



BLINN COLLEGE

**ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
August 31, 2014**

BLINN COLLEGE

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BLINN COLLEGE

Organizational Data
Year Ended August 31, 2014

Board of Trustees

Officers

Douglas R. Borchardt, President
Atwood C. Kenjura, Vice President
David Sommer, Secretary

	<u>Members</u>	<u>Term Expires</u> <u>May 31,</u>
Douglas R. Borchardt	Brenham, Texas	2017
Atwood C. Kenjura	Brenham, Texas	2019
David Sommer	Brenham, Texas	2019
Theodora ("Teddy") V. Boehm	Brenham, Texas	2015
Richard Powell	Brenham, Texas	2015
Carolyn Miller	Brenham, Texas	2019
Leon B. Toubin	Brenham, Texas	2015

Key Administrators

Harold Nolte, Ed.D., District President
Sylvia McMullen, M.Ed., J.D., President, Brazos County Campuses
Kelli D. Shomaker, C.P.A., CFO/Sr. VP for Finance and Administrative Services
Cathy Boeker, M.B.A., Assoc. VP Government and Public Affairs
Joseph Kirkland, Ph.D., Interim VP for Instruction
Dennis Crowson, Ph.D., Sr. VP Student Services



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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Blinn College
Brenham, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Blinn College, (the College) as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College'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.

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.

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

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 as of August 31, 2014 and 2013, and the respective changes in financial position, and cash flows for the years then ended in conformity 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 on pages 5 through 13 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular, and are also not a required part of the financial statements. The supplementary 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.

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the College'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 College's internal control over financial reporting and compliance.



Temple, Texas
December 8, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Blinn College's (the College) annual financial statements provide an overview of the College's financial performance for the fiscal years ended August 31, 2014 and 2013. Management's discussion and analysis is based on management's knowledge of current activities, resultant changes and known facts; therefore, it should be read in conjunction with the accompanying basic financial statements and associated notes. The basic financial statements, notes and this discussion are the responsibility of management.

Financial Highlights and Significant Activities for 2014

- Net position increased by \$ 7.5 million
- Tuition and fee revenue (before allowances and discounts) increased by \$4.3 million

The College's net assets increased approximately \$7.5 million, or 8%. An increase in tuition and fee rates led to an increase in total tuition and fee revenue (before allowances and discounts) of approximately \$4.3 million, or 8 %.

Total operating revenues increased approximately \$4.4 million. This increase is primarily attributable to the increase in tuition and fees discussed above and increases in housing and food services charges. Operating expenses increased \$5.1 million, or 6%, due primarily to increases in personnel costs.

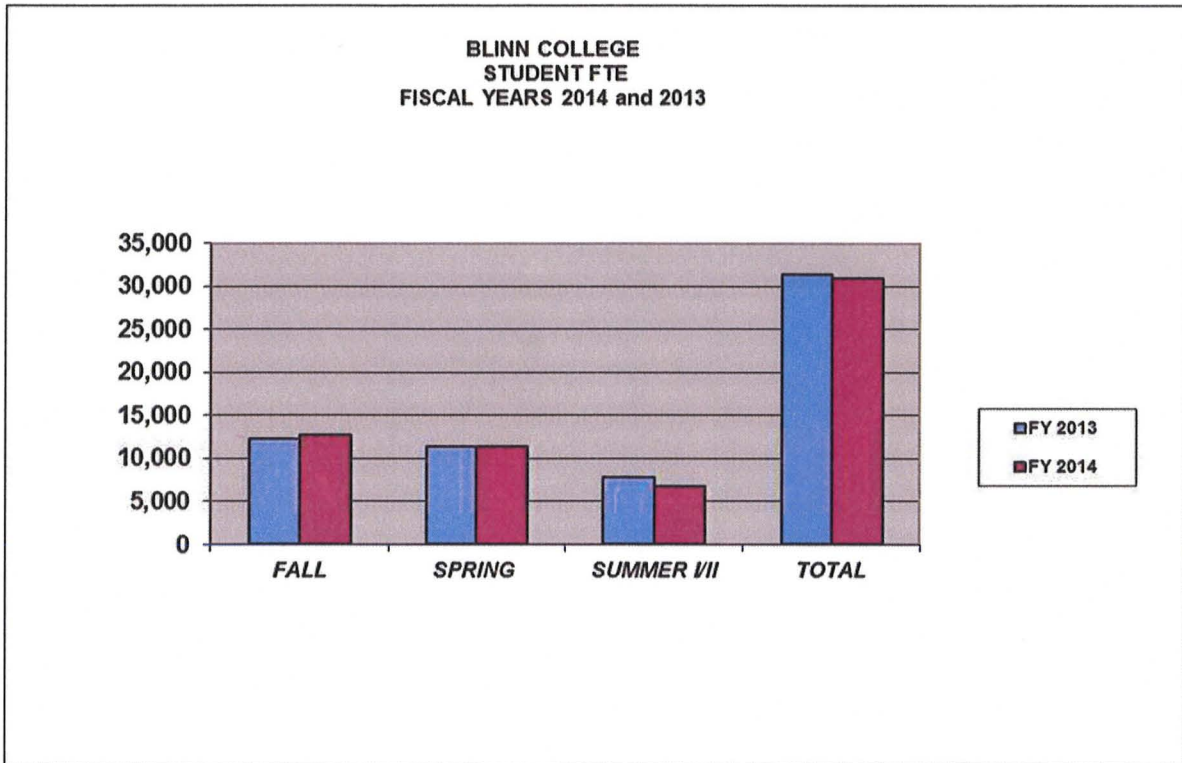
Financial Highlights and Significant Activities for 2013

- Net position increased by \$ 4.1 million
- Tuition and fee revenue (before allowances and discounts) increased by \$2.7 million

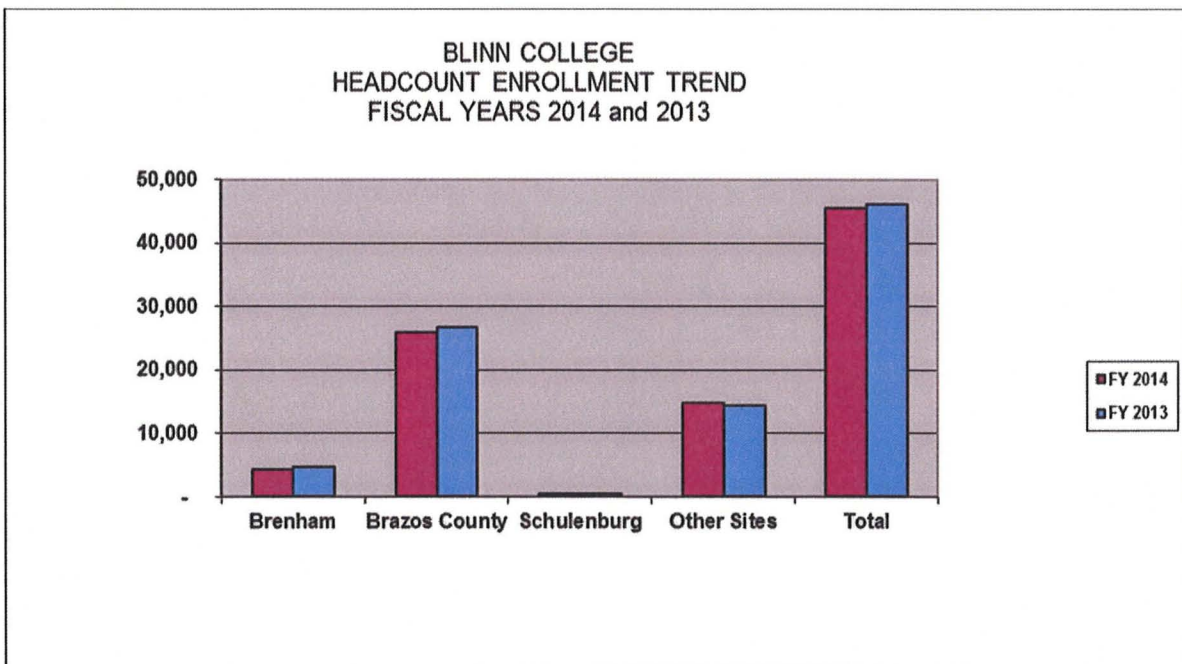
The College's overall net position increased approximately \$4.1 million, or 5%. An increase in tuition and fees charged led to an increase in total tuition and fee revenue (before allowances and discounts) of approximately \$2.7 million, or 5%.

Total operating revenues increased approximately \$2.4 million. This increase is primarily attributable to the increase in tuition and fees discussed above. Operating expenses increased \$760,000, or .1%, as a result of increases in institutional support expenditures and depreciation expense.

Below is a breakdown of the College's full time equivalency (FTE) enrollment by term for fiscal years 2014 and 2013:



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



Overview of the Basic Financial Statements

The College qualifies as a special purpose government entity, which is engaged in business-type activities. The basic financial statements are prepared on that basis and their form mirrors the statements utilized by organizations in the private sector of the economy. The basic financial statements include a statement of net 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 College's component unit, Blinn College Foundation, Inc. (the Foundation) are issued independent to those of the College but are presented with the College's basic financial statements.

The statement of net positions' focus is to report the total net resources available to finance future services. The statement presents all assets and liabilities of the College, and the change in net 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, and liabilities, and deferred inflows of resources is net position, which is one indicator of the financial condition of the College 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 College 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 College changed during the year. The statement is divided into the operating results of the College as well as the non-operating revenues and expenses. Operating revenues are primarily those that result from instruction, the operation of the College's auxiliary services (student housing, cafeteria, athletics, etc.) and Federal 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 College's fiscal viability and its ability to meet financial obligations as they mature and helps users assess the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

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

Statement of Net Position

The following is prepared from the College's Statements of Net Position and provides a summary of its assets, deferred outflows, liabilities, deferred inflow and net position for the years ended August 31:

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Assets:					
Current Assets	\$ 55,211,000	\$ 48,983,000	\$ 6,228,000	\$ 42,765,000	\$ 6,218,000
Capital Assets, Net of Depreciation	102,653,000	101,701,000	952,000	102,497,000	(796,000)
Noncurrent Assets	15,188,000	14,700,000	488,000	14,823,000	(123,000)
Total Assets	173,052,000	165,384,000	7,668,000	160,085,000	5,299,000
Deferred Outflows of Resources:					
None	-	-	-	-	-
Total Deferred Outflow of Resources	-	-	-	-	-
Liabilities:					
Current Liabilities	42,704,000	39,055,000	3,649,000	34,529,000	4,526,000
Noncurrent Liabilities	31,254,000	34,735,000	(3,481,000)	38,071,000	(3,336,000)
Total Liabilities	73,958,000	73,790,000	168,000	72,600,000	1,190,000
Deferred Inflows of Resources:					
None	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
Net Position:					
Investment in Capital Assets, Net of Related Debt	67,994,000	63,707,000	4,287,000	61,626,000	2,081,000
Restricted	15,188,000	15,061,000	127,000	14,730,000	331,000
Unrestricted	15,912,000	12,826,000	3,086,000	11,129,000	1,697,000
Total Net Position	\$ 99,094,000	\$ 91,594,000	\$ 7,500,000	\$ 87,485,000	\$ 4,109,000

At August 31, 2014, current assets included \$37.2 million of cash and cash equivalents and \$20.1 million in student receivables related primarily to the fall 2014 semester. The increase in current assets is due primary to a \$5.6 million increase in cash and cash equivalents and a \$775,000 increase in accounts receivables. The cash increase was attributable to increased receipts from students of \$3.6 million and increased state appropriation of \$1.2 million; receivables increased due to tuition and general fee increases. The increase in current assets in 2013 was due primarily to a \$5.6 million increase in cash and cash equivalents and a \$523,000 increase in accounts receivable. The cash increase was attributable to decreased payments to suppliers for goods and services of \$5.5 million in 2013 as compared to 2012; receivables increased due to tuition and general fee increases.

Statement of Net Position (continued)

In Fiscal 2014, the College had various capital asset additions of approximately \$5.2 million offset by the annual depreciation charge of \$4 million. In Fiscal 2013, the College had various capital asset additions of approximately \$3.1 million offset by the annual depreciation charge of \$3.8 million.

The College's noncurrent assets include funds restricted for endowments, debt service and other investments. Noncurrent assets increased \$488,000 due primarily to an increase in the market value of the investments in 2014 as compared to 2013.

Current liabilities increased \$3.6 million in fiscal year 2014, due primarily to an increase of \$2.7 million in deferred tuition and fees related to the Fall 2014 semester resulting from tuition and fee increases and a \$1.5 million increase in accounts payable, offset by a \$476,000 decrease in housing deposits. Current liabilities increased \$4.5 million in fiscal year 2013, due primarily to an increase of \$2.4 million in deferred tuition and fees related to the Fall 2013 semester and a \$1.4 million increase in accounts payable.

Noncurrent liabilities consist of future bond payments. The Fiscal 2014 and 2013 variance is the result of scheduled debt service amortization.

At August 31, 2014 and 2013, total net position was \$99.1 and \$91.6 million, respectively. Net position has increased over the two-year period. The College has an unrestricted net position balance of approximately \$15.6 million at August 31, 2014, which is maintained as a contingency reserve. Restricted net position includes endowment funds of approximately \$10.3 million and required debt service reserves of \$4.6 million. The investment in capital assets, net of related debt increased \$4.6 million in 2014. The College's financial position remains strong with adequate liquid assets and a reasonable level of unrestricted net position.

Statement of Revenues, Expenses and Changes in Net Position:

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

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Operating Revenues:					
Student Tuition and Fees, Net	\$ 45,156,000	\$ 42,247,000	\$ 2,909,000	\$ 39,354,000	\$ 2,893,000
Federal Grants and Contracts	663,000	651,000	12,000	791,000	(140,000)
State Grants and Contracts	1,494,000	1,085,000	409,000	1,090,000	(5,000)
Auxiliary Enterprises, Net	8,372,000	7,528,000	844,000	7,961,000	(433,000)
Other	689,000	453,000	236,000	407,000	46,000
Total Operating Revenues	56,374,000	51,964,000	4,410,000	49,603,000	2,361,000
Less Operating Expenses	96,474,000	91,384,000	5,090,000	90,624,000	760,000
Operating Loss	(40,100,000)	(39,420,000)	(680,000)	(41,021,000)	1,601,000
Nonoperating Revenues(Expenses)					
State Appropriations	26,928,000	24,480,000	2,448,000	24,814,000	(334,000)
Property Taxes	1,638,000	1,504,000	134,000	1,471,000	33,000
Federal Revenue, Nonoperating	19,334,000	18,647,000	687,000	19,799,000	(1,152,000)
Gifts	290,000	288,000	2,000	259,000	29,000
Investment Income	307,000	341,000	(34,000)	543,000	(202,000)
Unrealized Gain(Loss) Investments	318,000	(538,000)	856,000	171,000	(709,000)
Interest on Capital Related Debt	(1,263,000)	(1,372,000)	109,000	(1,466,000)	94,000
Other	(16,000)	(27,000)	11,000	-	(27,000)
Total Nonoperating Revenues	47,536,000	43,323,000	4,213,000	45,591,000	(2,268,000)
Income Before Other Revenue	7,436,000	3,903,000	3,533,000	4,570,000	(667,000)
Additions to Endowments	64,000	206,000	(142,000)	91,000	115,000
Total Increase in Net Position	7,500,000	4,109,000	3,391,000	4,661,000	(552,000)
Net Position, Beginning of Year	91,594,000	87,485,000	4,109,000	82,824,000	4,661,000
Net Position, End of Year	\$ 99,094,000	\$ 91,594,000	\$ 7,500,000	\$ 87,485,000	\$ 4,109,000

Total operating revenues increased \$4.4 million from 2013 due to an increase in tuition and fees of \$2.9 million and increased auxiliary enterprises revenues of \$844,000, as a result of the increase in tuition and fees rates and housing and food service charges. Total operating revenues increased \$2.4 million from 2012 due primarily to an increase in tuition and fees of \$2.9 million due to an increase in tuition and fees charged offset by a decrease of \$433,000 in revenues from auxiliary enterprises, due to two dormitories closed for scheduled maintenance. Operating expenses consist mainly of personnel costs, which were 59% of total operating expenses in fiscal 2014 and 2013.

Below is a table of operating expenses for the fiscal years ended August 31 (rounded to the nearest thousand):

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Instructional and General	\$ 50,889,000	\$ 48,866,000	\$ 2,023,000	\$ 48,666,000	\$ 200,000
Institutional Support	10,248,000	8,828,000	1,420,000	8,370,000	458,000
Operations and Maintenance of Plant	8,901,000	8,520,000	381,000	8,302,000	218,000
Auxiliary Enterprises	8,415,000	7,644,000	771,000	7,847,000	(203,000)
Depreciation	3,950,000	3,773,000	177,000	3,609,000	164,000
Scholarships and Fellowships	14,071,000	13,753,000	318,000	13,830,000	(77,000)
Total Operating Expenses	\$ 96,474,000	\$ 91,384,000	\$ 5,090,000	\$ 90,624,000	\$ 760,000
Non-Operating Revenues (Expenses):					
State Appropriations	\$ 26,928,000	\$ 24,480,000	\$ 2,448,000	\$ 24,814,000	\$ (334,000)
Property Taxes	1,638,000	1,504,000	134,000	1,471,000	33,000
Federal Revenue, Non-Operating	19,334,000	18,647,000	687,000	19,799,000	(1,152,000)
Gifts	290,000	288,000	2,000	259,000	29,000
Unrealized Gain (Loss) on Investments	318,000	(538,000)	856,000	171,000	(709,000)
Investment Income	307,000	341,000	(34,000)	543,000	(202,000)
Gain (Loss) on Disposal of Capital Assets	(16,000)	(27,000)	11,000	-	(27,000)
Interest on Capital Related Debt	(1,263,000)	(1,372,000)	109,000	(1,466,000)	94,000
Other Non-Operating Expenses	-	-	-	-	-
Net Non-Operating Revenues (Expenses)	\$ 47,536,000	\$ 43,323,000	\$ 4,213,000	\$ 45,591,000	\$ (2,268,000)

Total operating expenses increased \$5.1 million from 2013 due to increased personnel costs resulting from pay rate and benefit cost increases and additional positions, increased technology software expenditures and other miscellaneous expense increases. Total operating expenses increased \$760,000 from 2012 due primarily to increased technology software expenditures, depreciation expense and other miscellaneous expense increases.

Total non-operating revenues increased \$4.2 million from 2013 due primarily to a \$2.4 million increase in State appropriation (\$800,000 increase in the new biennium education and general state support, \$200,000 Hazelwood Legacy Act expenditure reimbursement, \$841,000 increase in State group insurance appropriation and \$559,000 increase in the State retirement contribution), \$856,000 increase in unrealized gain on endowment and bond reserve investments, \$687,000 increase in non-operating Federal revenue (Title IV funds), a \$133,000 increase in property taxes and a \$110,000 decrease in interest on Bonds Payable based on scheduled debt service amortization.

Total non-operating revenues decreased \$2.3 million from 2012 due primarily to a \$1.2 million decrease in non-operating Federal revenue (Title IV funds), \$709,000 increase in the unrealized loss on endowment and bond reserve investments and a \$334,000 decrease in State appropriations (\$1.4 million decrease in State retirement appropriation, due to the settlement of 2012 disputed State retirement contributions offset by a \$913,000 increase in the education and general State support appropriations).

State Appropriations for TRS and ORP

Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system", referring to the State's Teacher Retirement System (TRS) including the related Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted revenue appropriation for each year of the biennium state budget.

TRS had expectations that the College would provide the difference between the formula required contribution and the amount provided by the State, which is less than the amount believed to be required by the constitution. The College disputed this expectation and disclosed the matter as a contingent liability in its fiscal 2012 financial statements.

During Fiscal 2013, the College paid TRS \$1.4 million for the unfunded portion of the retirement contributions (\$698,000 and \$691,000 for fiscal 2013 and 2012, respectively). The College has recorded the payment as a current period expenditure in the accompanying financial statements.

Statement of Cash Flow

The following chart summarizes the statements of cash flows (rounded to the nearest thousand) for the fiscal years ended August 31:

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Cash Provided by (Used in):					
Operating Activities	(29,630,000)	(29,693,000)	63,000	(37,209,000)	7,516,000
Non-Capital Financing Activities	44,563,000	42,664,000	1,899,000	43,197,000	(533,000)
Capital and Related Financing Activities	(9,516,000)	(7,253,000)	(2,263,000)	(6,383,000)	(870,000)
Investing Activities	339,000	831,000	(492,000)	7,116,000	(6,285,000)
Net Increase (Decrease) in Cash and Cash Equivalents	5,756,000	6,549,000	(793,000)	6,721,000	(172,000)
Cash and Cash Equivalents - Beginning of Year	32,881,000	26,332,000	6,549,000	19,611,000	6,721,000
Cash and Cash Equivalents - End of Year	<u>\$ 38,637,000</u>	<u>\$ 32,881,000</u>	<u>\$ 5,756,000</u>	<u>\$ 26,332,000</u>	<u>\$ 6,549,000</u>

The College's cash flow from operating activities will normally reflect a decrease as the College 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 2014 decreased slightly from 2013, with the \$3.6 million increase in receipts from students and other customers offsetting the increase in payments to or on behalf of employees (\$2 million), the increase in payments to suppliers for goods and services (\$1.1 million) and the increase in scholarship payments of \$318,000.

The increase in cash obtained from operations in 2013 is primarily due to a decrease in the payment to suppliers for goods and services of \$5.4 million, an increase in receipts from students and other customers of \$2.5 million, an increase of \$1.1 million in receipts from grants and contracts offset by a \$1.7 million increase in payments to or on behalf of employees.

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 in non-capital financing activities from 2013 is due to a \$1.2 million increase in the new biennium State appropriations and a \$687,000 increase in non-operating Federal revenue (Title IV funds). The decrease in non-capital financing activities from 2012 is due to a \$1.2 million decrease in non-operating Federal revenue (Title IV funds) offset by a \$441,000 increase in receipts from State appropriations.

Variations in cash used for capital and related financing activities are dependent on the College's issuance and payment of long-term debt and capital acquisitions. The increase in cash used for capital and related financing activities in 2014 was due to increased spending for capital assets of \$1.9 million and increased scheduled debt service payments of \$350,000. The increase in cash used for capital and related financing activities in 2013 was due to increased spending for capital assets of \$1.4 million, offset by decreased scheduled debt service payments of \$589,000.

The increase in cash provided by investing activities in 2014 and 2013 is due primarily to the sales and maturities of investments.

Capital Assets and Debt Administration

In fiscal year 2014, the College had capital additions of approximately \$4.9 million, including \$2.5 million for modular classroom/office buildings on the Bryan campus, \$681,000 for land acquisitions contiguous to the Bryan campus and \$496,000 for technology equipment.

In fiscal year 2013, the College had capital asset additions of approximately \$3.1 million, including \$1 million for overflow parking on the Bryan campus and \$1 million on the Brenham campus for various building and land improvements and the purchase of a tract of land.

During fiscal year 2014 and 2013, there were no new bond issues. Debt activity consisted of the payment of scheduled principal and interest on existing bond issues.

Future Considerations

The College expects enrollment to continue to grow modestly over the near term across the College's four campuses. The demographically vibrant region has positive projections for growth in high school graduates over the next decade. Many community colleges in Texas have seen enrollment stagnation or declines recently, as the economy recovers and students return to the workforce. However, the College has not been affected by this as the College specializes in academic transfer courses, and serves a significant number of students between 18-20 years old (85% of headcount enrollment). Management expects tuition growth to continue as enrollment increases, and the college expects modest tuition increases.

The College is anticipating continued investment in strategic capital projects to accommodate anticipated growth in enrollment. The College has reached capacity at the residential Brenham campus, and is facing academic facility capacity constraints on the Bryan campus. The Bryan campus, located near Texas A&M University has the largest potential for growth given the strong collaborative relationship between the University and the College. As a result, the College recently issued \$9.8 million of Combined Fee Revenue Bonds to finance facility expansion on the Bryan campus to meet immediate needs.

To alleviate long term overcrowding at the existing Bryan campus, the College anticipates purchasing additional land within the next year in the Bryan area for another campus site.

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

Contacting the College's Financial Management

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

FINANCIAL STATEMENTS

BLINN COLLEGE
Statements of Net Position
August 31, 2014 and 2013

	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 37,164,708	\$ 31,609,534
Accounts receivable (net)	17,727,233	16,952,503
Interest and dividends receivable	87,219	88,539
Inventories	31,334	27,049
Other assets	200,037	305,141
Total Current Assets	55,210,531	48,982,766
Noncurrent Assets:		
Restricted endowment cash and cash equivalents	1,010,075	809,798
Restricted debt service cash and cash equivalents	462,287	462,071
Restricted endowment and other investments	13,715,823	13,428,203
Capital Assets (net) (See Note 6)	102,652,885	101,701,489
Total Noncurrent Assets	117,841,070	116,401,561
Total Assets	173,051,601	165,384,327
Deferred Outflows of Resources:		
None	-	-
Total Deferred Outflows of Resources	-	-
Liabilities		
Current Liabilities:		
Accounts payable	4,986,707	3,509,032
Funds held for others	1,085,028	1,001,579
Deferred revenues	32,939,761	30,521,680
Deposits	287,070	763,118
Bonds payable - current portion	3,405,000	3,260,000
Total Current Liabilities	42,703,566	39,055,409
Noncurrent Liabilities:		
Bonds payable	31,253,605	34,734,921
Total Liabilities	73,957,171	73,790,330
Deferred Inflows of Resources:		
None	-	-
Total Deferred Inflow of Resources	-	-
Net Position		
Invested in capital assets, net of related debt	67,994,280	63,706,568
Restricted for:		
Nonexpendable - endowments	9,599,173	9,536,675
Expendable		
Endowments	730,547	691,396
Student aid	672,920	449,670
Debt service	4,650,832	4,650,832
Star of the Republic Museum	(465,852)	(266,677)
Unrestricted	15,912,530	12,825,533
Total Net Position (Schedule D)	\$ 99,094,430	\$ 91,593,997

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

BLINN COLLEGE FOUNDATION, INC.
Statements of Financial Position
August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash	\$ 599,000	\$ 653,878
Unconditional promises to give	<u>1,282,676</u>	<u>1,373,348</u>
Total Current Assets	<u>1,881,676</u>	<u>2,027,226</u>
Restricted Assets:		
Cash	1,209,314	1,178,570
Investments	<u>6,640,769</u>	<u>4,611,162</u>
Total Restricted Assets	<u>7,850,083</u>	<u>5,789,732</u>
Long-term Unconditional Promises to Give:		
Total face-value of promises	1,783,496	1,785,516
Less amount classified as current	<u>(1,282,676)</u>	<u>(1,373,348)</u>
Net long-term unconditional promises to give	<u>500,820</u>	<u>412,168</u>
Other Assets:		
Oil/Gas royalty interest	<u>10,000</u>	<u>10,000</u>
Total Assets	<u>10,242,579</u>	<u>8,239,126</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	<u>40,815</u>	<u>91,000</u>
Total Liabilities	<u>40,815</u>	<u>91,000</u>
Net Assets:		
Unrestricted	111,518	192,503
Temporarily restricted net assets	4,693,006	3,524,669
Permanently restricted net assets	<u>5,397,240</u>	<u>4,430,954</u>
Total Net Assets	<u>10,201,764</u>	<u>8,148,126</u>
Total Liabilities and Net Assets	<u>\$ 10,242,579</u>	<u>\$ 8,239,126</u>

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

BLINN COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2014 and August 31, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Tuition and Fees (net of discounts of \$11,991,345 and \$10,575,220, respectively)	\$ 45,156,170	\$ 42,247,252
Federal Grants and Contracts	662,540	650,314
State Grants and Contracts	1,493,847	1,084,729
Sales and Services of Educational Activities	440,802	309,935
Auxiliary Enterprises (net of discounts of \$939,606 and \$933,166, respectively)	8,372,018	7,528,229
Other Operating Revenues	248,636	143,177
Total Operating Revenues (Schedule A)	<u>56,374,013</u>	<u>51,963,636</u>
Operating Expenses		
Instruction	39,597,858	38,819,974
Public Service	970,180	804,744
Academic Support	4,639,016	4,164,292
Student Services	5,682,192	5,077,361
Institutional Support	10,247,758	8,828,185
Operation and Maintenance of Plant	8,900,447	8,519,823
Scholarships and Fellowships	14,071,016	13,752,606
Auxiliary Enterprises	8,415,357	7,643,746
Depreciation	3,950,049	3,772,876
Total Operating Expenses (Schedule B)	<u>96,473,873</u>	<u>91,383,607</u>
Operating Loss	<u>(40,099,860)</u>	<u>(39,419,971)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	26,928,177	24,479,658
Property Taxes	1,637,679	1,504,461
Federal Revenue, Non Operating	19,333,780	18,646,611
Gifts	289,618	288,433
Unrealized Gain (Loss) on Investments	318,349	(537,691)
Investment Income	306,781	341,151
Gain (Loss) on Disposal of Capital Assets	(15,657)	(27,423)
Interest on Capital Related Debt	(1,262,469)	(1,372,006)
Net Non-Operating Revenues (Schedule C)	<u>47,536,258</u>	<u>43,323,194</u>
Income Before Other Revenue	7,436,398	3,903,223
Other Revenue - Additions to Permanent Endowments	64,035	205,585
Increase in Net Position	7,500,433	4,108,808
Net Position, Beginning of Year	<u>91,593,997</u>	<u>87,485,189</u>
Net Position, End of Year	<u>\$ 99,094,430</u>	<u>\$ 91,593,997</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenues</u>				
Donations	\$ 36,644	\$ 879,837	\$ 966,286	\$ 1,882,767
Fundraising	-	15,670	-	15,670
Investment income	9,852	613,123	-	622,975
Oil/Gas royalty	665	-	-	665
Net assets released from purpose restrictions	340,293	(340,293)	-	-
Total Public Support and Revenues	<u>387,454</u>	<u>1,168,337</u>	<u>966,286</u>	<u>2,522,077</u>
<u>Expenses</u>				
Program services:				
Expenditures for the benefit of Blinn College	289,582	-	-	289,582
Scholarships	149,421	-	-	149,421
Support services:				
Administrative expenses	21,596	-	-	21,596
Fundraising	7,840	-	-	7,840
Total Expenses	<u>468,439</u>	<u>-</u>	<u>-</u>	<u>468,439</u>
Change in Net Assets	(80,985)	1,168,337	966,286	2,053,638
Net Assets - Beginning of Year	<u>192,503</u>	<u>3,524,669</u>	<u>4,430,954</u>	<u>8,148,126</u>
Net Assets - End of Year	<u>\$ 111,518</u>	<u>\$ 4,693,006</u>	<u>\$ 5,397,240</u>	<u>\$ 10,201,764</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenues</u>				
Donations	\$ 67,200	\$ 3,016,498	\$ 232,649	\$ 3,316,347
Investment income	6,470	115,776	-	122,246
Oil/Gas royalty	733	-	-	733
Endowment of temporarily restricted net assets	-	(13,775)	13,775	-
Net assets released from purpose restrictions	558,283	(558,283)	-	-
Total Public Support and Revenues	<u>632,686</u>	<u>2,560,216</u>	<u>246,424</u>	<u>3,439,326</u>
<u>Expenses</u>				
Program services:				
Expenditures for the benefit of Blinn College	287,983	-	-	287,983
Scholarships	402,600	-	-	402,600
Support services:				
Administrative expenses	21,632	-	-	21,632
Total Expenses	<u>712,215</u>	<u>-</u>	<u>-</u>	<u>712,215</u>
Change in Net Assets	(79,529)	2,560,216	246,424	2,727,111
Net Assets - Beginning of Year	<u>272,032</u>	<u>964,453</u>	<u>4,184,530</u>	<u>5,421,015</u>
Net Assets - End of Year	<u>\$ 192,503</u>	<u>\$ 3,524,669</u>	<u>\$ 4,430,954</u>	<u>\$ 8,148,126</u>

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

BLINN COLLEGE
Statements of Cash Flows
Years Ended August 31, 2014 and August 31, 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Receipts from students and other customers	\$ 55,337,212	\$ 51,598,287
Receipts from grants and contracts	2,039,646	2,378,863
Payments to suppliers for goods and services	(19,884,358)	(18,744,423)
Payments to or on behalf of employees	(53,300,250)	(51,316,122)
Payments for scholarships	(14,071,016)	(13,752,606)
Other receipts	248,636	143,177
Net cash used by operating activities	<u>(29,630,130)</u>	<u>(29,692,824)</u>
Cash Flows From Non-Capital Financing Activities:		
Receipts from state appropriations	23,238,471	22,020,014
Receipts from property taxes	1,636,950	1,503,266
Receipts from non operating federal revenue	19,333,780	18,646,611
Increase (decrease) in permanent endowments	64,035	205,585
Other receipts	289,618	288,433
Net cash provided by non-capital financing activities	<u>44,562,854</u>	<u>42,663,909</u>
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(4,917,102)	(3,004,285)
Payments on capital debt - principal	(3,336,316)	(2,876,317)
Payments on capital debt - interest	(1,262,469)	(1,372,006)
Net cash used by capital and related financing activities	<u>(9,515,887)</u>	<u>(7,252,608)</u>
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	1,318,349	5,342,309
Interest on investments	308,101	344,509
Purchases of investments	(1,287,620)	(4,856,322)
Net cash (used) by investing activities	<u>338,830</u>	<u>830,496</u>
Increase (Decrease) in Cash and Cash Equivalents	5,755,667	6,548,973
Cash and Cash Equivalents, Beginning of Year	<u>32,881,403</u>	<u>26,332,430</u>
Cash and Cash Equivalents, End of Year	<u>\$ 38,637,070</u>	<u>\$ 32,881,403</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (40,099,860)	\$ (39,419,971)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	3,950,049	3,772,876
Noncash state appropriations for employee benefits	3,689,706	2,459,644
Changes in assets and liabilities:		
Receivables (net)	(774,001)	(521,974)
Inventories	(4,285)	(3,460)
Other assets	105,104	(46,219)
Accounts payable	1,477,675	1,387,615
Funds held for others	83,449	(82,944)
Deferred revenues	2,418,081	2,733,254
Deposits	(476,048)	28,355
Net cash used by operating activities	<u>\$ (29,630,130)</u>	<u>\$ (29,692,824)</u>

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

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

1. Reporting Entity

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

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, gives guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. It requires reporting as a component unit if the organization raises and holds economic resources for the direct benefit of the governmental unit and the component unit is significant compared to the primary government. GASB Statement No. 39 has been applied as required in the preparation of these financial statements and Blinn College Foundation, Inc. financial statements are included as a discrete component unit (see Note 19).

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

The College adopted two new GASB statements for the fiscal year under audit. GASB 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, which was effective for financial statement periods beginning after December 15, 2011, established reporting standards for deferred outflow and inflows and changed the presentation and titles of the financial statements accordingly.

The College chose to early adopt GASB 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statement periods beginning after December 15, 2012. This statement established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows and deferred inflows.

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

Education Grant (TPEG) is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

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

Other Tuition Discounts - The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

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

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

Investments

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

Inventories

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

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The College's capitalization policies include real or business personal property with a value equal to or greater than \$5,000 and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The 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 College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	50 years
Land improvements	20 years
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 Revenues

Tuition, fees and housing charges of \$32,327,746 and \$29,866,590 and federal, state and local grants of \$343,498 and \$346,509 have been reported as deferred revenues at August 31, 2014 and 2013, respectively.

Operating and Non-Operating Revenue and Expense Policy

The college distinguishes operating revenues and expenses from non-operating items. The college reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the college's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstores is not performed by the college.

Management 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.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The College had no unrelated business income tax liability for the year ended August 31, 2013 and 2014.

Reclassifications

Certain 2013 amounts have been reclassified to conform to current year presentation.

3. Authorized Investments

The Board of Trustees of the College has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Chapter 2256.001 Texas Government Code). The investments of the College are in compliance with the Board of Trustees' investment policy and the Public Funds Investment Act. The College is authorized to invest in obligations and instruments as follows: (1) obligations of the United States and its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposits and (5) other instruments and obligations authorized by statute.

4. Deposits and Investments

Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires pledging of collateral for all bank balances in excess of Federal Depository Insurance Corporation (FDIC) limits at a minimum of 102% of market value. As of August 31, 2014 and 2013, all of the College's bank balances of \$3,473,245 and \$4,674,664, respectively, were insured and collateralized and not exposed to custodial credit risk.

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

	2014	2013
Cash and cash equivalents:		
Petty cash	\$ 6,883	\$ 7,424
Demand deposits	3,386,273	4,940,694
Investment pools:		
Lone Star Investment Pool	12,013,653	9,209,464
TexPool	12,293,506	9,790,251
TexSTAR	10,936,755	8,933,570
	\$ 38,637,070	\$ 32,881,403
Cash and cash equivalents per Exhibit 1	\$ 38,637,070	\$ 32,881,403

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

Investments

The College had the following investments as of August 31:

Investments	Maturities	Fair Value	
		2014	2013
Federal Home Loan Mortgage Corp.	12/2015 - 5/2020	\$ 2,657,283	\$ 3,607,773
Federal Home Loan Bank	6/2015 - 12/2019	7,969,710	6,851,670
Federal National Mortgage Assoc.	8/2016 - 8/2019	2,482,830	2,395,760
Equities		606,000	573,000
Total Investments		<u>\$13,715,823</u>	<u>\$13,428,203</u>
Total Investments per Exhibit 1		<u>\$13,715,823</u>	<u>\$13,428,203</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 College limits its exposure to interest rate risk by structuring its portfolio to provide liquidity for operating funds and maximizing yields for funds not immediately needed. The investment policy limits the maximum maturity on any security to seven years. To the extent possible, the College shall attempt to match its investments with anticipated future cash flow. Unless matched to a specific cash flow, the College shall not directly invest in securities maturing more than three years from the date of purchase.

Credit risks are the risk that the insurer of the debt security will not pay its par value upon maturity. The College's investment policy limits credit risk based on meeting requirements of State law.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College places no limit on the amount the College may invest in any one issuer. At August 31, 2014 and 2013, the College had approximately \$13.1 and \$12.9 million of its investment portfolio in Federal Agency securities, which mature through May 2020.

During fiscal year 2006, a donor remitted shares in a Company to the College to establish an endowment scholarship. The shares had a fair market value of \$606,000 at August 31, 2014. 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 College to hold donated equities for endowed scholarships.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

5. Disaggregation of Receivables and Payables Balances

Receivables consist of the following at August 31:

	2014	2013
Student tuition and fees	\$ 20,147,631	\$ 18,754,187
Ad valorem taxes	97,815	97,086
Federal grants	252,101	229,920
State grants	42,833	1,614
Other receivables	730,308	676,704
	<u>21,270,688</u>	<u>19,759,511</u>
Allowance for doubtful accounts	(3,543,455)	(2,807,008)
Total	<u>\$ 17,727,233</u>	<u>\$ 16,952,503</u>

Payables consist of the following at August 31:

	2014	2013
Vendors payable	\$ 3,918,485	\$ 2,247,112
Other payables	1,068,222	1,261,920
Total	<u>\$ 4,986,707</u>	<u>\$ 3,509,032</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

6. Capital Assets

Capital assets' activities for the years ended August 31:

	<u>2014</u>			Balance August 31, 2014
	Balance September 1, 2013	Increases	Decreases	
Capital assets not subject to depreciation:				
Land	\$ 6,089,974	\$ 680,641	\$ (13,462)	\$ 6,757,153
Collections	691,273	-	-	691,273
Construction in Progress	242,537	-	(242,537)	-
Total not depreciated	<u>7,023,784</u>	<u>680,641</u>	<u>(255,999)</u>	<u>7,448,426</u>
Capital assets subject to depreciation:				
Buildings	113,765,701	3,365,929	-	117,131,630
Land improvements	6,528,261	161,796	-	6,690,057
Furniture, equipment and vehicles	6,054,415	149,918	(62,025)	6,142,308
Computer equipment	6,736,933	662,038	(484,910)	6,914,061
Library books	4,269,367	182,712	(40,205)	4,411,874
Total depreciated	<u>137,354,677</u>	<u>4,522,393</u>	<u>(587,140)</u>	<u>141,289,930</u>
Less accumulated depreciation				
Buildings	28,186,849	2,169,597	-	30,356,446
Land improvements	3,465,552	186,182	-	3,651,734
Furniture, equipment and vehicles	3,880,164	543,065	(59,531)	4,363,698
Computer equipment	4,152,822	916,494	(441,813)	4,627,503
Library books	2,991,585	134,710	(40,205)	3,086,090
Total accumulated depreciation	<u>42,676,972</u>	<u>3,950,048</u>	<u>(541,549)</u>	<u>46,085,471</u>
Net Capital Assets	<u>\$ 101,701,489</u>	<u>\$ 1,252,986</u>	<u>\$ (301,590)</u>	<u>\$ 102,652,885</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

	<u>2013</u>			
	Balance September 1, 2012	Increases	Decreases	Balance August 31, 2013
Capital assets not subject to depreciation:				
Land	\$ 5,828,854	\$ 261,120	\$ -	\$ 6,089,974
Collections	631,273	60,000	-	691,273
Construction in Progress	-	242,537	-	242,537
Total not depreciated	6,460,127	563,657	-	7,023,784
Capital assets subject to depreciation:				
Buildings	113,496,711	268,990	-	113,765,701
Land improvements	5,537,241	991,020	-	6,528,261
Furniture, equipment and vehicles	5,245,149	936,400	(127,134)	6,054,415
Computer equipment	6,737,876	148,295	(149,238)	6,736,933
Library books	4,145,966	166,162	(42,761)	4,269,367
Total depreciated	135,162,943	2,510,867	(319,133)	137,354,677
Less accumulated depreciation				
Buildings	26,087,870	2,098,979	-	28,186,849
Land improvements	3,326,999	138,553	-	3,465,552
Furniture, equipment and vehicles	3,453,409	483,330	(56,575)	3,880,164
Computer equipment	3,357,706	917,251	(122,135)	4,152,822
Library books	2,899,583	134,763	(42,761)	2,991,585
Total accumulated depreciation	39,125,567	3,772,876	(221,471)	42,676,972
Net Capital Assets	\$ 102,497,503	\$ (698,352)	\$ (97,662)	\$ 101,701,489

7. Long-Term Liabilities

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

	Balance September 1, 2013	<u>2014</u>		Balance August 31, 2014	Current Portion
		Additions	Payments		
Bonds payable	\$37,575,000	\$ -	\$ (3,260,000)	\$34,315,000	\$ 3,405,000
Unamortized bond premium	419,921	-	(76,316)	343,605	-
Total	\$37,994,921	\$ -	\$ (3,336,316)	\$34,658,605	\$ 3,405,000

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

	Balance September 1, 2012	<u>2013</u>		Balance August 31, 2013	Current Portion
		Additions	Payments		
Bonds payable	\$40,375,000	\$ -	\$ (2,800,000)	\$37,575,000	\$ 3,260,000
Unamortized bond premium	496,238	-	(76,317)	419,921	-
Total	<u>\$40,871,238</u>	<u>\$ -</u>	<u>\$ (2,876,317)</u>	<u>\$37,994,921</u>	<u>\$ 3,260,000</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 Refunding Bonds, Series 2011

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2011
- To refund a portion of the College'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, 2014 and 2013 of \$6,165,000 and \$6,765,000, respectfully
- A premium of \$181,438 is being amortized over the life of the bonds

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, 2014 and 2013 of \$18,820,000 and \$19,505,000, respectfully

Combined Fee Revenue Refunding Bonds, Series 2009

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2009

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

- To refund a portion of the College'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, 2014 and 2013 of \$5,180,000 and \$5,950,000, respectively
- A premium of \$244,401 is being amortized over the life of the bonds

Combined Fee Revenue Refunding Bonds, Series 2005

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2005
- To pay the costs of acquisition, construction, improvement and equipment of College facilities and the acquisition of sites therefore, including payment of the College's obligation created by the College's exercise of its purchase option under the lease agreement between the College and the City of Bryan, Texas in connection with the City of Bryan Lease Revenue Bonds Series 1995; to fund the reserve funds and to pay the related costs of issuance
- Issued July 6, 2005
- \$11,815,000, all authorized bonds have been issued
- Interest rates range from 3.5% to 5.125%
- Source of revenue for debt service - designated portion of tuition and fees
- Outstanding bonds payable at August 31, 2014 and 2013 of \$3,510,000 and \$4,575,000, respectively
- A premium of \$416,775 is being amortized over the life of the bonds
- The College received \$1,268,465 from the City of Bryan, Texas. These funds represent the difference between the monthly capital lease payments made by College for the lease of the Bryan Campus and the debt service payments made by the City of Bryan, Texas.

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, 2014 and 2013 of \$640,000 and \$780,000, respectively
- Net proceeds from refunding bonds \$4,406,739; after payment of \$94,344 in underwriting fees, insurance, and other issuance costs
- The 1993 Series bond are considered fully defeased and the liability for those bonds has been removed from the financial statements
- Advanced refunding of the 1993 Series bonds reduced the Colleges debt service payments over the next 15 years by approximately \$230,000
- Economic gain of approximately \$170,000 is difference between the net present value of the old and new debt service payments

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

Under each bond issue, the College is to maintain a reserve account equal to the maximum annual principal and interest requirements on all bonds. The College has 60 months to establish this reserve fund. The reserve account balance at August 31, 2014 is \$4,650,832. The Series 2003 bonds require the College 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
2015	\$ 3,405,000	\$ 1,231,448	\$ 4,636,448
2016	3,525,000	1,110,123	4,635,123
2017	3,665,000	985,833	4,650,833
2018	2,535,000	883,585	3,418,585
2019	2,475,000	794,113	3,269,113
2020-2024	8,720,000	2,799,925	11,519,925
2025-2029	5,765,000	1,505,963	7,270,963
2030-2032	4,225,000	279,919	4,504,919
Total	<u>\$ 34,315,000</u>	<u>\$ 9,590,909</u>	<u>\$ 43,905,909</u>

9. Employees' Retirement Plans

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas

Teacher Retirement System of Texas

Plan Description. The College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

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. State law provides for a member contribution rate of 6.4% for fiscal years 2014 and 2013 and a state contribution rate of 6.4% and 6.0% for fiscal years 2014 and 2013. In certain instances the reporting district is required to make all or a portion of the state's contribution for fiscal year 2014 and 2013. During fiscal 2014 and 2013, the College was required and paid 50 % of the state's required retirement plan contribution. (See Note 16).

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 3.0%, respectively and 6.65% by each participant. In addition, the College contributes 2.5 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 College was \$1,153,933 and \$595,186 for the fiscal years ended August 31, 2014 and 2013, respectively (see Note 16). This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$44,010,954 and \$41,915,436 for fiscal years 2014 and 2013, respectively. The total payroll of employees covered by the Teacher Retirement System was \$26,840,670 and \$23,880,671, and the total payroll of employees covered by the Optional Retirement Program was \$11,341,163 and \$11,606,747 for fiscal years 2014 and 2013, respectively.

10. Deferred Compensation Program

The College's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. This plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2014 and 2013, the College had no employees electing to defer compensation.

11. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during 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 \$491 to \$984 and \$463 to \$920 per month for the years ended August 31, 2014 and 2013, depending on the coverage elected. The

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

State's contribution totaled \$2,908,188 and \$2,067,321, for the years ended August 31, 2014 and 2013, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

12. 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 College. The current policy allows a maximum of six accrued unused vacation days to be carried over; however, the carry over days are not payable upon termination. Any accrued unused days in excess of the carry over days expire at the end of each year. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for these non-vesting rights.

Sick leave can be accumulated subject to certain limitations. It is paid to an employee who misses work because of illness. The College does not allow conversion of unpaid sick leave for terminated employees. The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

13. 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 college has not yet performed services are not included in the financial statements.

14. Property Tax

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

	<u>2014</u>	<u>2013</u>
Assessed valuation of the College	\$ 2,848,308,527	\$ 2,721,861,041
Less exemptions	<u>(443,056,521)</u>	<u>(401,274,963)</u>
Net assessed valuation of the College	<u>\$ 2,405,252,006</u>	<u>\$ 2,320,586,078</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

	Current	<u>2014</u> Debt	
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.0600	\$ -	\$ 0.0600
Tax rate per \$100 valuation assessed	0.0600	-	0.0600

	Current	<u>2013</u> Debt	
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.0567	\$ -	\$ 0.0567
Tax rate per \$100 valuation assessed	0.0567	-	0.0567

Tax levied for the years ended August 31, 2014 and 2013 is \$1,618,009 and \$1,484,876, respectively (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed.

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

<u>Taxes Collected at August 31</u>	<u>2014</u>	<u>2013</u>
Current	\$ 1,582,334	\$ 1,444,807
Delinquent	33,684	34,592
Penalties and Interest	21,662	25,062
Total Collections	<u>\$ 1,637,680</u>	<u>\$ 1,504,461</u>

Tax collections for the year ended August 31, 2014 and 2013 were 98% and 97%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking fund expenditures.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

15. Operating Leases

The College leases facilities related to the Bryan and Sealy Campuses under non-cancelable leases expiring through August 2021, with future minimum payments as of August 31, 2014 as follows:

<u>Fiscal Year</u>	
2015	\$ 2,093,000
2016	1,941,000
2017	1,955,000
2018	1,994,000
2019	2,035,000
2020-2021	4,197,000

Rental expense was approximately \$131,000 and \$101,000 for the years ended August 31, 2013 and 2012, respectively.

16. Contingent Liabilities

State and Federal Grants

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

State Appropriations for TRS and ORP

Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system", referring to the State's Teacher Retirement System (TRS) including the related Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted revenue appropriation for each year of the biennium state budget.

TRS had expectations that the College would provide the difference between the formula required contribution and the amount provided by the State, which is less than the amount believed to be required by the constitution. The College disputed this expectation and disclosed the matter as a contingent liability in its fiscal 2012 financial statements.

During Fiscal 2013, the College paid TRS \$1,389,325 for the unfunded portion of the retirement contributions (\$698,530 and \$690,795 for Fiscal 2013 and 2012, respectively). The College has recorded the payment as a fiscal year 2013 expenditure in the accompanying financial statements.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

17. Self Insurance

Effective September 1, 2003, the College began participating in a public entity risk pool for workers compensation. The participants of the pool include several other public junior and community colleges. The plan provides coverage to each participant with the College's individual loss fund maximum of \$462,007 and \$429,300 at August 31, 2014 and 2013, respectively, which is based on estimated payroll.

The liability for claims incurred but not reported under the self-insured plan is \$112,007 and \$79,300 as of August 31, 2014 and 2013, 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, 2014 and 2013 was as follows:

Accrued Liability for the Year Ended August 31	Balance of Liability at Beginning of Fiscal Year	Additions	Reductions for Claims Paid	Cumulative Balance of Liability at End of Fiscal Year
2013	\$ 495,835	\$ 14,613	\$ (74,775)	\$ 435,673
2014	435,673	116,884	(99,691)	452,866

18. Postemployment Benefits Other than Pensions

The College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

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. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2014

The College's contributions to SRHP for State retirees for the years ended August 31, 2014, 2013 and 2012 were \$1,219,376 and \$1,087,513, and \$979,955 respectively, which amounts were funded from the College's State group insurance appropriation. The College's contributions to SRHP for local retirees for the years ended August 31, 2014, 2013 and 2012 were \$239,359, \$239,879 and \$219,365, respectively, which amounts were paid directly by the College.

19. Component Units

Blinn College Foundation, Inc. – Discrete Component Unit

Blinn College 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 College. Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation is a component unit of the College because the College 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 College.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). As of the date the College's audit was released, the Foundation's 2014 audit was completed. Complete financial statements of Blinn College Foundation, Inc. can be obtained from the administrative office of the Foundation.

20. Subsequent Events

Implementation of GASB Statement No. 68

GASB statement No. 68, Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27, was issued June of 2012 and will apply to the College's financial statements beginning with the year ended August 31, 2015. This statement will require the College to recognize a liability for its proportionate share of the net pension liability.

Combined Fee Revenue Bonds, Series 2014

The College issued \$9,820,000 in Combined Fee Revenue Bonds, Series 2014, dated November 15, 2014; date of initial delivery is expected to be December 18, 2014. Proceeds from the bonds 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, administrative facilities and the acquisition of sites therefore and (ii) pay the costs of issuance of the bonds.

SUPPLEMENTARY SCHEDULES

BLINN COLLEGE
Schedule of Operating Revenues
Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Educational Activities		Total	Auxiliary Enterprises	2014	2013
	Unrestricted	Restricted	Educational Activities		Total	Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 541,981	\$ -	\$ 541,981	\$ -	\$ 541,981	\$ 522,058
Out-of-district resident tuition	34,236,003	-	34,236,003	-	34,236,003	32,414,551
Non-resident tuition	2,678,063	-	2,678,063	-	2,678,063	2,035,738
TPEG - credit (set aside) *	1,091,987	-	1,091,987	-	1,091,987	983,656
State funded continuing education	679,872	-	679,872	-	679,872	622,499
Non-State funded continuing education	199,407	-	199,407	-	199,407	139,065
Total Tuition	39,427,313	-	39,427,313	-	39,427,313	36,717,567
Fees:						
General fee	12,555,324	-	12,555,324	2,215,645	14,770,969	13,141,315
Laboratory and course fees	1,704,087	-	1,704,087	-	1,704,087	1,514,210
Vehicle registration fees	854,650	-	854,650	-	854,650	852,425
Incidental fees	103,488	-	103,488	-	103,488	209,311
Other fees	-	-	-	287,008	287,008	387,644
Total fees	15,217,549	-	15,217,549	2,502,653	17,720,202	16,104,905
Allowances and discounts:						
Bad debt allowance	(762,161)	-	(762,161)	-	(762,161)	(673,464)
Scholarship allowances	(662,072)	-	(662,072)	-	(662,072)	(529,845)
Remissions and exemptions	(2,406,997)	-	(2,406,997)	-	(2,406,997)	(2,112,013)
TPEG allowances	(360,724)	-	(360,724)	-	(360,724)	(314,103)
Federal and State grants to students	(7,618,652)	-	(7,618,652)	-	(7,618,652)	(6,689,482)
Other	(180,739)	-	(180,739)	-	(180,739)	(256,313)
Total allowances and discounts	(11,991,345)	-	(11,991,345)	-	(11,991,345)	(10,575,220)
Total net tuition and fees	42,653,517	-	42,653,517	2,502,653	45,156,170	42,247,252
Additional operating revenues:						
Federal grants and contracts	-	662,540	662,540	-	662,540	650,314
State grants and contracts	-	1,493,847	1,493,847	-	1,493,847	1,084,729
Sales and services of educational activities	440,802	-	440,802	-	440,802	309,935
Other operating revenues	248,636	-	248,636	-	248,636	143,177
Total additional operating revenues	689,438	2,156,387	2,845,825	-	2,845,825	2,188,155
Auxiliary enterprises:						
Residential life	-	-	-	4,331,896	4,331,896	3,865,054
Scholarships allowances and discounts	-	-	-	(394,587)	(394,587)	(426,671)
Net residential life	-	-	-	3,937,309	3,937,309	3,438,383
Cafeteria	-	-	-	2,753,675	2,753,675	2,442,514
Scholarship allowances and discounts	-	-	-	(336,147)	(336,147)	(303,192)
Net cafeteria	-	-	-	2,417,528	2,417,528	2,139,322
Bookstore	-	-	-	1,806,681	1,806,681	1,733,514
Scholarship allowances and discounts	-	-	-	(208,872)	(208,872)	(203,302)
Net bookstore	-	-	-	1,597,809	1,597,809	1,530,212
Other auxiliary	-	-	-	419,372	419,372	420,312
Total net auxiliary enterprises	-	-	-	8,372,018	8,372,018	7,528,229
Total Operating Revenues	\$ 43,342,955	\$ 2,156,387	\$ 45,499,342	\$ 10,874,671	\$ 56,374,013	\$ 51,963,636

(Exhibit 2) (Exhibit 2)

* In accordance with Education Code §56.033, \$1,091,987 and \$983,656 for the years ended August 31, 2014 and 2013, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

BLINN COLLEGE
Schedule of Operating Expenses By Object
Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Operating Expenses				2014 Total	2013 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities:						
Instruction	\$28,474,467	\$ -	\$ 2,678,600	\$ 3,955,595	\$35,108,662	\$34,399,955
Public Service	296,589	-	31,970	177,626	506,185	501,499
Academic Support	3,149,509	-	312,802	610,842	4,073,153	3,626,275
Student Services	3,892,735	-	342,203	583,513	4,818,451	4,335,220
Institutional Support	4,387,861	-	223,903	3,298,496	7,910,260	6,785,779
Operation and Maintenance of Plant	1,215,459	-	442,649	7,242,339	8,900,447	8,519,823
Scholarships and Fellowships	-	-	-	763,214	763,214	633,116
Total Unrestricted - Educational Activities	<u>41,416,620</u>	<u>-</u>	<u>4,032,127</u>	<u>16,631,625</u>	<u>62,080,372</u>	<u>58,801,667</u>
Restricted - Educational Activities:						
Instruction	106,508	4,190,228	128,825	63,635	4,489,196	4,420,019
Public Service	186,310	54,933	53,051	169,701	463,995	303,245
Academic Support	-	565,863	-	-	565,863	538,017
Student Services	-	863,741	-	-	863,741	742,141
Institutional Support	79,406	2,021,072	15,532	221,488	2,337,498	2,042,406
Scholarships and Fellowships	-	-	-	13,307,802	13,307,802	13,119,490
Total Restricted - Educational Activities	<u>372,224</u>	<u>7,695,837</u>	<u>197,408</u>	<u>13,762,626</u>	<u>22,028,095</u>	<u>21,165,318</u>
Total Educational Activities	<u>41,788,844</u>	<u>7,695,837</u>	<u>4,229,535</u>	<u>30,394,251</u>	<u>84,108,467</u>	<u>79,966,985</u>
Auxiliary Enterprises	2,222,110	-	1,053,630	5,139,617	8,415,357	7,643,746
Depreciation Expense - Buildings and other real estate improvements	-	-	-	2,371,245	2,371,245	2,252,983
Depreciation Expense - Equipment, furniture and library books	-	-	-	1,578,804	1,578,804	1,519,893
Total Operating Expenses	<u>\$44,010,954</u>	<u>\$ 7,695,837</u>	<u>\$ 5,283,165</u>	<u>\$39,483,917</u>	<u>\$96,473,873</u>	<u>\$91,383,607</u>
					(Exhibit 2)	(Exhibit 2)

BLINN COLLEGE
Schedule of Nonoperating Revenues and Expenses
Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Non-Operating Revenues:				
State appropriations:				
Education and General state support	\$ 22,866,056	\$ -	\$ 22,866,056	\$ 21,817,151
State group insurance	-	2,908,188	2,908,188	2,067,321
State retirement matching	-	1,153,933	1,153,933	595,186
Total state appropriations	<u>22,866,056</u>	<u>4,062,121</u>	<u>26,928,177</u>	<u>24,479,658</u>
Property taxes	1,637,679	-	1,637,679	1,504,461
Federal revenue, non operating	-	19,333,780	19,333,780	18,646,611
Gifts	-	289,618	289,618	288,433
Investment income	306,781	-	306,781	341,151
Unrealized gain (loss) on investments	318,349	-	318,349	(537,691)
Total non-operating revenues	<u>25,128,865</u>	<u>23,685,519</u>	<u>48,814,384</u>	<u>44,722,623</u>
Non-Operating Expenses:				
Interest on capital related debt	1,262,469	-	1,262,469	1,372,006
Loss on disposal of capital assets	15,657	-	15,657	27,423
Total non-operating expenses	<u>1,278,126</u>	<u>-</u>	<u>1,278,126</u>	<u>1,399,429</u>
Net non-operating revenues	<u>\$ 23,850,739</u>	<u>\$ 23,685,519</u>	<u>\$ 47,536,258</u>	<u>\$ 43,323,194</u>
			(Exhibit 2)	(Exhibit 2)

BLINN COLLEGE
Schedule of Net Position by Source and Availability
Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Detail by Source						
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Available for Current Operations	
		Expendable	Non- Expendable			Yes	No
Current:							
Unrestricted	\$ 10,204,201	\$ -	\$ -	\$ -	\$ 10,204,201	\$ 10,204,201	\$ -
Student aid		672,920	-	-	672,920	-	672,920
Star of Republic Museum	-	(465,852)	-	-	(465,852)	-	(465,852)
Auxiliary enterprises	5,708,329	-	-	-	5,708,329	5,708,329	-
Endowment:							
Expendable	-	730,547	-	-	730,547	-	730,547
Non-expendable	-	-	9,599,173	-	9,599,173	-	9,599,173
Plant:							
Debt service	-	4,650,832	-	-	4,650,832	-	4,650,832
Investment in plant	-	-	-	67,994,280	67,994,280	-	67,994,280
Total Net Position, August 31, 2014	15,912,530	5,588,447	9,599,173	67,994,280	99,094,430	15,912,530	83,181,900
Total Net Position, August 31, 2013	12,825,533	5,525,221	9,536,675	63,706,568	91,593,997	12,825,533	78,768,464
Net Increase (Decrease) in Net Position	\$ 3,086,997	\$ 63,226	\$ 62,498	\$ 4,287,712	\$ 7,500,433	\$ 3,086,997	\$ 4,413,436

(Exhibit 1)

(Exhibit 1)

(Exhibit 2)

BLINN COLLEGE
Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Assistance			
Federal Supplemental Education Opportunity Grant	84.007	P007A133969	\$ 233,023
Federal Work Study Program	84.033	P033A123969	20,794
Federal Work Study Program	84.033	P033A133969	173,235
			194,029
Federal Pell Grant	84.063	P063P132262	19,100,757
Federal Direct Student Loan Program	84.268	P268K142262	32,204,500
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	142026	199,179
Statewide Data Systems	84.372	R372A090010	3,646
			202,825
Total U.S. Department of Education			51,935,134
<u>U.S. Department of Health and Human Services</u>			
Pass-Through from:			
Texas Engineering Experiment Station/TAMU System:			
Biomedical Advanced Research and Development Authority (BARDA)	93.360	01-S120003	120,789
Total U.S. Department of Health and Human Services			120,789
<u>U.S. Department of Labor</u>			
Pass-Through from:			
Texas Workforce Commission:			
WorkForce Solutions Brazos Valley Board			
Workforce Investment Act (WIA Youth Training)	17.259	-	17,740
Total U.S. Department of Labor			17,740
<u>U.S. Small Business Administration</u>			
Pass-Through from:			
University of Houston:			
Small Business Development Center	59.037	R-13-0032-53803	13,216
Small Business Development Center	59.037	R-14-0048-53803	113,941
Total U.S. Small Business Administration			127,157
Total Expenditures of Federal Awards			\$ 52,200,820
<u>Federal Direct Student Loan Program, CFDA 84.268, includes the following:</u>			
Direct Subsidized Loans			\$ 15,184,000
Direct Unsubsidized Loans			15,525,000
Direct PLUS Loans			1,495,500
			\$ 32,204,500

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

BLINN COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2014

<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)	9P140458	\$ 708
Texas Higher Education Coordinating Board:		
Accelerate Texas: Scaling & Sustaining Success	11519	154,217
Intensive College Readiness Programs (IPAES)	11778	67,106
Texas Science, Technology, Engineering and Math Challenge	11273	62,462
Texas Grant Program		844,025
Texas Educational Opportunity Grant Program (TEOG)		186,544
Top 10% Scholarship		25,500
Texas Workforce Commission		
Skills Development-Mid-South Electric Cooperative	1613SDF000	<u>153,285</u>
Total Expenditures of State Awards		<u>\$ 1,493,847</u>

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

BLINN COLLEGE
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended August 31, 2014

1. Relationship to Financial Statements

	Federal	State
Federal Grants and Contracts Revenue - Per Schedule A	\$ 662,540	\$ 1,493,847
Add Financial Aid Loans	32,204,500	-
Add Non-operating Federal Revenue from Schedule C	19,333,780	-
Total per Schedule of Expenditures of Federal and State Awards	\$ 52,200,820	\$ 1,493,847

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, 2014. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

3. Relationship to Federal and State Financial Reports

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

4. Amounts Passed-Through by the College

The following amount was passed-through to the listed subrecipient by the College. This amount was from the Intensive College Readiness Program (IPAES) through the Texas Higher Education Coordinating Board.

Education Service Center-Region VI	<u>\$ 67,106</u>
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AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE



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
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 (the College), as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College'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)**

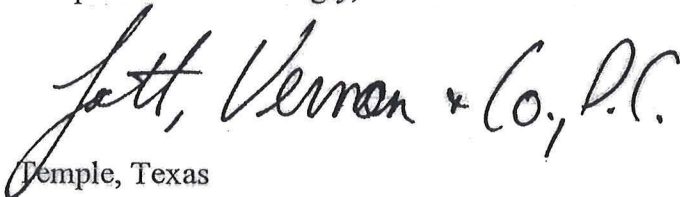
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 College'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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Jett, Vernon & Co., P.C.

Dempse, Texas
December 8, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees
Blinn College
Brenham, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Blinn College's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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 College'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and The State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, Blinn College 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, 2014.

Report on Internal Control Over Compliance

Management of the College 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 College'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 OMB Circular A-133 and The State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College'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 OMB CIRCULAR A-133 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 OMB Circular A-133 and The State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Jett, Vernon & Co., P.C.
Temple, Texas
December 8, 2014

BLINN COLLEGE
Schedule of Findings and Questioned Costs
August 31, 2014

I. Summary of Audit Results

Financial Statements

- 1. Type of auditor's report issued: *unqualified*
- 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 no
- 5. Type of auditor's report issued on compliance for major programs: *unqualified*
- 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 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>
U.S. Department of Education Student Financial Aid Cluster:		Texas Grant
SEOG	84.007	Accelerate Texas: Scaling and Sustaining Success
Federal College Work Study Program	84.033	
Federal Pell Grant Program	84.063	
William D Ford Direct Loans	84.268	
Carl Perkins Vocational Education	84.048	

BLINN COLLEGE
Schedule of Findings and Questioned Costs (Continued)
August 31, 2014

8. Dollar threshold used to distinguish between type A and type B federal programs: \$300,000
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.