Lamar State College – Orange Foundation during the year ended August 31, 2006.

Note 18: Restatement of Fund Balances and Net Assets

Lamar State College – Orange has no restatements as of August 31, 2006.

Note 19: Employees Retirement Plans (Administering Agencies Only)

Not Used

Note 20: Deferred Compensation (Administering Agencies Only)

Not Used

Note 21: Donor-Restricted Endowments

Donor-Restricted Endowments

<u>Donor-Restricted Endowment</u>	<u>Amounts of Net Appreciation</u>	<u>Reported in Net Assets</u>
True Endowments	\$ 10,524	Restricted for Nonexpendable
Term Endowments	<u>0</u>	Restricted for Nonexpendable
Total Restricted Endowments	\$ <u><u>10,524</u></u>	

This amount was reported as Nonexpendable Restricted by Contributor on the Statement of Net Assets. Lamar State College - Orange’s policy for authorizing and expending endowment investment income allows for an accrual of earned investment income to provide a periodic scholarship. The endowment participates in a pool of invested funds and earned an approximate rate of interest in the amount 2% for the fiscal year ended August 31, 2006.

Note 22: Management Discussion and Analysis

Not used

Note 23: Post Employment Health Care and Life Insurance Benefits (UT and A & M only)

Not Used

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Note 24: Special or Extraordinary Items

Lamar State College - Orange has no Special or Extraordinary Items as of August 31, 2006.

REVENUES:

Federal Emergency Management Agency (FEMA) - Fiscal Year 2006 - Actual	\$ 232,402.47
Emergency Appropriations General Revenue Fund - Fiscal Year 2006 - Actual	1,214,049.98
Fiscal Year 2007 - Projected	395,829.08
Higher Education Recovery Award Fiscal Year 2007 - Projected	140,431.00
TOTAL REVENUES	\$ <u>1,982,712.53</u>

EXPENDITURES:

FEMA - Fiscal Year 2006 - Actual	\$ 232,402.47
Fiscal Year 2007 - Projected	
Emergency Appropriations - Fiscal Year 2006 - Actual	817,687.98
Fiscal Year 2006 - Accrued	
Fiscal Year 2007 - Projected	374,898.08
Loss of Revenue - Fiscal Year 2006 - Estimated	396,362.00
Fiscal Year 2007 - Estimated	161,362.00
Local Funds to be Reimbursed - Fiscal Year 2006 - Actual	
TOTAL EXPENDITURES	\$ <u>1,982,712.53</u>

REVENUES OVER (UNDER) EXPENDITURES	\$ <u>0.00</u>
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NUMBER OF DAYS THE INSTITUTION WAS CLOSED	15
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Note 25: Disaggregation of Receivable and Payable Balances

Current Receivables and Other Current Liabilities as of August 31, 2006 are comprised of the following:

A. Federal Receivables

Instruction	\$ 114,793.15
Scholarship	<u>202,952.37</u>
Total Federal Receivables	<u>\$ 317,745.52</u>

B. Other Assets - Current

\$	<u>0.00</u>
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C. Other Liabilities - Current

Refundable Student Deposits	<u>\$ 14,601.09</u>
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D. Other Liabilities - Noncurrent

Refundable Student Deposits	<u>\$ 131,409.81</u>
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LAMAR STATE COLLEGE-ORANGE
SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass-Through From			
		Identifying Number	Agy/ Univ #	Agencies Or Univ Amount	Non-State Entities Amount
U.S. Department of Education					
Pass-Through From:					
The Higher Education Coordinating Board					
Vocational Education-Tech Prep	84.243		781	\$ 252,678.00	\$ -
Pass-Through To:					
Lamar Institute of Technology					
Lamar State College - Port Arthur					
The Higher Education Coordinating Board					
Vocational Education-Basic Grants	84.048		781	255,276.00	
Teacher Quality State Grants	84.367		781	40,000.00	
The Univeristy of Texas at Austin					
Teacher Quality State Grants	84.367		721	20,499.50	
Department of Homeland Security					
Pass-Through From:					
The Department of Public Safety	97.036		405	232,402.47	
Public Assistance Grants					
U.S. Department of Labor					
Pass-Through From:					
The Higher Education Coordinating Board					
Workforce Investment Act -First Generation					
College Student Grant Program	17.267		781	25,000.00	
Sub-Total				<u>825,855.97</u>	<u>-</u>
Student Financial Assistance Cluster					
U. S. Department of Education					
Direct Programs:					
Federal Family Education Loan Program	84.032				
Federal Supplemental Opport. Ed. Grants	84.007				
Federal Work-Study Program	84.033				
Federal Pell Grant Program	84.063				
Total Student Financial Assistance Cluster Programs				<u>-</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 825,855.97</u>	<u>\$ -</u>

Note 2: Reconciliation:

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass-through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Proprietary Statement of Changes in Revenues, Expenses and Net Assets

825 855 97

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Direct Program Amount	Total Pass Thrus from and Direct Program	Pass-Through To			Expenditures	Total Pass-Thru To & Expenditures
		Agy/ Univ. #	State Agy or Univ Amount	Non-State Entities Amount		
\$	\$ 252,678.00		\$ -	\$ -	\$ 244,555.75	\$ 244,555.75
		789	5,022.25			5,022.25
		788	3,100.00			3,100.00
	255,276.00				255,276.00	255,276.00
14,819.11	54,819.11				54,819.11	54,819.11
40,097.87	60,597.37				60,597.37	60,597.37
	232,402.47				232,402.47	232,402.47
25,000.00	50,000.00				50,000.00	50,000.00
<u>79,916.98</u>	<u>905,772.95</u>		<u>8,122.25</u>	<u>-</u>	<u>897,650.70</u>	<u>905,772.95</u>
852,570.08	852,570.08				852,570.08	852,570.08
98,125.00	98,125.00				98,125.00	98,125.00
73,480.19	73,480.19				73,480.19	73,480.19
3,053,845.99	3,053,845.99				3,053,845.99	3,053,845.99
<u>4,078,021.26</u>	<u>4,078,021.26</u>		<u>-</u>	<u>-</u>	<u>4,078,021.26</u>	<u>4,078,021.26</u>
\$ <u>4,157,938.24</u>	\$ <u>4,983,794.21</u>		\$ <u>8,122.25</u>	\$ <u>-</u>	\$ <u>4,975,671.96</u>	\$ <u>4,983,794.21</u>

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LAMAR STATE COLLEGE - ORANGE
SCHEDULE 1B
SCHEDULE OF STATE PASS THROUGHS FROM/TO STATE AGENCIES
For the Fiscal Year Ended August 31, 2006

Pass Through From:

Texas Higher Education Coordinating Board (Agency 781)	
TEXAS Grant	\$ 124,824.00
TEXAS Grant II	25,080.00
College Work Study	11,415.00
Professional Nursing Scholarship	4,447.00
Vocational Nursing Scholarship	3,746.00
Total Pass Through From Other Agencies	<u>\$ 169,512.00</u>

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LAMAR STATE COLLEGE - ORANGE
SCHEDULE 2A
MISCELLANEOUS BOND INFORMATION
For the Fiscal Year Ended August 31, 2006

SCHEDULE NOT USED

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LAMAR STATE COLLEGE - ORANGE
SCHEDULE 2B
CHANGES OF BONDED INDEBTEDNESS
For the Fiscal Year Ended August 31, 2006

SCHEDULE NOT USED

UNAUDITED

LAMAR STATE COLLEGE - ORANGE
SCHEDULE 2C
DEBT SERVICE REQUIREMENTS SCHEDULE
For the Fiscal Year Ended August 31, 2006

SCHEDULE NOT USED

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LAMAR STATE COLLEGE - ORANGE
SCHEDULE 2D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2006

SCHEDULE NOT USED

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LAMAR STATE COLLEGE - ORANGE
 SCHEDULE 3 -
 RECONCILIATION OF CASH IN STATE TREASURY
 August 31, 2006

<u>Cash In State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Available University Fund 0285	\$ 2,758,120.32	-	\$ 2,758,120.32
Total Cash In State Treasury (Statement of Net Assets)	<u>\$ 2,758,120.32</u>	<u>\$ -</u>	<u>\$ 2,758,120.32</u>

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LAMAR STATE COLLEGE - ORANGE
SCHEDULE 4 - HIGHER EDUCATION ASSISTANCE FUND
For the fiscal year ended August 31, 2006

Balance September 1, 2005	<u>Totals</u> <u>\$ 819,471.85</u>
REVENUES	
HEAF Appropriation	743,365.00
Total Revenues	<u>743,365.00</u>
EXPENSES	
Other Expenses	952,421.86
Total Expenses	<u>952,421.86</u>
BALANCE AT AUGUST 31, 2006	<u><u>\$ 610,414.99</u></u>