

BLINN COLLEGE

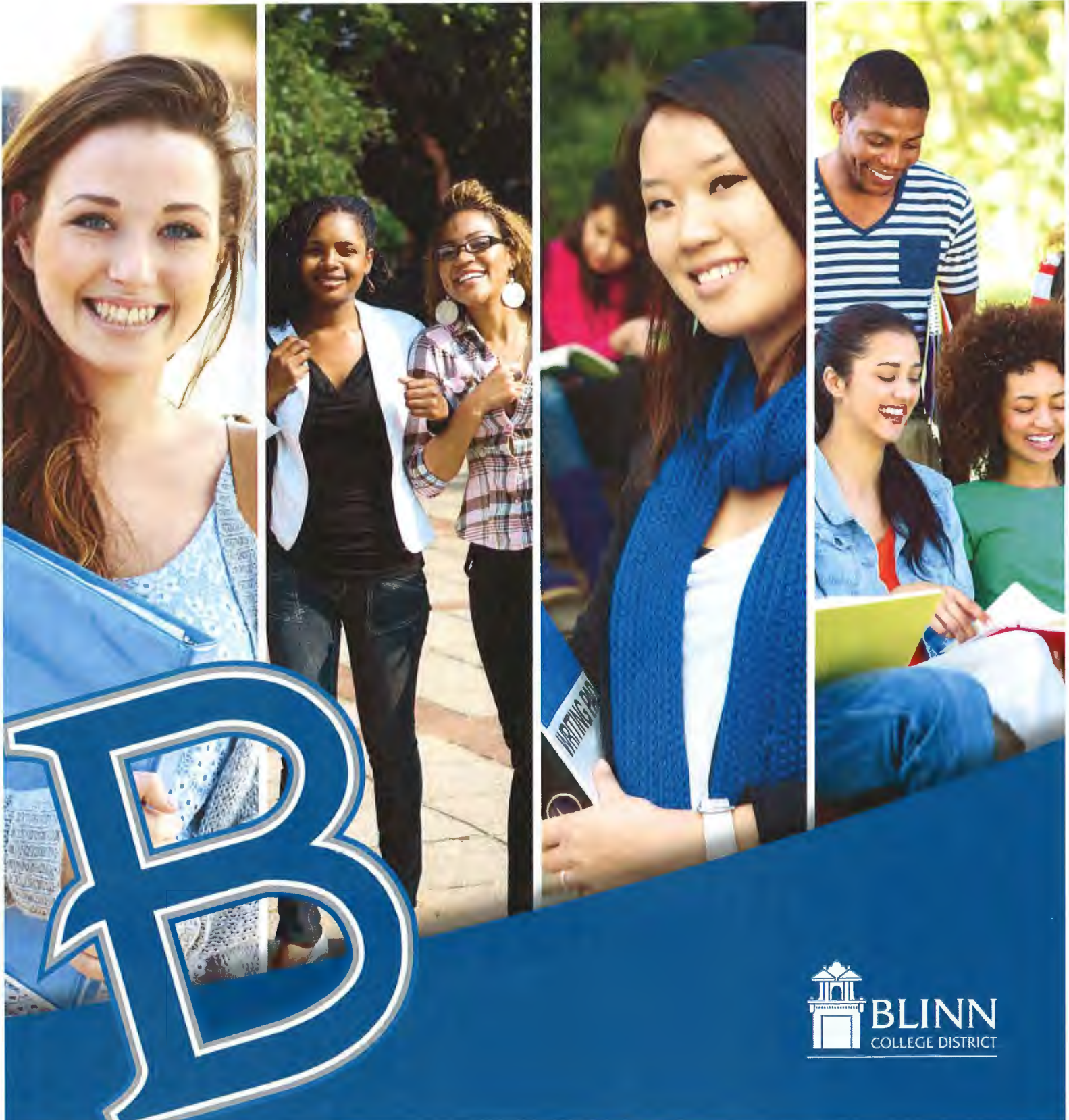
**ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
August 31, 2018**



Blinn College District Annual Financial Report

For the Fiscal Year Ended August 31, 2018



BLINN COLLEGE DISTRICT
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INTRODUCTORY SECTION



**Chancellor of the
Blinn College District**
Mary Hensley, Ed.D.

December 3, 2018

BOARD OF TRUSTEES

Chair

Charles Meador

Secretary

David Sommer

Members

Theodora "Teddy" V. Boehm

Douglas R. Borchardt

Dan Greenwood

Ann Horton

Jason Jennings

Atwood C. Kenura

Randy Wells

To the Board of Trustees and Citizens of Blinn College,

This Comprehensive Annual Financial Report for the fiscal year ended August 31, 2018, has been developed to provide the public a complete financial picture of the Blinn College District. This document plays an important role in meeting the College's strategic objective to promote inclusive and transparent financial and budgeting processes. By sharing clear financial information and data, we provide stakeholders a clear vision of the College's priorities and its vision for the future.

As this report demonstrates, Blinn has utilized a variety of funding strategies to minimize debt while developing the first-class facilities necessary to meet the growing and changing needs of the communities it serves. With the development of the Walter C. Schwartz Building at the RELIS Campus in partnership with The Texas A&M University System; the construction of Mill Creek Hall, a privately funded 464-bed student housing facility at the Brenham Campus; the opening of the Kruse Center and the Doyle Coatney Center on the Brenham Campus; and the expansion of the A.W. Hodde, Jr. Technical Education Center, Blinn is positioned to carry out its mission in an efficient and effective manner, and to continue to meet the needs of citizens throughout its service area.

Sincerely,

Mary Hensley, Ed.D.
Chancellor of the Blinn College District



November 28, 2018

To the Board of Trustees, Chancellor, and Citizens of the Blinn College District,

The following Comprehensive Annual Financial Report of the Blinn College District for the fiscal year ended August 31, 2018, is hereby submitted. Responsibility for the preparation and integrity of the financial information, and the completeness and fairness of the presentation, rests with the College District. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The Notes to the Basic Financial Statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the Summary of Significant Accounting Policies for the College District and other necessary disclosures of important matters relating to the financial position of the College District. The notes are treated as an integral part of the financial statements and should be read in conjunction with those statements. The Management's Discussion and Analysis (MD&A) is provided to supplement the basic financial statements, related notes, and this transmittal letter. The purpose of the MD&A is to provide an objective and readable analysis of the College's financial activities.

To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the College District. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

The College District is required to undergo an annual federal single audit in conformity with the provisions of the Federal Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and an annual state single audit in conformity with the Texas Governor's Office of Budget and Planning *Uniform Grant Management Standards Single Audit Circular*. Information related to these Single Audits, including the schedule of expenditures of federal awards, schedule of expenditures of state awards, and auditor's reports on compliance and on internal controls, is included in the federal and state single audit sections of this report.

BUSINESS AND FINANCE DIVISION

902 College Avenue • Brenham, Texas 77833 • 979-830-4459

Historical Statement

Blinn College, the Junior College District of Washington County, is located in Brenham, Texas, and serves a 13-county service area with campuses in Bryan, Sealy and Schulenburg. The College was founded in 1883 by the Southern German Conference of the Methodist denomination under the name of Mission Institution. In 1889, the name was changed to Blinn Memorial College in honor of the Reverend Christian Blinn of New York, who had donated a considerable sum of money to make the school possible. The institution was originally founded for the purpose of training young men for the ministry, but to meet the demands of the public, academic courses were added. After operating for five years as an institution for men only, Blinn College was made coeducational in 1888. In 1927, the Board of Trustees, under the leadership of President Philip Deschner, organized a junior college, and in 1930 the school was merged with Southwestern University (Georgetown, Texas). In 1934, a new charter was procured by the citizens of Brenham, and a private nonsectarian junior college, under the name of Blinn College, was organized with nine regents as the board of control. In February 1937, all connection with Southwestern University and the Methodist denominations were severed. An election held in Washington County on June 8, 1937, for the purposes of creating a public junior college district and for levying a small tax, was successful. Blinn thus became the first county-owned junior college district in Texas. The College continues to operate as one of the largest of the state's 50 public junior/community college districts.

Service Area

The service area of the Blinn College District includes the territory within Brazos, Burleson, Grimes, Madison, Waller, and Washington counties; the Mumford, Hearne, and Franklin Independent School Districts located in Robertson County; Austin County, other than the territory within the Wallis-Orchard Independent School District; the Milano and Gause Independent School Districts located in Milam County; the area of the Richards Independent School District located in Walker and Montgomery counties; the area of the Bryan Independent School District located in Robertson County; Fayette County, other than the territory within the Smithville Independent School District; Lee County, other than the territory within the Elgin Independent School District; and the area of the Lexington Independent School District located in Bastrop, Milam, and Williamson counties.

Mission, Vision, and Values

Mission Statement: Blinn College is building stronger communities by providing quality, comprehensive education, and empowering students to achieve excellence in their educational careers and personal goals.

Vision Statement: Shaping future academic, workforce, cultural, and economic leaders by providing excellent instruction, resources, services, and innovative partnerships, for students and the community.

Core Values:

- Access
- Collaboration
- Diversity
- Excellence

BUSINESS AND FINANCE DIVISION

902 College Avenue ♦ Brenham, Texas 77833 ♦ 979-830-4459

- Innovation
- Respect
- Service

Economic Condition and Outlook

The Blinn College District continues to build on its financial strength with strong operating performance coupled with an increase in cash reserves. In February 2018, Moody's Investor Service upgraded the creditor analysis outlook from negative to stable. Moody's outlook was based on Blinn's steady growth in financial reserves and continued strong cash flow to support debt service.

The outlook for the College District continues to remain positive, with increases in enrollment expected with the completion of the RELLIS Campus and the established alliance with Texas A&M. In addition, the grand opening of Mill Creek Hall in Brenham has allowed the College to better satisfy the growing demand for student housing and increase enrollment at the Brenham Campus. Auxiliary revenue from both housing and food service will continue to increase.

As Blinn's grant infrastructure continues to develop, it is likely to create more funding opportunities for the institution. Workforce Development needs are also being addressed to satisfy the demand for specific skills among local employers and bring revenue growth to the College District.

Blinn's administration continues to maintain its fiscal responsibility to the community and its students by researching and implementing best practices that decrease costs, increase efficiency, and maximize the use of its resources.

Financial Planning and Budgeting

The Division of Business and Finance oversees the development and preparation of the College District's budget. The Division is responsible for coordinating all efforts relating to the compilation of information used to develop the college's fiscal year budget. The Budget Office collaborates with each member of the Executive Council to ensure that all budget requests are properly evaluated.

All necessary budget forms and information are made available to budget managers beginning in early spring. Budget managers review their unit's objectives for the current year and develop their unit objectives for the coming year, including any budget needed to accomplish the objective. Unit managers then review their proposed objectives with their next-level manager. The goal of the review is to prioritize objectives and to produce an integrated planning model that strengthens the connection between the strategic plan, related action plans and the budget, which is approved annually by the Board of Trustees. The budget is developed with broad-based staff involvement and is guided by budgetary, debt, and financial policies approved by the Board.

The budget is the major component of the College District's financial plan: it includes an assessment of enrollment and a forecast of state appropriations and property tax revenues. The

budget also incorporates proposed increases for operational and strategic needs, short and long-term capital projects, preventive maintenance, debt management, and a reserve for contingency.

Major Initiatives

The Blinn College District has devoted significant time and resources to expand its community partnerships and plan for the future. At The Texas A&M University System's RELLIS Campus, Blinn celebrated the grand opening of a new 83,000-square-foot facility that will allow students to learn cutting-edge, high-demand skills in an environment that encourages collaboration between public institutions and private companies. This new location establishes a new educational community combining a major university system and a community college at a single physical location, and will allow Blinn students to complete their freshman and sophomore-level coursework prior to their seamless transfer to Texas A&M System universities located at the RELLIS Campus. The RELLIS Campus also serves as the home of career and technical education programs offered in partnership with the Texas A&M Engineering Extension Service (TEEX). These programs are designed with community input to meet the local workforce's job-training needs, particularly in skilled construction trades.

Blinn also is positioning itself for growth at Blinn College-Brenham with the grand opening of a new student housing facility that accommodate 462 additional students and addresses the need for additional student housing in the Brenham area. This project is funded by National Campus and Community Development-Blinn College Properties, LLC, a 501(c)3 nonprofit organization established to provide tax-exempt financing specifically for this project. The College and NCCD-Blinn College Properties have entered into a 35-year ground lease, and upon loan repayment by NCCD, the facility will revert to Blinn.

Other projects completed this year include the development of the Krusc Center, a student recreation and activities center at Blinn-Brenham, made possible through a generous private donation. In addition, the College District participated in the construction of the Technical Education Annex at the A.W. Hodde, Jr. Technical Education Center, a project funded primarily through a grant obtained through the U.S. Economic Development Administration's Economic Development Assistance Program. The College District also renovated its food service space to support the anticipated increase demand in student meal plans generated from additional student housing.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The College District's Board of Trustees selected the accounting firm of Lott, Vernon & Company, P.C. In addition to meeting the requirements set forth in state statutes, their audit was designed to meet the requirements of the Federal Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* and the State of Texas *Single Audit Circular*.

Acknowledgements

The Blinn College District would like to extend its appreciation to the Board of Trustees and Administration for their continuous commitment to the responsible financial management and planning of the Blinn College District. We especially would like to acknowledge the District's

Financial Services personnel as well as those throughout the District whose efforts helped compile this report. Thanks also are extended to Lott, Vernon & Company, P.C., for completing a timely and productive audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Cervantes', with a stylized flourish at the end.

Richard Cervantes
Vice Chancellor, Business and Finance/CFO
Blinn College District

BLINN COLLEGE DISTRICT

Organizational Data
August 31, 2018

BOARD OF TRUSTEES

Board Officers

Charles Moser, Board Chair
Richard Powell, Board Vice-Chair
Davis Sommer, Board Secretary

Members

Term Expires

Charles Moser	Brenham, Texas	May 2019
Richard Powell	Brenham, Texas	May 2021
David Sommer	Brenham, Texas	May 2019
Stacy Aschenbeck	Brenham, Texas	May 2021
Teddy (Theodora) Boehm	Brenham, Texas	May 2023
Douglas Borchardt	Brenham, Texas	May 2023
Atwood Kenjura	Brenham, Texas	May 2019
Ann Horton	Bryan, Texas	November 2019
Jason Jennings	Bryan, Texas	November 2019

EXECUTIVE COUNCIL

Dr. Mary Hensley, Chancellor
Ted Hajovsky, Executive Vice Chancellor and General Counsel
Richard Cervantes, Vice Chancellor, Business and Finance/CFO
Karen Buck, Vice Chancellor, Student Services and Administration
Dr. Marcelo Bussiki, Interim Vice Chancellor, Academic Affairs
Leighton Schubert, Vice Chancellor, Public Affairs and Strategic Relations
Dr. John Turner, Assistant Vice Chancellor, Student Services and Executive Dean, Brenham Campus
Chris Marrs, Executive Dean, RELLIS Campus
Dr. Jimmy Byrd, Executive Dean, Bryan Campus
Laurie Clark, Special Assistant, Board of Trustees and Chancellor

FINANCIAL SECTION



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

*Member of
American Institute & Texas Society of
Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Blinn College District
Brenham, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Blinn College District, (the District) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blinn College District as of August 31, 2018 and 2017, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)**

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary schedules (Schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (Schedule E) and schedule of expenditures of state awards (Schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular, and are also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Temple, Texas
November 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Blinn College's (the District) annual financial statements provides an overview of the District's financial performance for the fiscal years ended August 31, 2018 and August 31, 2017. Management's discussion and analysis based on management's knowledge of current activities, resultant changes and known facts; therefore, it should be read in conjunction with the accompanying basic financial statements and associated notes. The basic financial statements, notes and this discussion are the responsibility of management.

Financial Highlights and Significant Activities for 2018

The District's net position decreased approximately \$35.0 million, or 28%. This decrease is the result of a prior period adjustment of \$(50.6) million from the implementation of GASB Statement No. 75, Accounting and Reporting for Post-Employment Benefits Other Than Pensions (OPEB), pertaining to retiree health insurance liability.

Total operating expenses increased \$7.3 million, or 7%. This increase is primarily attributable to an increase in operation and maintenance of plant of \$4.8 million, scholarships and fellowships of \$1.8 million, instructional and general of \$0.4 million, institutional support of \$0.2 million, and auxiliary enterprises of \$0.1 million.

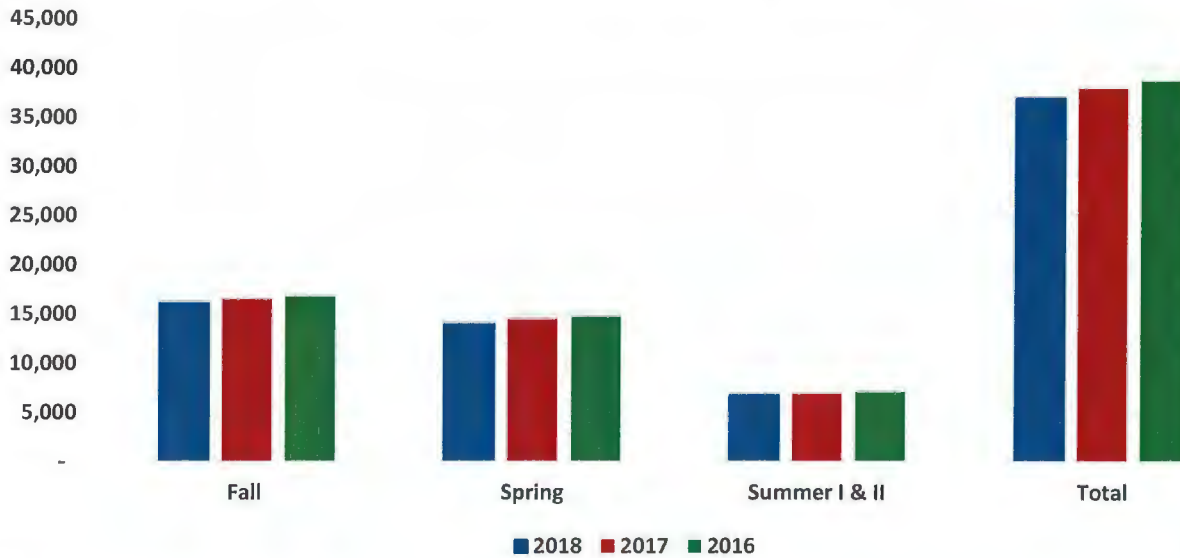
Financial Highlights and Significant Activities for 2017

The District's net position increased approximately \$16.9 million, or 15%.

Total operating expenses decreased \$0.9 million, or 0.8%. This decrease is primarily attributable to a decrease in operation and maintenance of plant of \$2.9 million, and a decrease in depreciation expense of \$0.4 million offset by increases in scholarships and fellowships of \$1.2 million, auxiliary enterprises of \$0.4 million, instruction of \$0.4 million and academic support of \$0.4 million.

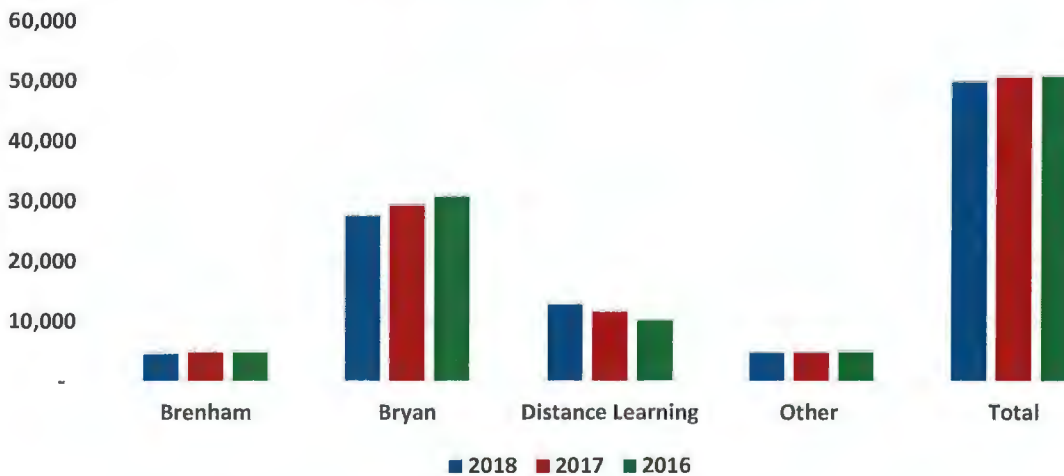
Below is a breakdown of the District's full time equivalency (FTE) enrollment by term for fiscal years 2018, 2017, and 2016:

Blinn College District Student FTE Fiscal Years 2018, 2017, and 2016



Below is a three-year comparison of student enrollment by campus:

Blinn College District Headcount Enrollment Trend Fiscal Years 2018, 2017, and 2016



Overview of the Basic Financial Statements

The District qualifies as a special purpose government entity, which is engaged in business-type activities. The basic financial statements are prepared on that basis and their form mirrors the statements utilized by organizations in the private sector of the economy. The basic financial statements include a statement of net position, statement

of revenues, expenses and changes in net position, statement of cash flows, and notes to the basic financial statements.

Financial statements for the District's component unit, Blinn College Foundation, Inc. (the Foundation) are issued independent to those of the District but are presented with the District's basic financial statements.

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

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

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

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

Statement of Net Position

The following is prepared from the District's Statements of Net Position and provides a summary of its assets, deferred outflows, liabilities, deferred inflows, and net position for the years ended August 31: (in millions)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Assets:					
Current Assets	\$ 123.5	\$ 126.6	\$ (3.1)	\$ 123.3	\$ 3.3
Capital Assets, Net of Depreciation	149.6	126.2	23.4	114.9	11.3
Noncurrent Assets	<u>14.9</u>	<u>16.9</u>	<u>(2.0)</u>	<u>17.4</u>	<u>(0.5)</u>
Total Assets	288.0	269.7	18.3	255.6	14.1
Deferred Outflows of Resources:					
Deferred outflows related to pensions	8.0	3.9	4.1	6.0	(2.1)
Total Deferred Outflow of Resources	<u>8.0</u>	<u>3.9</u>	<u>4.1</u>	<u>6.0</u>	<u>(2.1)</u>
Liabilities:					
Current Liabilities	55.7	49.9	5.8	48.7	1.2
Noncurrent Liabilities	<u>130.8</u>	<u>89.9</u>	<u>40.9</u>	<u>98.3</u>	<u>(8.4)</u>
Total Liabilities	186.5	139.8	46.7	147.0	(7.2)
Deferred Inflows of Resources:					
Deferred inflows related to pensions	17.4	6.7	10.7	4.4	2.3
Total Deferred Inflows of Resources	<u>17.4</u>	<u>6.7</u>	<u>10.7</u>	<u>4.4</u>	<u>2.3</u>
Net Position:					
Investment in Capital Assets, Net of Related Debt	91.5	83.3	8.2	74.5	8.8
Restricted	17.5	17.0	0.5	17.1	(0.1)
Unrestricted	<u>(16.9)</u>	<u>26.8</u>	<u>(43.7)</u>	<u>18.6</u>	<u>8.2</u>
Total Net Position	<u>\$ 92.1</u>	<u>\$ 127.1</u>	<u>\$ (35.0)</u>	<u>\$ 110.2</u>	<u>\$ 16.9</u>

At August 31, 2018, current assets included \$95.2 million of cash and cash equivalents and investments, and \$23.3 million in student receivables related primarily to the Fall 2018 semester. The decrease in current assets is due primarily to a \$9.5 million decrease in cash and cash equivalents and investments offset by an increase of \$6.5 million in accounts receivables. The cash and investment decrease was attributable to bond funded construction costs for RELLIS Campus of \$19 million, and Cafeteria/Café renovation of \$1.8 million.

At August 31, 2017, current assets included \$104.7 million of cash and cash equivalents and investments, and \$19.3 million in student receivables related primarily to the Fall 2017 semester. The increase in current assets is due primarily to a \$4.5 million increase in cash and cash equivalents and investments offset by a decrease of \$1.2 million in accounts receivables. The cash and investment increase was attributable to increased receipts from grants of \$2.0 million, a decrease in payments to suppliers of \$4.4 million, and an increase in cash from investing activities along with a decrease in receivables of \$1.2 million.

In Fiscal Year 2018, the District had capital asset additions of approximately \$27.6 million and the annual depreciation charge of \$4.2 million. There was a net decrease of \$16.1 million in construction in progress. The construction in progress at year-end includes the Landscaping and Irrigation Project on the Bryan Campus and the Brenham Campus Student Center Stone Sealing Project. The net increase of \$40.6 million in buildings is primarily from the substantial completion of the RELLIS Campus, Kruse Activity Center, and Cafeteria/Café renovation. The net increase in computer equipment, furniture, and other equipment totaled \$1.3 million. In Fiscal Year 2017, the

Statement of Net Position (Continued)

District had capital asset additions of approximately \$15.5 million offset by the annual depreciation charge of \$4.2 million.

The District's noncurrent assets include funds restricted for endowments, debt service, and other investments. Noncurrent assets decreased \$1.9 million in Fiscal Year 2018 due primarily to the decrease in bond funds. In Fiscal Year 2017, noncurrent assets decreased \$0.5 million due primarily to a decrease in required debt service investments.

Current liabilities increased \$5.8 million in Fiscal Year 2018. Payables on close out of construction projects at August 31, 2018, increased accounts payable by \$1.2 million. Funds held for others also increased \$0.2 million. Deferred revenues increased \$4.3 million related to the Fall 2018 semester enrollment. Implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions, increased current liabilities by \$0.2 million. Current liabilities increased \$1.2 million in Fiscal Year 2017 compared to Fiscal Year 2016.

Noncurrent liabilities increased \$40.9 million in Fiscal Year 2018. The bonds payable decrease of \$3.6 million is a result of scheduled principal payment of existing bonds. The adjustment for the net pension liability during Fiscal Year 2018 was an increase of \$1.3 million. In Fiscal Year 2018, the District implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. The District reported a liability for OPEB of \$43.2 million at August 31, 2018 for its proportionate share of Employee Retirement System of Texas (ERS) net retiree health insurance liability.

Fiscal Year 2017 had a decrease of \$8.4 million in noncurrent liabilities because of a \$3.5 million decrease in bonds payable and a \$4.8 million decrease in net pension liability. The bonds payable decrease is due to the full amortization of the 2003 Bond Series.

In Fiscal Year 2015, the District implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The District has reported a liability of \$12 million and \$11 million at August 31, 2018, and 2017, respectively, for its proportionate share of the Teacher Retirement System of Texas (TRS) net pension liability.

Statement of Revenues, Expenses and Changes in Net Position

The following summary is prepared from the District's Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended August 31: (in millions)

	2018	2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
Operating Revenues:					
Student Tuition and Fees, Net	\$ 57.0	\$ 55.7	\$ 1.3	\$ 55.1	\$ 0.6
Federal Grants and Contracts	0.8	0.7	0.1	0.6	0.1
State Grants and Contracts	2.6	2.0	0.6	2.0	-
Auxiliary Enterprises, Net	13.5	11.9	1.6	11.9	-
Other	1.2	1.0	0.2	1.3	(0.3)
Total Operating Revenues	75.1	71.3	3.8	70.9	0.4
Less Operating Expenses	112.2	105.0	7.2	105.9	(0.9)
Operating Loss	(37.1)	(33.7)	(3.4)	(35.0)	1.3
Nonoperating Revenues(Expenses)					
State Appropriations	30.8	30.8	-	30.2	0.6
Property Taxes	2.0	1.8	0.2	1.8	-
Federal Revenue, Nonoperating	19.8	18.9	0.9	18.6	0.3
Gifts	0.6	1.0	(0.4)	2.4	(1.4)
Investment Income	1.7	1.1	0.6	0.6	0.5
Unrealized Gain(Loss) Investments	0.0	(0.2)	0.2	0.2	(0.4)
Interest on Capital Related Debt	(2.1)	(2.9)	0.8	(1.1)	(1.8)
Other	-	-	-	(0.3)	0.3
Total Nonoperating Revenues	52.8	50.5	2.3	52.4	(1.9)
Income Before Other Revenue	15.7	16.8	(1.1)	17.4	(0.6)
Additions (Deductions) to Endowments	0.0	0.1	(0.1)	-	0.1
Total Increase in Net Position	15.7	16.9	(1.1)	17.4	(0.5)
Net Position, Beginning of Year	127.1	110.2	16.9	92.8	17.4
Cumulative Effect of Change in Accounting Principle	(50.7)	-	(50.7)	-	-
Net Position, Beginning of Year, as restated	76.4	110.2	(33.8)	92.8	17.4
Net Position, End of Year	\$ 92.1	\$ 127.1	\$ (34.9)	\$ 110.2	\$ 16.9

Total operating revenues increased \$3.8 million from 2017. Auxiliary enterprises revenues increased \$1.6 million, net student tuition and fees increased \$1.3 million. Federal and State Grants increased \$0.7 million in total from 2017.

During Fiscal Year 2017, the total operating revenues increased \$0.4 million from 2016. This slight increase was primarily due from \$0.6 million increase in tuition and fees. Enrollment for the 2016-2017 academic year was down 1.8% when compared to 2015-2016 academic year; however, tuition and fee rates were changed in 2017, which allowed a slight increase in revenue.

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Below is a table of Operating Expenses and Non-Operating Revenue (Expense) for the fiscal years ended August 31: (in millions)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Instructional and General	\$ 56.6	\$ 56.2	\$ 0.4	\$ 55.5	\$ 0.7
Institutional Support	14.6	14.5	0.1	14.5	-
Operation and Maintenance of Plant	13.4	8.6	4.8	11.4	(2.8)
Auxiliary Enterprises	9.2	9.1	0.1	8.7	0.4
Depreciation	4.2	4.2	-	4.6	(0.4)
Scholarships and Fellowships	14.2	12.4	1.8	11.2	1.2
Total Operating Expenses	<u>\$ 112.2</u>	<u>\$ 105.0</u>	<u>\$ 7.2</u>	<u>\$ 105.9</u>	<u>\$ (0.9)</u>
Non-Operating Revenues (Expenses):					
State Appropriations	\$ 30.8	\$ 30.8	-	\$ 30.2	\$ 0.6
Property Taxes	2.0	1.8	0.2	1.8	-
Federal Revenue, Non-Operating	19.8	18.9	0.9	18.6	0.3
Gifts	0.6	1.0	(0.4)	2.4	(1.4)
Unrealized Gain (Loss) on Investments	(0.0)	(0.2)	0.2	0.2	(0.4)
Investment Income	1.7	1.1	0.6	0.6	0.5
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-
Interest on Capital Related Debt	(2.1)	(2.9)	0.8	(1.1)	(1.8)
Other Non-Operating Expenses	-	-	-	(0.3)	0.3
Net Non-Operating Revenues (Expenses)	<u>\$ 52.8</u>	<u>\$ 50.5</u>	<u>\$ 2.3</u>	<u>\$ 52.4</u>	<u>\$ (1.9)</u>

In Fiscal Year 2018, total operating expenses increased \$7.3 million from Fiscal Year 2017 due to an increase in the operation and maintenance of plant of \$4.8 million, increase in instructional and general of \$0.4 million, increase in institutional support of \$0.2 million, increase in auxiliary enterprises of \$0.1 million, and an increase in scholarships and fellowships of \$1.8 million. In Fiscal Year 2017, total operating expenses decreased \$0.9 million from Fiscal Year 2016.

Fiscal Year 2018 net non-operating revenues (expenses) increased \$2.3 million from 2017 due to an increase of \$0.9 million in federal student revenue (Title IV funds), increase in property tax revenue of \$0.1 million, \$0.6 million increase in investment income, \$0.2 million increase in unrealized loss on investments, and a \$0.9 million decrease in capital related debt interest expense. These increases and or decreases were offset with a decrease in gift revenue of \$0.4 million.

Fiscal Year 2017 net non-operating revenues (expenses) decreased \$1.9 million from 2016 due primarily to a \$1.8 million increase in interest on capital related debt. There was a \$0.6 million increase in state appropriations (increased State group insurance appropriation and State retirement contribution), a \$0.3 million increase in non-operating federal revenue (Title IV funds), and a \$0.5 million increase in investment income. These increases were offset by a \$1.4 million decrease in gifts, and \$0.4 million decrease in unrealized loss on investments.

Statement of Cash Flow

The following chart summarizes the statements of cash flows for the fiscal years ended August 31: (in millions)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Cash Provided by (Used in):					
Operating Activities	\$ (26.9)	\$ (20.6)	\$ (6.3)	\$ (25.0)	\$ 4.4
Non-Capital Financing Activities	46.4	46.3	0.1	47.3	(1.0)
Capital and Related Financing Activities	(33.1)	(22.1)	(11.0)	34.7	(56.8)
Investing Activities	16.8	6.3	10.5	(41.9)	48.2
Net Increase (Decrease) in Cash and Cash Equivalents	3.2	9.9	(6.7)	15.1	(5.2)
Cash and Cash Equivalents - Beginning of Year	<u>71.4</u>	<u>61.5</u>	<u>9.9</u>	<u>46.4</u>	<u>15.1</u>
Cash and Cash Equivalents - End of Year	<u>\$ 74.6</u>	<u>\$ 71.4</u>	<u>\$ 3.2</u>	<u>\$ 61.5</u>	<u>\$ 9.9</u>

The District's cash flow from operating activities normally will reflect a decrease as the District relies on State appropriations to fund operating activities. State appropriations are shown as non-capital financing activities in accordance with the Texas Higher Education Coordinating Board. Cash inflows consist primarily of cash receipts from tuition and fees while cash outflows primarily consist of cash disbursements for wages, benefits, supplies and scholarships.

Cash used in operations in Fiscal Year 2018 increased \$6.3 million from 2017 primarily due to \$5.1 million increase in payment to suppliers for goods and services. This increased cost for goods and services are for non-capital costs related to construction and renovation. Other changes in cash used in operations include the receipts from grants and contracts decreasing by \$1 million, increase in payment for scholarships of \$5.1 million, which was offset by an increase in receipts from students by \$4.9 million. Cash used in operations in 2017 decreased \$4.4 million from 2016 due to a decrease in payment to suppliers for goods and services. Other changes in cash used in operations include the receipts from grants and contracts increasing by \$2.0 million, which was offset by an increase in payments to or on behalf of employees by \$0.8 million and an increase for scholarships of \$1.2 million.

In addition to State appropriations, non-capital financing activities include property tax receipts, non-operating Federal revenue (Title IV funds) and additions to permanent endowments. The increase of \$0.2 million in non-capital financing activities from 2018 is due primarily to an increase of \$0.9 million in Title IV funds. This increase is offset by a \$0.4 million decrease in other receipts, and \$0.4 million decrease in state appropriations related to employee benefits.

Variations in cash used for capital and related financing activities are dependent on the District's issuance and payment of long-term debt and capital acquisitions. The increase in cash used for capital and related financing activities in 2018 and 2017 was due to payments for the construction of the new classroom center on the RELLIS Campus as well as the payment of scheduled principal and interest amounts on existing bonds.

The variance in cash provided by investing activities in 2018 and 2017 is due primarily to the purchase, sales, and maturities of investments.

Capital Assets and Debt Administration

In Fiscal Year 2018, the District had capital additions of approximately \$27.6 million. Capital additions comprised of \$19.6 million for the Bryan RELLIS Campus, \$2.4 million for the Brenham Kruse Activity Center, \$1.8 million for the renovation of the Brenham Cafeteria/Café, \$1.4 million for Brenham Mill Creek Dorm parking lot, \$1 million of furniture and equipment and \$1.4 million in other college wide capital asset additions.

In Fiscal Year 2017, the District had capital additions of approximately \$15.5 million, including \$5.4 million for the Kruse Center on the Brenham Campus, \$1.1 million for a new indoor batting and classroom facility on the Brenham Campus, \$5.9 million for the Bryan RELLIS Campus, \$1.5 million for landscaping, irrigation, and access improvement on the Bryan Villa Maria Campus, \$0.8 million for technology equipment college wide and \$0.8 million in other college wide capital asset additions.

Future Considerations

With an academic transfer rate that ranks second among Texas community colleges and close partnerships with Texas A&M, Baylor, Sam Houston State and Texas State universities, and the universities of Texas and Houston, Blinn is an established destination for Texas students seeking an affordable pathway to a bachelor's degree. Unique co-enrollment partnerships such as the TEAM (Transfer Enrollment at A&M) and Texas A&M Engineering Academies at Blinn provide seamless transfer opportunities for students seeking degrees at Texas A&M University.

Blinn continues to invest in strategic capital projects to encourage and accommodate enrollment growth. The District recently completed a \$27 million building on the new Texas A&M's RELLIS Campus. This new campus establishes a new educational community combining a major university system and a community college at a single physical location. Blinn will begin hosting courses at its new RELLIS academic facility beginning in the Fall 2018 semester. This unique educational environment allows seamless pathways for students seeking degrees from institutions across The Texas A&M System.

On the Brenham Campus, the District will be constructing a new 6,000 square foot Agriculture Building. This new building will include livestock demonstration space, tack room, farrowing house, livestock pens, and a livestock chute. This facility will allow hands-on-learning opportunities within offered credit courses. Adding this new facility to the Agriculture complex allows increased programming options to attract more students to the Brenham campus in the form of leadership events, departmental preview days, and youth campus. Agriculture is an immensely diverse field, so having a complex that reflects that diversity is paramount for future recruitment efforts.

Management expects Blinn College's market position to remain strong, operating performance to remain positive, and pledged revenues to remain strong to support debt service.

Contacting the District's Financial Management

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

BLINN COLLEGE DISTRICT
Statements of Net Position
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 64,839,770	\$ 57,194,268
Restricted cash and cash equivalents	9,711,575	8,043,969
Investments	7,696,366	7,672,284
Restricted investments	12,908,302	31,817,377
Accounts receivable (net)	28,067,892	21,555,260
Interest and dividends receivable	159,464	178,825
Inventories	13,140	7,319
Other assets	89,852	169,840
Total Current Assets	<u>123,486,361</u>	<u>126,639,142</u>
Noncurrent Assets:		
Restricted endowment cash and cash equivalents	-	6,139,254
Restricted investments	14,945,051	10,665,969
Capital Assets (net) (See Note 6)	149,607,431	126,247,360
Total Noncurrent Assets	<u>164,552,482</u>	<u>143,052,583</u>
Total Assets	<u><u>288,038,843</u></u>	<u><u>269,691,725</u></u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions	6,740,716	3,930,573
Deferred outflows related to OPEB	1,269,304	-
Total Deferred Outflows of Resources	<u>8,010,020</u>	<u>3,930,573</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	7,283,247	6,075,988
Funds held for others	1,685,642	1,529,042
Deferred revenues	42,886,524	38,595,280
Deposits	185,009	185,009
Bonds payable - current portion	3,460,000	3,505,000
Net OPEB liability-current portion	220,233	-
Total Current Liabilities	<u>55,720,655</u>	<u>49,890,319</u>
Noncurrent Liabilities:		
Bonds payable	75,228,732	78,809,156
Net pension liability	12,386,505	11,108,069
Net OPEB liability	43,183,019	-
Total Noncurrent Liabilities	<u>130,798,256</u>	<u>89,917,225</u>
Total Liabilities	<u>186,518,911</u>	<u>139,807,544</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions	7,814,540	6,707,896
Deferred inflows related to OPEB	9,596,668	-
Total Deferred Inflow of Resources	<u>17,411,208</u>	<u>6,707,896</u>
<u>Net Position</u>		
Invested in capital assets, net of related debt	91,525,467	83,337,379
Restricted for:		
Nonexpendable - endowments	9,776,398	9,737,449
Expendable		
Endowments	1,076,773	604,356
Student aid	1,046,585	978,632
Debt service	6,261,156	6,425,879
Star of the Republic Museum	(674,742)	(725,827)
Unrestricted	<u>(16,892,893)</u>	<u>26,748,990</u>
Total Net Position (Schedule D)	<u><u>\$ 92,118,744</u></u>	<u><u>\$ 127,106,858</u></u>

The accompanying notes are an integral part of the financial statements.

BLINN COLLEGE FOUNDATION, INC.
Statements of Financial Position
August 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 659,853	\$ 565,437
Unconditional promises to give	<u>12,054</u>	<u>352,677</u>
Total Current Assets	<u>671,907</u>	<u>918,114</u>
Restricted Assets:		
Cash	91,321	109,830
Investments	<u>9,241,290</u>	<u>7,518,810</u>
Total Restricted Assets	<u>9,332,611</u>	<u>7,628,640</u>
Long-term Unconditional Promises to Give:		
Total face-value of promises	21,905	386,769
Less amount classified as current	<u>(12,054)</u>	<u>(352,677)</u>
Net long-term unconditional promises to give	<u>9,851</u>	<u>34,092</u>
Other Assets:		
Oil/Gas royalty interest	<u>10,000</u>	<u>10,000</u>
Total Assets	<u><u>10,024,369</u></u>	<u><u>8,590,846</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	<u>60,508</u>	<u>175,124</u>
Total Liabilities	<u>60,508</u>	<u>175,124</u>
Net Assets:		
Unrestricted	165,919	148,502
Temporarily restricted net assets	2,456,852	2,302,482
Permanently restricted net assets	<u>7,341,090</u>	<u>5,964,738</u>
Total Net Assets	<u>9,963,861</u>	<u>8,415,722</u>
Total Liabilities and Net Assets	<u><u>\$ 10,024,369</u></u>	<u><u>\$ 8,590,846</u></u>

The accompanying notes are an integral part of the financial statements.

BLINN COLLEGE DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2018 and August 31, 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Tuition and Fees (net of discounts of \$13,667,651 and \$14,016,370, respectively)	\$ 56,999,952	\$ 55,653,177
Federal Grants and Contracts	801,002	654,945
State Grants and Contracts	2,633,900	2,034,738
Sales and Services of Educational Activities	512,769	565,153
Auxiliary Enterprises (net of discounts of \$909,408 and \$955,480, respectively)	13,526,113	11,924,979
Other Operating Revenues	650,835	459,198
Total Operating Revenues (Schedule A)	<u>75,124,571</u>	<u>71,292,190</u>
Operating Expenses		
Instruction	39,706,221	41,674,914
Public Service	1,883,304	1,701,692
Academic Support	8,589,810	6,500,249
Student Services	6,427,925	6,368,013
Institutional Support	14,633,130	14,472,581
Operation and Maintenance of Plant	13,395,313	8,552,614
Scholarships and Fellowships	14,169,550	12,412,119
Auxiliary Enterprises	9,247,414	9,130,531
Depreciation	4,217,761	4,162,023
Total Operating Expenses (Schedule B)	<u>112,270,428</u>	<u>104,974,736</u>
Operating Loss	<u>(37,145,857)</u>	<u>(33,682,546)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	30,832,306	30,814,918
Property Taxes	1,966,326	1,831,612
Federal Revenue, Non Operating	19,768,135	18,907,187
Gifts	624,337	1,015,671
Unrealized Gain (Loss) on Investments	3,899	(172,845)
Investment Income	1,654,499	1,052,057
Loss on Disposal of Capital Assets	1,550	(15,201)
Interest on Capital Related Debt	(2,067,960)	(2,924,556)
Other Non-Operating Expenses	-	21,713
Net Non-Operating Revenues (Schedule C)	<u>52,783,092</u>	<u>50,530,556</u>
Income Before Other Revenue	15,637,235	16,848,010
Other Revenue - Additions to Permanent Endowments	<u>38,949</u>	<u>34,558</u>
Increase in Net Position	15,676,184	16,882,568
Net Position		
Net Position, Beginning of Year	127,106,858	110,224,290
Adjustments to Net Position, Beginning of Year - Note 21	(50,664,298)	-
Adjusted Net Position, Beginning of Year	<u>76,442,560</u>	<u>110,224,290</u>
Net Position, End of Year	<u>\$ 92,118,744</u>	<u>\$ 127,106,858</u>

The accompanying notes are an integral part of the financial statements.

BLINN COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenues</u>				
Donations	\$ 2,009	\$ 317,325	\$ 1,298,987	\$ 1,618,321
Fundraising	-	25,625	-	25,625
Investment income	25,566	685,595	-	711,161
Oil/Gas royalty	309	-	-	309
Endowment of temporarily restricted net assets	-	(77,365)	77,365	-
Net assets released from purpose restrictions	796,810	(796,810)	-	-
Total Public Support and Revenues	<u>824,694</u>	<u>154,370</u>	<u>1,376,352</u>	<u>2,355,416</u>
<u>Expenses</u>				
Program services:				
Expenditures for the benefit of Blinn College	397,705	-	-	397,705
Scholarships	376,814	-	-	376,814
Support services:				
Administrative expenses	28,000	-	-	28,000
Fundraising	4,758	-	-	4,758
Total Expenses	<u>807,277</u>	<u>-</u>	<u>-</u>	<u>807,277</u>
Change in Net Assets	17,417	154,370	1,376,352	1,548,139
Net Assets - Beginning of Year	<u>148,502</u>	<u>2,302,482</u>	<u>5,964,738</u>	<u>8,415,722</u>
Net Assets - End of Year	<u>\$ 165,919</u>	<u>\$ 2,456,852</u>	<u>\$ 7,341,090</u>	<u>\$ 9,963,861</u>

The accompanying notes are an integral part of the financial statements.

BLINN COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenues</u>				
Donations	\$ 39,754	\$ 306,192	\$ 249,185	\$ 595,131
Fundraising	-	2,960	-	2,960
Investment income	19,612	616,690	-	636,302
Oil/Gas royalty	575	-	-	575
Endowment of temporarily restricted net assets	-	(34,087)	34,087	-
Net assets released from purpose restrictions	1,210,415	(1,210,415)	-	-
	<u>1,270,356</u>	<u>(318,660)</u>	<u>283,272</u>	<u>1,234,968</u>
<u>Expenses</u>				
Program services:				
Expenditures for the benefit of Blinn College	913,916	-	-	913,916
Scholarships	306,868	-	-	306,868
Support services:				
Administrative expenses	25,646	-	-	25,646
Fundraising	1,883	-	-	1,883
	<u>1,248,313</u>	<u>-</u>	<u>-</u>	<u>1,248,313</u>
Change in Net Assets	22,043	(318,660)	283,272	(13,345)
Net Assets - Beginning of Year	<u>126,459</u>	<u>2,621,142</u>	<u>5,681,466</u>	<u>8,429,067</u>
Net Assets - End of Year	<u>\$ 148,502</u>	<u>\$ 2,302,482</u>	<u>\$ 5,964,738</u>	<u>\$ 8,415,722</u>

The accompanying notes are an integral part of the financial statements.

BLINN COLLEGE DISTRICT
Statements of Cash Flows
Years Ended August 31, 2018 and August 31, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Receipts from students and other customers	\$ 72,880,842	\$ 67,972,031
Receipts from grants and contracts	2,904,590	3,875,170
Payments to suppliers for goods and services	(25,731,818)	(20,653,384)
Payments to or on behalf of employees	(60,108,519)	(59,872,134)
Payments for scholarships	(17,528,786)	(12,412,119)
Other receipts	650,835	459,198
Net cash used by operating activities	<u>(26,932,856)</u>	<u>(20,631,238)</u>
Cash Flows From Non-Capital Financing Activities:		
Receipts from state appropriations	24,070,953	24,516,332
Receipts from property taxes	1,949,077	1,821,200
Receipts from non operating federal revenue	19,768,135	18,907,187
Increase (decrease) in permanent endowments	38,949	34,558
Other receipts	624,337	1,015,671
Net cash provided by non-capital financing activities	<u>46,451,451</u>	<u>46,294,948</u>
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(27,571,460)	(15,475,633)
Proceeds from issuance of capital debt	-	-
Bond issue costs paid on capital debt issue	-	21,713
Payments on capital debt - principal	(3,505,000)	(3,706,846)
Payments on capital debt - interest	(2,067,960)	(2,924,556)
Net cash used by capital and related financing activities	<u>(33,144,420)</u>	<u>(22,085,322)</u>
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	27,212,840	37,678,367
Interest on investments	1,677,759	1,039,438
Purchases of investments	(12,090,920)	(32,464,243)
Net cash (used) by investing activities	<u>16,799,679</u>	<u>6,253,562</u>
Increase (Decrease) in Cash and Cash Equivalents	3,173,854	9,831,950
Cash and Cash Equivalents, Beginning of Year	<u>71,377,491</u>	<u>61,545,541</u>
Cash and Cash Equivalents, End of Year	<u>\$ 74,551,345</u>	<u>\$ 71,377,491</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (37,145,857)	\$ (33,682,546)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	4,217,761	4,162,023
Noncash state appropriations for employee benefits	6,761,352	6,298,586
Changes in assets and liabilities:		
Receivables (net)	(6,495,383)	1,161,795
Inventories	(5,821)	6,413
Other assets	79,989	14,533
Accounts payable	1,207,259	1,555,544
Funds held for others	156,600	268,149
Deferred revenues	4,291,244	(425,070)
Deposits	-	9,335
Net cash used by operating activities	<u>\$ (26,932,856)</u>	<u>\$ (20,631,238)</u>

The accompanying notes are an integral part of the financial statements.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

1. Reporting Entity

Blinn College District (the District) 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 District operates campuses in the cities of Brenham, Bryan, Schulenburg and Sealy, Texas. The District 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 District receives funding from local, State of Texas (the State), and Federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, gives guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. It requires reporting as a component unit if the organization raises and holds economic resources for the direct benefit of the governmental unit and the component unit is significant compared to the primary government. GASB Statement No. 39 has been applied as required in the preparation of these financial statements and Blinn College Foundation, Inc. financial statements are included as a discrete component unit (see Note 20).

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's (THECB) Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The District applies all applicable GASB pronouncements. The District is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts must 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 student uses the award for tuition and fees, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (HEA) Program Funds - Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as restricted revenue. When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts - The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

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 financial statements of the District 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.

Budgetary Data

Each community college 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 District's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. The operation of the bookstore is not performed by the District.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

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

Capital Assets

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

Buildings	50 years
Land improvements	20 years
Library books	15 years
Furniture, equipment and vehicles	5-10 years
Computer systems	5 years

Museum 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 Revenue

Tuition, fees, housing and meal charges of \$42,230,595 and \$37,719,243 and federal, state and local grants of \$655,929 and \$848,439 have been reported as deferred revenue at August 31, 2018 and 2017, respectively.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

Pensions

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the year ended August 31, 2018 and 2017.

3. Authorized Investments

The Board of Trustees of the District 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 District are in compliance with the Board of Trustees' investment policy and the Public Funds Investment Act. The District is authorized to invest in obligations and instruments as follows: (1) obligations of the United States and its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposits and (5) other instruments and obligations authorized by statute.

4. Deposits and Investments

Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's investment policy requires pledging of collateral for all bank balances in excess of Federal Depository Insurance Corporation (FDIC) limits at a minimum of 102% of market value. As of August 31, 2018 and 2017, the District's entire bank balances of \$6,043,685 and \$5,071,455 respectively, were insured, collateralized and not exposed to custodial credit risk.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

The following table presents cash and deposits included in Exhibit 1, Statement of Net Position, as of August 31:

	2018	2017
Cash and Deposits:		
Petty Cash	\$ 8,986	\$ 5,239
Demand Deposits	6,209,708	3,906,515
Money Market Accounts	26,048,864	25,681,015
Investment Pools:		
Lone Star Investment Pool	18,039,291	24,778,229
TexPool	7,452,980	14,133,707
TexSTAR	16,791,516	2,872,786
	\$ 74,551,345	\$ 71,377,491
Cash and Deposits	\$ 74,551,345	\$ 71,377,491

Investments

The District had the following investments as of August 31:

Investments	Maturities	Fair Value	
		2018	2017
U.S. Government Securities		\$ -	\$ 22,892,377
Federal Home Loan Mortgage Corp	5/2020	803,310	1,792,818
Federal Home Loan Bank	3/2019-3/2023	5,490,833	8,630,151
Certificate of Deposit	9/2018	18,591,559	16,597,284
Cash and Cash Alternatives		64,386	-
Exchange Traded Funds		745,092	-
Mutual Funds		4,553,703	-
Equities		5,300,836	243,000
		\$ 35,549,719	\$ 50,155,630
Total Investments		\$ 35,549,719	\$ 50,155,630
Total Investments		\$ 35,549,719	\$ 50,155,630

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

Reconciliation of Cash, Deposits, and Investments to the Statement of Net Position (Exhibit 1)

	<u>Market Value</u> <u>August 31, 2018</u>	<u>Market Value</u> <u>August 31, 2017</u>
Total Investments (footnote 4)	\$ 35,549,719	\$ 50,155,630
Total Cash and Deposits (footnote 4)	<u>74,551,345</u>	<u>71,377,491</u>
Total Deposits and Investments	<u><u>110,101,064</u></u>	<u><u>121,533,121</u></u>

Statement of Net Position

Cash and Cash Equivalents	\$ 64,839,770	\$ 57,194,268
Restricted Cash and Cash Equivalents	9,711,575	8,043,969
Restricted Endowment Cash and Cash Equivalents		6,139,254
Total Cash and Deposits (Exhibit 1)	<u>\$ 74,551,345</u>	<u>\$ 71,377,491</u>
Investments	\$ 7,696,366	\$ 7,672,284
Restricted Investments	12,908,302	31,817,377
Restricted Investments Noncurrent	<u>14,945,051</u>	<u>10,665,969</u>
Total Investments (Exhibit 1)	<u>\$ 35,549,719</u>	<u>\$ 50,155,630</u>
Total Deposits and Investments (Exhibit 1)	<u><u>\$ 110,101,064</u></u>	<u><u>\$ 121,533,121</u></u>

Interest risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods can be subjected to increased risk of adverse interest rate changes. In accordance with its investment policy, the District limits its exposure to interest rate risk by structuring its portfolio to provide liquidity for operating funds and maximizing yields for funds not immediately needed. The investment policy limits the maximum maturity on any security to seven years. To the extent possible, the District shall attempt to match its investments with anticipated future cash flow. Unless matched to a specific cash flow, the District shall not directly invest in securities maturing more than three years from the date of purchase.

Credit risks are the risk that the insurer of the debt security will not pay its par value upon maturity. The District's investment policy limits credit risk based on meeting requirements of State law. Investments in mutual funds and investment pools must be rated at least AAA; commercial paper must be rated at least A-1 or P-1; and investments in obligations from other states, municipalities, counties, etc., must be rated at least A as well. U.S. Government obligations are not considered to have credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. At August 31, 2018 and 2017, the District had approximately \$6.3 and \$33.3 of its investment portfolio in U.S. Government and Federal Agency securities, which mature through March 2023.

During fiscal year 2006, a donor remitted shares in a Company to the District to establish an endowment scholarship. The shares had a fair market value of \$280,500 at August 31, 2018. Securities donated to an investing entity for a particular purpose or under terms of use specified by the donor, are not subject to the requirements of the Public Funds Investment Act. The College amended its investment policy to allow, at the Board of Trustees discretion, the District to hold donated equities for endowed scholarships.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

5. Disaggregation of Receivables and Payables Balances

Receivables consist of the following at August 31:

	<u>2018</u>	<u>2017</u>
Student Tuition and Fees	\$ 28,202,920	\$ 25,330,671
Ad Valorem Taxes	134,272	117,023
Federal Grants	475,785	124,631
State Grants	97,731	43,020
Other Receivables	4,029,106	545,424
	<u>\$ 32,939,814</u>	<u>\$ 26,160,769</u>
Allowance for Doubtful Accounts	(4,871,922)	(4,605,509)
Total Receivables	<u>\$ 28,067,892</u>	<u>\$ 21,555,260</u>

Payables consist of the following at August 31:

	<u>2018</u>	<u>2017</u>
Vendor Payables	\$ 6,050,942	\$ 4,086,497
Other Payables	1,232,305	1,989,491
Total Payables	<u>\$ 7,283,247</u>	<u>\$ 6,075,988</u>

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

6. Capital Assets

Capital assets' activities for the years ended August 31:

	BALANCES				BALANCES
	September 1,	Increases	Decreases	Reclasses	August 31,
	2017				2018
Capital Assets not subject to Depreciation:					
Land	\$ 10,517,833	\$ -	\$ -	\$ -	\$ 10,517,833
Collections	691,579	-	-	-	691,579
Construction in Progress	17,406,910	26,285,159	-	(42,376,592)	1,315,477
Total not Depreciated Assets	<u>\$ 28,616,322</u>	<u>\$ 26,285,159</u>	<u>\$ -</u>	<u>\$ (42,376,592)</u>	<u>\$ 12,524,889</u>
Capital Assets subject to Depreciation:					
Buildings	\$ 126,243,199	\$ -	\$ -	\$ 40,641,925	\$ 166,885,124
Land Improvements	7,614,611	-	-	1,591,077	9,205,688
Furniture, Equipment, vehicles	6,686,420	1,085,142	-	-	7,771,562
Computer Equipment	10,164,273	37,850	-	143,590	10,345,713
Library Books	4,770,013	169,681	4,823	-	4,934,871
Total Depreciated Assets	<u>\$ 155,478,516</u>	<u>\$ 1,292,673</u>	<u>\$ 4,823</u>	<u>\$ 42,376,592</u>	<u>\$ 199,142,958</u>
Less Accumulated Depreciation					
Buildings	\$ 38,205,895	\$ 2,879,363	\$ -	\$ -	\$ 41,085,258
Land Improvements	4,172,448	263,126	-	-	4,435,574
Furniture, Equipment, vehicles	4,655,770	517,971	-	-	5,173,741
Computer Equipment	7,480,455	423,984	-	-	7,904,439
Library Books	3,332,910	133,317	4,823	-	3,461,404
Total Accumulated Depreciation	<u>\$ 57,847,478</u>	<u>\$ 4,217,761</u>	<u>\$ 4,823</u>	<u>\$ -</u>	<u>\$ 62,060,416</u>
Total Net Assets	<u>\$ 126,247,360</u>	<u>\$ 23,360,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,607,431</u>

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

	BALANCES				BALANCES
	September 1, 2016	Increases	Decreases	Reclasses	August 31, 2017
Capital Assets not subject to Depreciation:					
Land	\$ 10,610,094	\$ 9,240	\$ -	\$ (101,501)	\$ 10,517,833
Collections	691,579				691,579
Construction in Progress	6,427,906	12,603,264	(1,624,260)		17,406,910
Total not Depreciated Assets	<u>\$ 17,729,579</u>	<u>\$ 12,612,504</u>	<u>\$ (1,624,260)</u>	<u>\$ (101,501)</u>	<u>\$ 28,616,322</u>
Capital Assets subject to Depreciation:					
Buildings	\$ 125,625,238	\$ 1,082,268	\$ -	\$ (464,307)	\$ 126,243,199
Land Improvements	6,690,057	823,053		101,501	7,614,611
Furniture, Equipment, vehicles	7,105,512	221,564	(159,557)	(481,099)	6,686,420
Computer Equipment	7,028,982	2,219,401	(29,516)	945,406	10,164,273
Library Books	4,632,845	166,212	(29,044)		4,770,013
Total Depreciated Assets	<u>\$ 151,082,634</u>	<u>\$ 4,512,498</u>	<u>\$ (218,117)</u>	<u>\$ 101,501</u>	<u>\$ 155,478,516</u>
Less Accumulated Depreciation					
Buildings	\$ 35,342,706	\$ 2,874,759	\$ -	\$ (11,570)	\$ 38,205,895
Land Improvements	4,048,056	194,581		(70,189)	4,172,448
Furniture, Equipment, vehicles	5,346,915	540,122	(119,246)	(1,112,021)	4,655,770
Computer Equipment	5,894,392	421,798	(29,515)	1,193,780	7,480,455
Library Books	3,231,192	130,763	(29,045)		3,332,910
Total Accumulated Depreciation	<u>\$ 53,863,261</u>	<u>\$ 4,162,023</u>	<u>\$ (177,806)</u>	<u>\$ -</u>	<u>\$ 57,847,478</u>
Total Net Assets	<u>\$ 114,948,952</u>	<u>\$ 12,962,979</u>	<u>\$ (1,664,571)</u>	<u>\$ -</u>	<u>\$ 126,247,360</u>

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

7. Long-Term Liabilities

Long-term liability activity for the years ended August 31:

	2018				
	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
	Bonds Payable	\$ 80,140,000	\$ -	\$ (3,505,000)	\$ 76,635,000
Unamortized Bond Premium	2,174,156		(120,424)	2,053,732	
Total Bond Liability	<u>\$ 82,314,156</u>	<u>\$ -</u>	<u>\$ (3,625,424)</u>	<u>\$ 78,688,732</u>	<u>\$ 3,460,000</u>
Net Pension Liability	\$ 11,108,069	\$ 1,278,436	\$ -	\$ 12,386,505	\$ -
Net OPEB Liability		43,403,252		43,403,252	220,233
Total Other Liability	<u>\$ 11,108,069</u>	<u>\$ 44,681,688</u>	<u>\$ -</u>	<u>\$ 55,789,757</u>	<u>\$ 220,233</u>
Total Long-term Liabilities	<u>\$ 93,422,225</u>	<u>\$ 44,681,688</u>	<u>\$ (3,625,424)</u>	<u>\$ 134,478,489</u>	<u>\$ 3,680,233</u>

	2017				
	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
	Bonds Payable	\$ 83,805,000	\$ -	\$ (3,665,000)	\$ 80,140,000
Unamortized Bond Premium	2,216,002		(41,846)	2,174,156	
Total Bond Liability	<u>\$ 86,021,002</u>	<u>\$ -</u>	<u>\$ (3,706,846)</u>	<u>\$ 82,314,156</u>	<u>\$ 3,505,000</u>
Net Pension Liability	\$ 15,979,437	\$ -	\$ (4,871,368)	\$ 11,108,069	
Net OPEB Liability					
Total Other Liability	<u>\$ 15,979,437</u>	<u>\$ -</u>	<u>\$ (4,871,368)</u>	<u>\$ 11,108,069</u>	<u>\$ -</u>
Total Long-term Liabilities	<u>\$ 102,000,439</u>	<u>\$ -</u>	<u>\$ (8,578,214)</u>	<u>\$ 93,422,225</u>	<u>\$ 3,505,000</u>

8. Bonds Payable

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

Combined Fee Revenue Bonds, Series 2016

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2016
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories, related facilities and administration facilities; (ii) fund a Reserve Fund; and (iii) pay the costs of issuance of the Bonds
- Issued March 23, 2016
- \$36,975,000, all authorized bonds have been issued
- Interest rates range from 2.125% to 5.00%

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2018 and 2017 of \$36,575,000 and \$36,975,000, respectively.
- A premium of \$1,905,100 is being amortized over the life of the bonds

Combined Fee Revenue Bonds, Series 2015

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2015
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories, related facilities and administration facilities; (ii) fund a Reserve Fund; and (iii) pay the costs of issuance of the Bonds
- Issued December 15, 2015
- \$9,625,000, all authorized bonds have been issued
- Interest rates range from 3.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2018 and 2017 of \$9,360,000 and \$9,625,000, respectively.
- A premium of \$94,033 is being amortized over the life of the bonds

Combined Fee Revenue Bonds, Series 2014

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2014
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories and related facilities, administration facilities and the acquisition of sites therefor and (ii) pay the costs of issuance of the Bonds
- Issued December 18, 2014
- \$9,820,000, all authorized bonds have been issued
- Interest rates range from 2.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2018 and 2017 of \$9,515,000 and \$9,820,000, respectively.
- A premium of \$25,897 is being amortized over the life of the bonds

Combined Fee Revenue Refunding Bonds, Series 2011

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2011
- To refund a portion of the District's Combination Fee Revenue Bonds, Series 2002 for a debt service savings and pay the costs of issuance of the Bonds
- Issued May 17, 2011
- \$6,925,000, all authorized bonds have been issued
- Interest rates range from 2.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2018 and 2017 of \$3,630,000 and \$4,285,000, respectively
- A premium of \$181,438 is being amortized over the life of the bonds

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

Combined Fee Revenue Bonds, Series 2010

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2010
- To pay for (i) various campus renovation projects (ii) a dormitory (iii) teaching equipment for the Allied Health Center and (iv) the costs of issuance of the Bonds
- Issued March 15, 2010
- \$20,155,000, all authorized bonds have been issued
- Interest rates range from 3.000% to 4.375%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2018 and 2017 of \$15,720,000 and \$16,550,000 respectively

Combined Fee Revenue Refunding Bonds, Series 2009

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2009
- To refund a portion of the District's Combination Fee Revenue Bonds, Series 1998, Combination Fee Revenue Bonds, Series 1999 and pay the costs of issuance of the Bonds
- Issued April 15, 2009
- \$8,925,000, all authorized bonds have been issued
- Interest rates range from 1.10% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2018 and 2017 of \$1,835,000 and \$2,715,000, respectively
- A premium of \$244,401 is being amortized over the life of the bonds

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, 2018 and 2017 of \$0 and \$170,000, respectively
- Net proceeds from refunding bonds \$4,406,739; after payment of \$94,344 in underwriting fees, insurance, and other issuance costs
- The 1993 Series bond are considered fully defeased and the liability for those bonds has been removed from the financial statements
- Advanced refunding of the 1993 Series bonds reduced the Districts debt service payments over the next 15 years by approximately \$230,000
- Economic gain of approximately \$170,000 is difference between the net present value of the old and new debt service payments

BLINN COLLEGE DISTRICT
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Under each bond issue, the District is to maintain a reserve account equal to the maximum annual principal and interest requirements on all bonds. The reserve account balance at August 31, 2018 is \$6,261,156. The Series 2003 bonds require the District to maintain adequate insurance coverage. All premiums have been paid.

Combined Bond Debt Service Requirements

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

Fiscal Year	Principal	Interest	Total
2019	\$ 3,460,000	\$ 2,801,156	\$ 6,261,156
2020	3,545,000	2,679,231	6,224,231
2021	3,375,000	2,550,169	5,925,169
2022	3,480,000	2,412,856	5,892,856
2023-2027	15,850,000	10,044,772	25,894,772
2028-2032	18,360,000	6,844,175	25,204,175
2033-2037	13,930,000	3,835,253	17,765,253
2038-2042	14,635,000	1,273,472	15,908,472
Total	<u>\$ 76,635,000</u>	<u>\$ 32,441,084</u>	<u>\$ 109,076,084</u>

9. Defined Benefit Pension Plans

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2016.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

Contribution Rates

	2018	2017
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2017 Member Contributions	\$ 2,555,701	
2017 State of Texas On-Behalf Contributions	1,021,070	
2017 Employer Contributions	1,277,307	

The District's contributions to the TRS pension plan in 2018 were \$1,308,142 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for FY 2018 were \$1,021,070.

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- As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

BLINN COLLEGE DISTRICT
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Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected investment Rate of Return*	8.00%
Municipal Bond Rate*	N/A
Last year ending August 31 in 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.50%
Salary increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes.	None

*If a municipal bond rate was to be used, the rate would be 3.42 percent as of August 2017 (i.e., the rate closest to but not later than the measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Actuarial methods and assumptions were updated based on a study of actual experience for the four-year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8 percent. The long-term expected rate of return on pension plan

BLINN COLLEGE DISTRICT
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investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

*The Expected Contribution to returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric means returns.

Source: TRS 2017 comprehensive Annual Financial Report

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Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	\$20,881,201	\$12,386,505	\$5,313,293

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the District reported a liability of \$12,386,505 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction of State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

College's Proportionate share of the collective net pension liability	\$ 12,386,505
State's proportionate share that is associated with College	<u>9,982,550</u>
Total	<u>\$ 22,369,055</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017, the District's proportion of the net pension liability was 0.038739%, which was an increase of 0.0093% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the District recognized pension expense of \$761,429 and revenue of \$761,429 for support provided by the State.

BLINN COLLEGE DISTRICT
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At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 181,220	\$ 667,988
Changes in actuarial assumptions	564,225	323,006
Differences between projected and actual investment earnings	1,904,901	2,807,602
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,782,228	4,015,944
Contributions paid to TRS subsequent to the measurement date	1,308,142	
Total	\$ 6,740,716	\$ 7,814,540

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended August 31	Pension Expense Amount
2019		\$ (765,205)
2020		(165,239)
2021		(811,282)
2022		(947,733)
Thereafter		(599,966)

10. Optional Retirement Plan

Plan Description. The state has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and College are 3.3%, respectively and 6.65% by each participant. In addition, the District contributes 1.9 percent for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the District was \$340,787 and \$353,153 for the fiscal years ended August 31, 2018 and 2017, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll of employees covered by the Optional Retirement Program was \$10,378,773 and \$10,757,318 for fiscal years 2018 and 2017, respectively.

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Notes to Financial Statements
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11. Deferred Compensation Program

The District's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. This plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2018 and 2017, the District had no employees electing to defer compensation.

12. 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 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 \$610 to \$1,217 and \$610 to \$1,208 per month for the years ended August 31, 2018 and 2017, depending on the coverage elected. The State's contribution totaled \$4,096,796 and \$3,676,323, for the years ended August 31, 2018 and 2017, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

13. Compensated Absences

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

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

14. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. Contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements. State contract and grant award funds already committed, e.g., multi-year awards or funds awarded for which monies have not been received nor funds expended for 2018 and 2017 totaled \$655,928 and \$759,275, respectively.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
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15. Property Tax

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

	<u>2018</u>	<u>2017</u>
Assessed valuation of the College	\$ 3,662,570,898	\$ 3,231,516,568
Less exemptions	(754,631,771)	(581,744,603)
Net assessed valuation of the College	<u>\$ 2,907,939,127</u>	<u>\$ 2,649,771,965</u>

	<u>2018</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.0601	\$ -	\$ 0.0601
Tax rate per \$100 valuation for assessed	0.0601		0.0601

	<u>2017</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.0601	\$ -	\$ 0.0601
Tax rate per \$100 valuation for assessed	0.0601		0.0601

Tax levied for the years ended August 31, 2018 and 2017 is \$1,981,872 and \$1,812,702 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 District has recognized all assessed taxes in the current year and recorded a receivable for uncollected taxes.

Taxes Collected at August 31,	<u>2018</u>	<u>2017</u>
Current	\$ 1,894,260	\$ 1,775,179
Delinquent	30,594	27,305
Penalties and Interest	23,684	20,487
Total Gross Collections	<u>\$ 1,948,538</u>	<u>\$ 1,822,971</u>
Total Appraisal and Collection Fees	<u>\$ (44,586)</u>	<u>\$ (42,372)</u>
Total Net Collections	<u>\$ 1,903,952</u>	<u>\$ 1,780,599</u>

Tax collections for the year ended August 31, 2018 and 2017 were 96% and 98% of the respective tax levy, respectively. 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 general obligation debt service.

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16. Operating Leases

The District leases facilities related to the Bryan and Sealy Campuses under non-cancelable leases expiring through January 2020, with future minimum payments as of August 31, 2018 as follows:

<u>Fiscal Year</u>	
2019	2,267,209
2020	2,206,819

Rental expense was approximately \$2,410,375 and \$2,559,147 for the years ended August 31, 2018 and 2017, respectively.

17. Contingent Liabilities

State and Federal Grants

The District 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 District'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 District expects such amounts, if any, to be immaterial.

18. Self Insurance

Effective September 1, 2003, the District began participating in a public entity risk pool for worker's compensation. The participants of the pool include several other public junior and community colleges. The plan provides coverage to each participant with the District's individual loss fund maximum of \$375,000 and \$400,487 at August 31, 2018 and 2017, respectively, which is based on estimated payroll.

The liability for claims incurred but not reported under the self-insured plan is \$50,244 and \$59,553 as of August 31, 2018 and 2017, respectively, and is included in the accompanying statement of net position. Future payments for the claims will be paid from the accrued liability.

Self-insurance activity for the years ended August 31, 2018 and 2017 was as follows:

<u>Accrued Liability for the Year Ended August 31</u>	<u>Balance of Liability at Beginning of Fiscal Year</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions for Claims Paid</u>	<u>Cumulative Balance of Liability at End of Fiscal Year</u>
2018	\$ 400,487	\$ (140,047)	\$ 218,493	\$ (103,933)	\$ 375,000
2017	433,813		72,468	(105,794)	400,487

BLINN COLLEGE DISTRICT
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19. Postemployment Benefits Other than Pensions

Plan Description. The District participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution

rates are determined annually by the ERS Board of Trustees based on the recommendation of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative cost with the revenue expected to be generated by the appropriated funds.

The following table summarized the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

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Other Post-Employment Benefits (OPEB) (continued)

Maximum Monthly Employer Contribution
 Retiree Health and Basic Life Premium
 Fiscal Year 2017

Retiree only	\$ 617.30
Retiree & Spouse	970.98
Retiree & Children	854.10
Retiree & Family	1,207.78

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Premium Contributions by Source
 Group Benefits Program Plan
 For the Years Ended August 31, 2018 and 2017

	FY2017	FY 2016
Employers	\$ 890,735,173	\$ 663,986,538
Members (Employees)	195,806,162	183,284,339
Non-employer Contributing Entity (State of Texas)	44,433,743	N/A

Source: ERS FY2017 Comprehensive Annual Financial Report

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

BLINN COLLEGE DISTRICT
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Other Post-Employment Benefits (OPEB) (continued)

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Discount Rate	3.51%
Projected Annual Salary Increase (includes inflation)	2.50% to 9.50%
Annual Healthcare Trend rate	8.50% for FY 2019, Decreasing 0.5% per year to 4.50% For FY 2027 and later years
Inflation Assumption Rate	2.50%
Ad hoc Postemployment Benefit Changes	None
Mortality assumptions	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability Retirees	Tables based on TRS experience with full generation projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB

Source: 2017 ERS CAFR except for mortality assumptions obtained from ERS 2017 GASB 74 Actuarial Valuation

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period (ex. September 1, 2010 to August 31, 2014) for higher education members.

Investment Policy. The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement period was 3.51%, which amounted to an increase of .67%.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

Other Post-Employment Benefits (OPEB) (continued)

The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not

intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of the projected benefit payments to which the long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact on the District's proportionate share of the collective OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
College's proportionate share of the net OPEB liability	\$51,810,799	\$43,403,252	\$36,890,856

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (8.5%) in measuring the net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)	1% Increase in Healthcare Cost Trend Rates (9.5% decreasing to 5.5%)
College's proportionate share of the net OPEB liability	\$36,487,808	\$43,403,252	\$52,376,435

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2018, the District reported a liability of \$43,403,253 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

College's Proportionate share of the collective net OPEB liability	\$43,403,252
State's proportionate share that is associated with College	<u>\$32,917,587</u>
Total	\$76,320,839

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

Other Post-Employment Benefits (OPEB) (continued)

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017, the employers proportion of the collective net OPEB liability was .012738308% which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the District recognized OPEB expense of \$905,458 and revenue of \$905,458 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

Changes of Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti;
- And for out-of-state participants, an elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

At August 31, 2018, the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

Other Post-Employment Benefits (OPEB) (continued)

	Outflows of Resources	Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions		9,075,100
Difference between projected and actual investment earnings	12,850	521,568
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		
Contributions paid to ERS subsequent to the measurement date	1,256,454	
Total	\$ 1,269,304	\$ 9,596,668

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (2,158,199)
2020	(2,158,199)
2021	(2,158,199)
2022	(2,158,199)
2023	(951,023)
Thereafter	-

20. Component Units

Blinn College District Foundation, Inc. – Discrete Component Unit

Blinn College District Foundation, Inc. (the Foundation) was established as a separate nonprofit organization in 1990, to raise funds to provide student scholarships and assistance in the development and growth of the District. Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation is a component unit of the District because the District provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the benefit of the District.

Accordingly, the Foundation financial statements are included in the District's annual report as a discrete component unit (see table of contents). As of the date the District's audit was released, the Foundation's 2018 audit was completed. Complete financial statements of Blinn College District Foundation, Inc. can be obtained from the administrative office of the Foundation.

BLINN COLLEGE DISTRICT
Notes to Financial Statements
August 31, 2018

21. Prior Year Restatement

In the year of implementation of GASB 75, a restatement of beginning net position will be required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net OPEB liability and beginning of the reporting entity's fiscal year.

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Beginning Net Position	\$ 127,106,858
Prior Period Adjustment - Implementation of GASB 75:	
Net OPEB Liability (Measurement Date as of August 31, 2017)	(51,857,658)
Deferred Outflows - College Contributions made during FY16	1,193,360
Beginning Net Position, as Restated	<u>\$ 76,442,560</u>

Blinn College District
Schedule of District's Proportionate Share of Net Pension Liability
Last Four Fiscal Years **

Fiscal year ending August 31*,	2018	2017	2016	2015
District's proportionate share of collective net pension liability (%)	0.0387386%	0.0293954%	0.0452052%	0.0467225%
District's proportionate share of collective net pension liability (\$)	\$ 12,386,505	\$ 11,108,069	\$ 15,979,437	\$ 12,480,226
State's proportionate share of net pension liability associated with College	9,982,550	15,412,959	9,193,423	7,104,883
Total	\$ 22,369,055	\$ 26,521,028	\$ 25,172,860	\$ 19,585,109
District's covered payroll	\$ 33,157,834	\$ 31,983,195	\$ 30,173,253	\$ 26,828,534
District's proportionate share of collective net pension liability as a percentage of covered payroll	37.36%	34.73%	52.96%	46.51%
Plan Fiduciary net position as a percentage of the total pension liability	78.00%	78.00%	78.43%	83.25%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

**Blinn College District
Schedule of District's Pension Contributions
Last Four Fiscal Years****

Fiscal year ending August 31*,	2018	2017	2016	2015
Legally required contributions	\$1,308,142	\$1,277,307	\$1,236,765	\$1,338,546
Actual contributions	1,308,142	1,277,307	1,236,765	1,338,546
Contributions deficiency (excess)	-	-	-	
District's covered-employee payroll amount	\$34,016,061	\$33,157,834	\$31,983,195	\$ 30,173,253
Contributions as a percentage of covered-employee payroll	3.85%	3.85%	3.87%	4.44%

*The amounts presented above are as of the District's respective fiscal year-end.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

Blinn College District
Schedule of District's Proportionate Share of Net OPEB Liability
Implemented in Fiscal Year 2018*

Fiscal year ending August 31*,	2018
District's proportionate share of collective net OPEB liability (%)	0.1273831%
District's proportionate share of collective net OPEB liability (\$)	\$ 43,403,252
State's proportionate share of net OPEB liability associated with College	32,917,587
Total	\$ 76,320,839
District's covered payroll	\$ 41,519,643
District's proportionate share of collective net OPEB liability as a percentage of covered payroll	104.54%
Plan Fiduciary net position as a percentage of the total pension liability	78.00%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

Blinn College District
 Schedule of District's OPEB Contributions
 Implemented in Fiscal Year 2018*

Fiscal year ending August 31 [*] ,	2018
Legally required contributions	\$1,256,454
Actual contributions	<u>1,256,454</u>
Contributions deficiency (excess)	-
District's covered-employee payroll amount	\$41,519,643
Contributions as a percentage of covered-employee payroll	3.03%

*The amounts presented above are as of the District's respective fiscal year-end.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

BLINN COLLEGE DISTRICT
Notes to Required Supplementary Information (RSI)
For Pensions
Year Ended August 31, 2018

1. Changes of Benefit Terms

The College implemented a 3.5 percent salary and wage increase effective September 1, 2017 for full time faculty/administrators and all staff.

2. Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2018.

BLINN COLLEGE DISTRICT
Notes to Required Supplementary Information (RSI)
For OPEB
Year Ended August 31, 2018

1. Changes of Benefit Terms

Under Q/A #4.107 of GASB's *Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan member in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- Elimination of the copayment for virtual visits;
- A reduction in the copayment Airrosti; and
- For out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

2. Changes of Assumptions

Demographic Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

BLINN COLLEGE DISTRICT
Notes to Required Supplementary Information (RSI)
For OPEB
Year Ended August 31, 2018

Economic Assumptions

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with ERS retirement plan assumption previously adopted by the ERS Trustees.

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations and the revised assumed rate of general inflation.

The discount rate was lowered as a result of requirement by GASB No. 74 to utilize the yield or index rate for 20-year, tax-0exempt general obligation bonds rated AA/Aa (or equivalent) or higher.

Minor benefit changes have been reflected in the FY 2018 Assumed Per Capita Health Benefit Costs.

BLINN COLLEGE DISTRICT
Schedule of Operating Revenues
Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

	Educational Activities		Total	Auxiliary Enterprises	2018 Total	2017 Total
	Unrestricted	Restricted	Educational Activities			
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 481,625	\$ -	\$ 481,625	\$ -	\$ 481,625	\$ 531,712
Out-of-district resident tuition	39,303,775	-	39,303,775	-	39,303,775	40,721,770
Non-resident tuition	3,251,260	-	3,251,260	-	3,251,260	3,491,129
TPEG - credit (set aside) *	1,255,989	-	1,255,989	-	1,255,989	1,280,156
State funded continuing education	765,158	-	765,158	-	765,158	676,046
Non-State funded continuing education	72,773	-	72,773	-	72,773	66,200
Total Tuition	<u>45,130,580</u>	<u>-</u>	<u>45,130,580</u>	<u>-</u>	<u>45,130,580</u>	<u>46,767,013</u>
Fees:						
General fee	19,593,022	-	19,593,022	3,457,592	23,050,614	20,429,349
Laboratory and course fees	1,938,750	-	1,938,750	-	1,938,750	1,848,768
Incidental fees	271,547	-	271,547	-	271,547	278,697
Other fees	-	-	-	276,112	276,112	345,720
Total fees	<u>21,803,319</u>	<u>-</u>	<u>21,803,319</u>	<u>3,733,704</u>	<u>25,537,023</u>	<u>22,902,534</u>
Allowances and discounts:						
Bad debt allowance	(305,066)	-	(305,066)	-	(305,066)	(502,853)
Scholarship allowances	(864,038)	-	(864,038)	-	(864,038)	(747,764)
Remissions and exemptions	(3,315,340)	-	(3,315,340)	-	(3,315,340)	(3,133,125)
TPEG allowances	(512,999)	-	(512,999)	-	(512,999)	(460,967)
Federal and State grants to students	(8,519,057)	-	(8,519,057)	-	(8,519,057)	(8,967,657)
Other	(151,151)	-	(151,151)	-	(151,151)	(204,004)
Total allowances and discounts	<u>(13,667,651)</u>	<u>-</u>	<u>(13,667,651)</u>	<u>-</u>	<u>(13,667,651)</u>	<u>(14,016,370)</u>
Total net tuition and fees	<u>53,266,248</u>	<u>-</u>	<u>53,266,248</u>	<u>3,733,704</u>	<u>56,999,952</u>	<u>55,653,177</u>
Additional operating revenues:						
Federal grants and contracts	-	801,002	801,002	-	801,002	654,945
State grants and contracts	-	2,633,900	2,633,900	-	2,633,900	2,034,738
Sales and services of educational activities	512,769	-	512,769	-	512,769	565,153
Other operating revenues	650,835	-	650,835	-	650,835	459,198
Total additional operating revenues	<u>1,163,604</u>	<u>3,434,902</u>	<u>4,598,506</u>	<u>-</u>	<u>4,598,506</u>	<u>3,714,034</u>
Auxiliary enterprises:						
Residential life	-	-	-	5,233,149	5,233,149	5,099,517
Scholarships allowances and discounts	-	-	-	(505,390)	(505,390)	(533,813)
Net residential life	-	-	-	<u>4,727,759</u>	<u>4,727,759</u>	<u>4,565,704</u>
Cafeteria	-	-	-	4,012,497	4,012,497	3,758,889
Scholarship allowances and discounts	-	-	-	(277,368)	(277,368)	(283,618)
Net cafeteria	-	-	-	<u>3,735,129</u>	<u>3,735,129</u>	<u>3,475,271</u>
Bookstore	-	-	-	1,053,523	1,053,523	1,170,655
Scholarship allowances and discounts	-	-	-	(126,650)	(126,650)	(138,049)
Net bookstore	-	-	-	<u>926,873</u>	<u>926,873</u>	<u>1,032,606</u>
Parking	-	-	-	3,091,872	3,091,872	2,356,344
Other auxiliary	-	-	-	1,044,480	1,044,480	495,054
Total net auxiliary enterprises	-	-	-	<u>13,526,113</u>	<u>13,526,113</u>	<u>11,924,979</u>
Total Operating Revenues	<u>\$ 54,429,852</u>	<u>\$ 3,434,902</u>	<u>\$ 57,864,754</u>	<u>\$ 17,259,817</u>	<u>\$ 75,124,571</u>	<u>\$ 71,292,190</u>

(Exhibit 2)

(Exhibit 2)

* In accordance with Education Code §56.033, \$1,255,989 and \$1,280,156 for the years ended August 31, 2018 and 2017, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

BLINN COLLEGE DISTRICT
Schedule of Operating Expenses By Object
Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

	Operating Expenses			2018 Total	2017 Total	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities:						
Instruction	\$ 28,473,345	\$ -	\$ 5,854,572	\$ 2,516,201	\$ 36,844,118	\$ 38,815,035
Public Service	290,413	-	58,278	109,803	458,494	584,732
Academic Support	4,968,890	-	1,090,304	2,017,778	8,076,972	6,080,958
Student Services	3,958,101	-	929,540	1,029,575	5,917,216	5,843,422
Institutional Support	5,777,705	-	1,337,786	5,214,061	12,329,552	12,060,437
Operation and Maintenance of Plant	2,533,105	-	886,752	9,975,456	13,395,313	8,552,614
Scholarships and Fellowships	-	-	-	1,032,445	1,032,445	893,509
Total Unrestricted - Educational Activities	<u>46,001,559</u>	<u>-</u>	<u>10,157,232</u>	<u>21,895,319</u>	<u>78,054,110</u>	<u>72,830,707</u>
Restricted - Educational Activities:						
Instruction	132,793	2,559,121	37,324	132,865	2,862,103	2,859,878
Public Service	298,260	27,365	88,218	1,010,967	1,424,810	1,116,961
Academic Support	-	512,838	-	-	512,838	419,291
Student Services	-	510,709	-	-	510,709	524,591
Institutional Support	31,671	2,225,898	3,800	42,209	2,303,578	2,412,143
Scholarships and Fellowships	-	-	-	13,137,105	13,137,105	11,518,610
Total Restricted - Educational Activities	<u>462,724</u>	<u>5,835,931</u>	<u>129,342</u>	<u>14,323,146</u>	<u>20,751,143</u>	<u>18,851,475</u>
Total Educational Activities	<u>46,464,283</u>	<u>5,835,931</u>	<u>10,286,574</u>	<u>36,218,465</u>	<u>98,805,253</u>	<u>91,682,182</u>
Auxiliary Enterprises	2,884,476	-	1,398,608	4,964,330	9,247,414	9,130,531
Depreciation Expense - Buildings and other real estate improvements	-	-	-	3,142,489	3,142,489	3,069,340
Depreciation Expense - Equipment, furniture and library books	-	-	-	1,075,272	1,075,272	1,092,683
Total Operating Expenses	<u>\$ 49,348,759</u>	<u>\$ 5,835,931</u>	<u>\$ 11,685,182</u>	<u>\$ 45,400,556</u>	<u>\$ 112,270,428</u>	<u>\$ 104,974,736</u>
				(Exhibit 2)	(Exhibit 2)	

BLINN COLLEGE DISTRICT
Schedule of Nonoperating Revenues and Expenses
Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Non-Operating Revenues:				
State appropriations:				
Education and General state support	\$ 23,626,656	\$ -	\$ 23,626,656	\$ 24,163,179
State group insurance	-	4,139,090	4,139,090	3,676,323
State retirement matching	-	3,066,560	3,066,560	2,975,416
Total state appropriations	<u>23,626,656</u>	<u>7,205,650</u>	<u>30,832,306</u>	<u>30,814,918</u>
Property taxes	1,966,326	-	1,966,326	1,831,612
Federal revenue, non operating	-	19,768,135	19,768,135	18,907,187
Gifts	-	624,337	624,337	1,015,671
Investment income	1,654,499	-	1,654,499	1,052,057
Gain on disposal of capital assets	-	1,550	1,550	(15,201)
Unrealized gain (loss) on investments	3,899	-	3,899	(172,845)
Total non-operating revenues	<u>27,251,380</u>	<u>27,599,672</u>	<u>54,851,052</u>	<u>53,433,399</u>
Non-Operating Expenses:				
Interest on capital related debt	2,067,960	-	2,067,960	2,924,556
Loss on disposal of capital assets	-	-	-	-
Other expenses	-	-	-	(21,713)
Total non-operating expenses	<u>2,067,960</u>	<u>-</u>	<u>2,067,960</u>	<u>2,902,843</u>
Net non-operating revenues	<u>\$ 25,183,420</u>	<u>\$ 27,599,672</u>	<u>\$ 52,783,092</u> (Exhibit 2)	<u>\$ 50,530,556</u> (Exhibit 2)

BLINN COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

	Detail by Source						Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No	
		Expendable	Non- Expendable					
Current:								
Unrestricted	\$ (36,124,112)	\$ -	\$ -	\$ -	\$ (36,124,112)	\$ (36,124,112)	\$ -	
Student aid	-	1,046,585	-	-	1,046,585	-	1,046,585	
Star of Republic Museum	-	(674,742)	-	-	(674,742)	-	(674,742)	
Auxiliary enterprises	19,231,219	-	-	-	19,231,219	19,231,219	-	
Endowment:								
Expendable	-	1,076,773	-	-	1,076,773	-	1,076,773	
Non-expendable	-	-	9,776,398	-	9,776,398	-	9,776,398	
Plant:								
Debt service	-	6,261,156	-	-	6,261,156	-	6,261,156	
Investment in plant	-	-	-	91,525,467	91,525,467	-	91,525,467	
Total Net Position, August 31, 2018	(16,892,893)	7,709,772	9,776,398	91,525,467	92,118,744 (Exhibit 1)	(16,892,893)	109,011,637	
Total Net Position as of August 31, 2017, As Restated	(23,915,308)	7,283,040	9,737,449	83,337,379	76,442,560 (Exhibit 2)	(23,915,308)	100,357,868	
Net Increase (Decrease) in Net Position	\$ 7,022,415	\$ 426,732	\$ 38,949	\$ 8,188,088	\$ 15,676,184 (Exhibit 2)	\$ 7,022,415	\$ 8,653,769	

BLINN COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2018

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Pass Through Disbursements</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grant	84.007	P007A163969	\$ 18,313
Federal Supplemental Education Opportunity Grant	84.007	P007A173969	233,149
			<u>251,462</u>
Federal Work Study Program	84.033	P033A163969	24,500
Federal Work Study Program	84.033	P033A173969	221,018
			<u>245,518</u>
Federal Pell Grant	84.063	P063P172262	19,516,673
Federal Direct Student Loan Program	84.268	P268K182262	30,517,602
			<u>30,517,602</u>
Total Student Financial Assistance Cluster			<u>50,531,255</u>
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	184209	342,729
Texas Workforce Commission			
Brazos Valley Council of Governments			
Federal Audit Education Literacy	84.002	1618ALA000	11,330
Federal Audit Education Literacy- TANF	84.002	1618ALA000	2,196
Federal Audit Education Literacy- EL Civics	84.002	1618ALA000	2,196
Federal Audit Education Literacy- Professional Development	84.002	1618ALA000	185
Adult Education Literacy Transitional	84.002	1618ALA000	3,946
			<u>19,853</u>
Total Pass-Through From Department of Education			<u>362,582</u>
Total U.S. Department of Education			<u>50,893,837</u>
<u>U.S. Department of Labor</u>			
Pass-Through from:			
Texas Workforce Commission:			
Building Construction Trades	17.258	AA-28345-16-55-A-48	48,136
<u>National Science Foundation</u>			
Direct Programs:			
Education and Human Resources	47.076	1614496	25,177
<u>U.S. Small Business Administration</u>			
Pass-Through from:			
University of Houston:			
Small Business Development Center	59.037	R-17-0027-53803	3,876
Small Business Development Center	59.037	R-18-0046-53803	115,713
Total U.S. Small Business Administration			<u>119,589</u>
Total Expenditures of Federal Awards			<u>\$ 51,086,739</u>
<u>Federal Direct Student Loan Program, CFDA 84.268, includes the following:</u>			
Direct Subsidized Loans			\$ 13,615,588
Direct Unsubsidized Loans			14,281,008
Direct PLUS Loans			2,621,006
			<u>\$ 30,517,602</u>

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

BLINN COLLEGE DISTRICT
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2018

<u>Grantor Agency Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures and Pass Through Disbursements</u>
Texas Comptroller of Public Accounts -		
Law Enforcement Officer Standards & Education (LEOSE)	9P170528	996
Law Enforcement Officer Standards & Education (LEOSE)	9P180438	1,725
Office of the Governor		
BG-Rifle Resistant Body Armor Granp (BAGP)	BG 3459501	22,869
Texas Higher Education Coordinating Board:		
Texas Science, Technology, Engineering and Math Challenge	16895	200,709
Texas Educational Opportunity Grant Program (TEOG)		1,103,075
Nursing Shortage Reduction Program FY 14 REG	NSRPFY14REG	16,695
Nursing Shortage Reduction Program FY 16 Over 70	NSRPFY16O70	2,706
Nursing Shortage Reduction Program FY 17 Over 70	NSRPFY17O70	11,518
Texas Workforce Commission		
Skills for Small Business-17	1617SSD000	189,053
Skills Development- Grant Prideco, LP	1616SDF000	398,028
Skills Development- Kaemark, Inc.	1516SDF000	68,131
Skills Development-Fujifilm	1617SDF000	155,346
Skills Development-Axis Pipe and Tube	1617SDF002	460,762
Brazos Valley Council of Governments	1618ALA000	2,287
Total Expenditures of State Awards		<u>\$ 2,633,900</u>

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

BLINN COLLEGE DISTRICT
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended August 31, 2018

1. Relationship to Financial Statements

	<u>Federal</u>	<u>State</u>
Federal Grants and Contracts Revenue-Per Schedule A	\$ 801,002	\$ 2,633,900
Add Financial Aid Loans	30,517,602	
Add Non-operating Federal Revenue from Schedule C	<u>19,768,135</u>	
Tot per Schedule of Expenditures of Federal and State Awards	<u>\$ 51,086,739</u>	<u>\$ 2,633,900</u>

2. Significant Accounting Policies Used in Preparing the Schedules

The schedules present the activity of all Federal and State programs of the College for the year ended August 31, 2018. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

3. Relationship to Federal and State Financial Reports

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

**AUDITOR'S REPORTS ON CONTROLS AND COMPLIANCE AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



LOTT, VERNON & COMPANY, P.C.
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Blinn College District
Brenham, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blinn College District (the District), as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act (Chapter 2256, Texas Government Code).

Purpose of this Report

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



Temple, Texas
November 27, 2018



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees
Blinn College District
Brenham, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Blinn College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and The State of Texas Single Audit Circular that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2018. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas Single Audit Circular.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

Those standards, the Uniform Guidance and The State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Blinn College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and The State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Temple, Texas
November 27, 2018

BLINN COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
August 31, 2018

I. Summary of Audit Results

Financial Statements

- 1. Type of auditor's report issued: *unmodified*
- 2. Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported
- 3. Noncompliance material to financial statements noted? _____ yes X no

Federal and State Awards

- 4. Internal control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported
- 5. Type of auditor's report issued on compliance for major programs: *unmodified*
- 6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance or the State of Texas Single Audit Circular and Uniform Grant Management Standards? _____ yes X no
- 7. Identification of major programs:

<u>Name of Federal Programs</u>	<u>Federal CFDA Number</u>	<u>Name of State Program</u>
<i>U.S. Department of Education</i>		
Student Financial Aid Cluster		<i>Texas Workforce Commission</i>
Supplemental Educational Opportunity Grant	84.007	Skills for Small Business
Federal Work Study Program	84.033	Skills Development
Federal Pell Grant Program	84.063	Brazos Valley Council of Governments
Federal Direct Student Loans	84.268	
<i>U.S. Small Business Administration</i>		
Small Business Development Center	59.037	

BLINN COLLEGE DISTRICT
Schedule of Findings and Questioned Costs (Continued)
August 31, 2018

8. Dollar threshold used to distinguish between type A and type B federal programs: \$750,000
9. Dollar threshold used to distinguish between type A and type B state programs: \$300,000
10. Auditee qualified as low-risk auditee for federal single audit? X yes no
11. Auditee qualified as low-risk auditee for state single audit? X yes no
- II. Financial Statement Findings
- None.
- III. Federal and State Awards Findings and Questioned Costs
- None.