

COASTAL BEND COLLEGE

ANNUAL FINANCIAL REPORT

AUGUST 31, 2014

**COASTAL BEND COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014**

TABLE OF CONTENTS

ORGANIZATIONAL DATA	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Exhibits	
1 Statement of Net Position	14
2 Statement of Revenues, Expenses and Changes in Net Position	15
3 Statement of Cash Flows	16
Notes to Financial Statements	18
OTHER SUPPLEMENTAL INFORMATION SECTION	
<u>Schedules</u>	
A Schedule of Operating Revenues	34
B Schedule of Operating Expenses by Object	35
C Schedule of Non-Operating Revenues and Expenses	36
D Schedule of Net Position by Source and Availability	37
E Schedule of Expenditures of Federal Awards	38
F Schedule of Expenditures of State Awards	40
<u>Single Audit Section</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	44
Schedule of Findings and Questioned Costs	46
Summary Schedule of Prior Audit Findings	48
Corrective Action Plan	49

**COASTAL BEND COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2014**

BOARD OF TRUSTEES

		Term Expires
Mr. Carroll Wayne Lohse	Chairman	<u>31-May</u> 2018
Mrs. Laura Fischer	Vice-Chairman	2018
Mr. Victor Gomez	Secretary	2016
Mrs. Dee Dee Bernal	Member	2020
Mr. Bryce Carrillo	Member	2020
Mr. Jeff Massengill	Member	2020
Mrs. Martha Warner	Member	2016

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Beatriz T. Espinoza	President
Dr. Michael Chavez	Vice President of Student and Administrative Services
Dr. Kyle Wagner	Vice President of Instruction and Economic Development
Ms. Susana Morón	Director of Business Services

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Coastal Bend College
Beeville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Coastal Bend College, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Coastal Bend 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Coastal Bend College, as of August 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Prior Period Financial Statements

The financial statements of the Coastal Bend College as of August 31, 2013, were audited by other auditors whose report dated December 19, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 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 basic 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 Coastal Bend College's basic financial statements. The supplementary information and financial assistance section as denoted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is 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 is also not a required part of the basic financial statements of the Coastal Bend College. The accompanying schedule of expenditures of State Awards is presented for purposes of additional analysis as required by the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements of the Coastal Bend College.

The supplementary information and financial assistance section, which includes 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 underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the supplementary information and financial assistance section are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Coastal Bend 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 Coastal Bend College's internal control over financial reporting and compliance.

Patullo, Benn & Hill, C.P.

December 19, 2014

Overview of Discussion and Analysis

Coastal Bend College is pleased to present its financial statements for 2014 which are in conformance with Governmental Accounting Standards Board (GASB) standards. There are three financial statements presented: (a) the Statement of Net Position, (b) the Statement of Revenues, Expenses, and Changes in Net Position, and (c) the Statement of Cash Flows. These financial statements are intended to provide both long-term and short-term financial information on the College as a whole and should be read in conjunction with the Notes to the Financial Statements. Specifically,

The Statement of Net Position is equivalent to a balance sheet for a for-profit entity. It is a snapshot of the financial status of the college on a specific date.

The Statement of Revenues, Expenses, and Changes in Net Position is equivalent to an income statement for a for-profit entity, showing the results of operations of the college for the last fiscal year.

The Statement of Cash Flows attempts to show the change in cash and cash equivalents over the course of the last fiscal year.

The Notes to the Financial Statements describe some of the accounting policies and assumptions used by the college in preparing the other basic statements and as such serve as an integral part of the basic financial statements.

The following discussion and analysis provides an overview of the College's financial activities for the years ending August 31, 2014, 2013, and 2012.

Financial Highlights

Discussion of the Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector organizations. Net position—the difference between assets and liabilities—is one way to measure the financial health of the College. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. From the data presented, readers of the Statement of Net Position are able to determine the resources that are available to continue the operations of the College. Readers are also able to determine the amounts the College owes vendors, bondholders and lending institutions. Finally, the Statement of Net Position provides a picture of the net assets and their availability for expenditure by the institution.

Coastal Bend College

Management's Discussion and Analysis

Fiscal Year Ended August 31, 2014

UNAUDITED

The College's financial position as a whole changed during the year ending August 31, 2014, when compared to the snapshot from August 31, 2013.

Overall, current assets, which include cash and cash equivalents, short-term investments, accounts receivable, inventories and prepaid expenses, decreased by \$389,150. This decrease reflects an increase in receivables generated by higher student enrollments for fall 2014, partially offset by lower prepaid expenses at year end. Current assets are assets that can be accessed to operate the College. Noncurrent assets, which include restricted cash and cash equivalents, endowment investments, other long-term investments, deferred charges, and capital assets, increased by \$1,336,958. This increase was due to the acquisition of capital assets for use by the College.

At the same time, current liabilities, which include accounts payable, funds held for others, deferred revenues, and bonds payable (current portion), decreased by \$974,724. This decrease is due to an increase in accounts payable and higher current portion for leases payable, notes payable, and bonds payable, offset by lower deferred revenues.

Non-current liabilities, which include accrued compensable absences and bonds payable, increased over the August 31, 2013 snapshot by \$378,610. The increase in notes payable is due to the additional debt associated with Maintenance Tax Note Series 2014, less the annual payment for the college's Revenue Bond and Maintenance Tax Obligation Note to fund the Energy Savings Project. Accrued compensable absences decreased as payouts were made to a group of employees with significant years of service, thereby eliminating the liability of future payments to them.

Below is a condensed version of the institution's assets and liabilities:

	2014	2013	2012
Total Current Assets	8,521,209	8,680,927	8,517,340
Total Noncurrent Assets	19,294,831	18,209,059	16,147,120
Total Assets	27,816,040	26,889,988	24,664,360
Deferred Outflows	69,053	0	0
Total Current Liabilities	8,340,061	9,369,365	8,606,063
Total Noncurrent Liabilities	8,352,069	7,912,079	5,583,081
Total Liabilities	16,692,130	17,281,444	14,189,144
Total Net Assets	11,192,963	9,608,543	10,475,216

Coastal Bend College

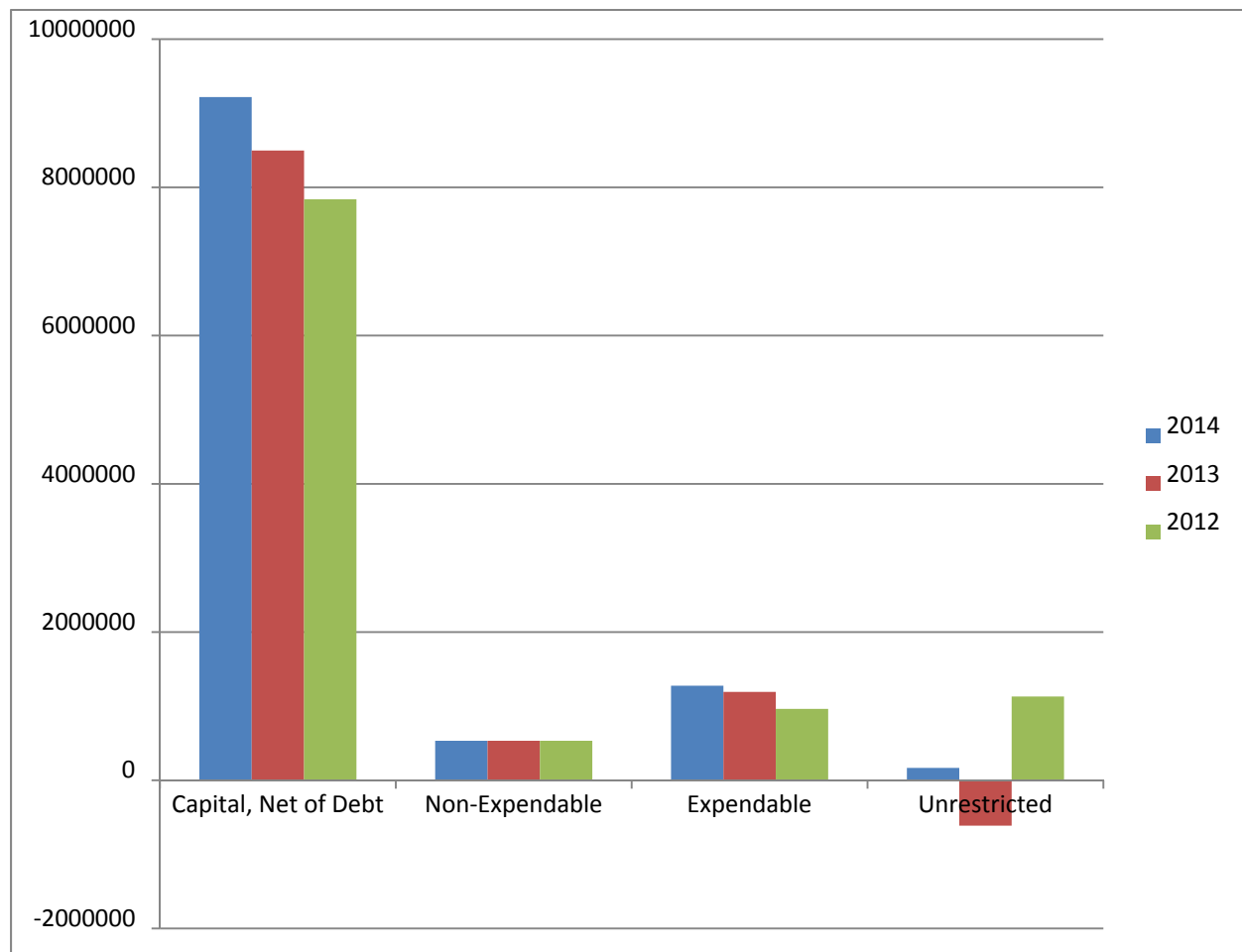
Management's Discussion and Analysis

Fiscal Year Ended August 31, 2014

UNAUDITED

Thus, the total net assets as of August 31, 2014 indicate an increase of \$1,707,091 as compared to the institution's net assets as of August 31, 2013. Of this amount, the major increase is due to increased investment in capital assets. A key accomplishment of the College in fiscal year 2014 was the completed acquisition of the property hosting the Kingsville site. Annual lease payments for the property exceeded \$250,000, so the purchase of the property at just over \$1 million will have a payback period of less than four years, while offering full use of the facility and increasing opportunities for students in that area.

The portion of net position considered to be unrestricted rose substantially compared to the prior year, and illustrates an improved financial position for the College:



Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from a deficit of \$612,208 at August 31, 2013 to a \$167,157 surplus at August 31, 2014. This deficit in unrestricted assets arose primarily because of two factors: the issuance of new debt and the resulting increase in current portion debt service, and the continued investment in capital assets for the betterment of the College and its students. Throughout FY2014, The College has worked toward its goal of eliminating the deficit balance by adhering to an operating budget that accounted for a transfer to reserves. In addition to tighter expense budgets, the new General Use Fee implemented fall 2013 generated an additional \$843,416 in revenue, 97% of the target of \$871,241 established by the year's operating budget.

Discussion of the Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the operating results of the College as well as the non-operating revenues and expenses. For the purpose of this statement, the category Operating Revenues includes tuition and fees (net of discounts), governmental grants not related to Title IV and non-governmental grants, sales and services of educational activities, auxiliary enterprises (net of discounts) and general operating revenues. The category of non-operating revenues includes state allocations, maintenance ad valorem taxes, gifts, investment income, interest on capital related debt, and grants for Title IV and other non-operating revenues. Please note that state allocations and ad valorem taxes, while budgeted for operations, are considered non-operating revenue according to generally accepted accounting principles.

A chart of the Summary of Revenues, Expenses and Changes in Net Assets follows:

	2014	2013	2012
Operating Revenues	10,201,339	9,669,144	12,669,758
Operating Expenses	(24,414,453)	(26,155,197)	(31,083,166)
Operating Loss	(14,213,114)	(16,486,054)	(18,413,408)
Non-Operating Revenues	15,920,205	15,619,380	16,329,933
Increase (Decrease) in Net Assets	1,707,091	(866,673)	(2,083,475)

Revenue

Coastal Bend College

Management's Discussion and Analysis

Fiscal Year Ended August 31, 2014

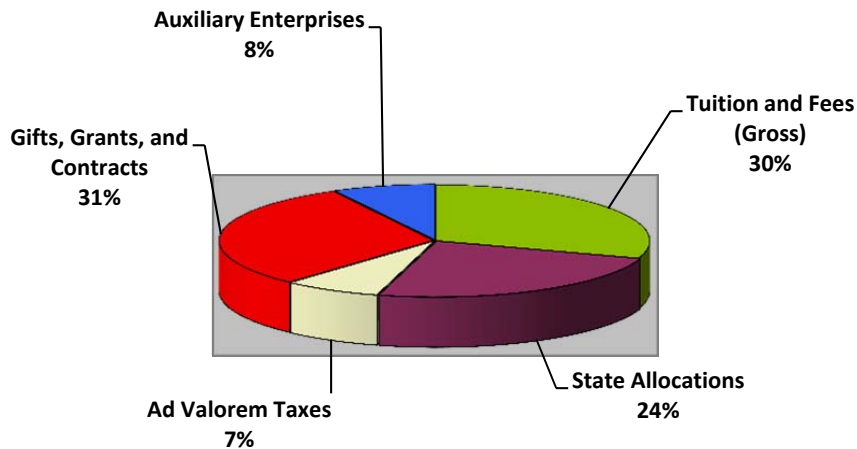
UNAUDITED

The chart below reflects operating revenues for all sources, before discounting. The five primary sources of operating revenue for the institution continue to be: a) gifts, grants and contracts; (b) state allocations; (c) tuition and fees, (d) ad valorem taxes; and (e) auxiliary enterprises. A chart of the major components of revenue (operating and non-operating combined) follows:

Major Revenue Components	2014	2013	2012
Tuition and Fees (Gross)	9,524,195	8,714,046	8,886,522
State Allocations	7,654,073	7,761,373	8,089,939
Ad Valorem Taxes	2,322,315	1,887,014	1,767,948
Gifts, Grants, and Contracts			
Federal	8,962,971	9,731,138	10,066,429
State	713,369	461,706	478,715
Local	0	0	0
Private (Operating and Non-Operating)	0	0	8,000
Total Gifts, Grants, and Contracts	9,676,340	10,192,844	10,553,144
Auxiliary Enterprises	2,450,250	2,519,193	3,588,821

The following chart helps to visualize the major revenue components as they contribute to the total revenue sources of the College:

Major Components of Revenue



For the fiscal year ending August 31, 2014, gross tuition and fee revenue was approximately \$9,524,195 or \$810,149 higher than in fiscal year 2013. Factors contributing to the 2014 increase relate to an increase in fees due to the addition of the general use fee, offset by a decrease in enrollment. The college is located in an area of economic growth due to the oil and gas production in the area. However, the downward trends in enrollments have stabilized and the College experienced an increase in students as it headed into the fall 2014 semester. The shift from drilling to production in the Eagle Ford Shale has changed the needs of industry and students are returning to the classroom to refine their skills to become candidates for higher paying jobs. The College continues to develop and offer courses and training in programs related to oil and gas industry needs and is committed to exploring ways to increase enrollment. All tuition and fees for registrations for fall 2014 are shown in fiscal year 2015, not in fiscal year 2014.

Ad Valorem tax revenue for fiscal year 2014 increased from the prior year by approximately \$435,301. The College used a rollback tax rate in 2014, and this coupled with higher taxable assessed values throughout the district led to higher tax revenue.

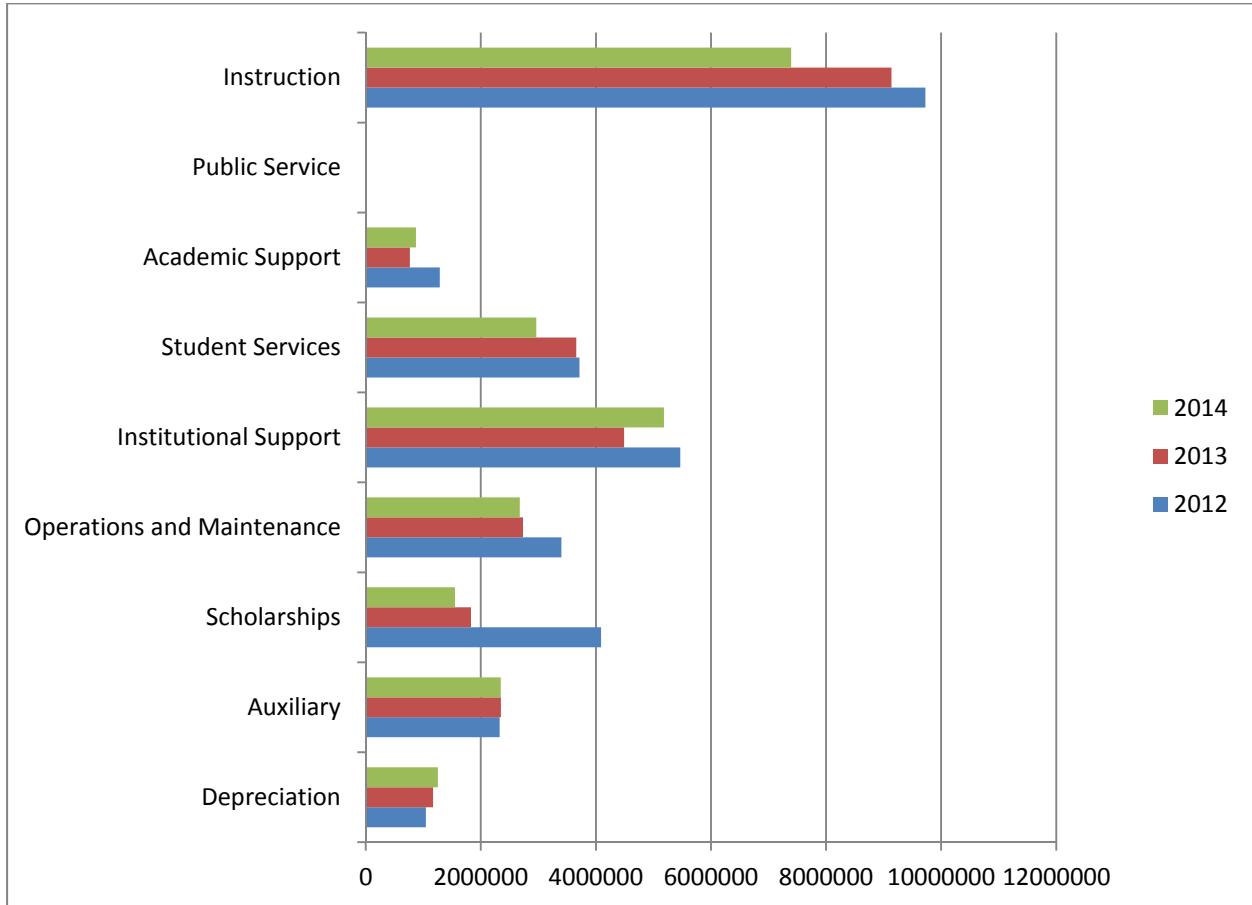
Operating Expenses by Functional Classification

Functional classifications, representing programs and services provided, are the traditional categories that have been used to show expenses.

The chart below shows the 2014 expenses compared to the 2013 and 2012 expenses.

Functional Classifications	2014	2013	2012
Instruction	7,395,754	9,137,730	9,727,655
Public Service	16,482	16,363	22,275
Academic Support	873,841	768,499	1,286,939
Student Services	2,964,708	3,659,319	3,715,009
Institutional Support	5,183,787	4,491,653	5,467,911
Operation and Maintenance of Plant	2,676,293	2,731,937	3,399,799
Scholarships and Fellowships	1,550,145	1,829,585	4,091,022
Auxiliary Enterprises	2,347,113	2,348,876	2,326,004
Depreciation	1,406,330	1,171,236	1,046,552
Total Operating Expenses	24,414,453	26,155,197	31,083,166

As the chart below visually demonstrates, differences existed in functional totals between 2014, 2013, and 2012. The majority of the College operating expenses continue to be dedicated to instruction and instructional support. In 2014, the majority of the operating expenses were dedicated to instruction and institutional support.



The decrease in operating expenses between fiscal year 2014 and fiscal year 2013 was \$1,740,744. The decrease in expenses is attributed to the implementation of an operating budget developed as part of the program review process which resulted in expenses better aligned with anticipated revenues.

Discussion of the Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement presents cash flows from four sources: (a) operating activities, (b) non-capital financing activities, (c) capital financing activities, and (d) investing activities.

A summary of the Statement of Cash Flows follows:

Coastal Bend College

Management's Discussion and Analysis

Fiscal Year Ended August 31, 2014

UNAUDITED

	2014	2013	2012
Operating Activities	(12,470,068)	(14,232,997)	(16,758,029)
Noncapital Financing Activities	15,876,481	15,768,876	16,436,030
Capital and Related Financing Activities	(2,591,250)	438,362	(2,863,802)
Investing Activities	3,781	1,333,341	616,810
Changes in Cash and Cash Equivalents	818,944	3,307,582	(2,568,991)

The primary cash flows from operating activities include cash receipts from students and other customers (e.g., tuition, housing, board) and grant and contract revenue. Cash outlays include payments to suppliers (supplies), employees (wages, benefits), and students (scholarships).

State appropriations and ad valorem taxes were the primary sources of non-capital financing. Accounting standards require that we reflect this source of revenue as non-operating even though these resources are classified as operating revenues in the College budget. Cash flows from Capital Financing Activities include payments of capital assets, and the principal and interest on capital debt.

Economic Factors that Will Affect the Future

Local Economy Impact

South Texas and Coastal Bend College's nine counties service area are on its 4th year of experiencing the economic impact of the Eagle Ford Shale (EFS) Play. High wage employment for entry-level workers is still very much available, even after four years from the initial EFS play activity began. With job options in the area CBC has sought out new ways to recruit students and recover student enrollments. The life cycle of the EFS play is estimated to last between 10-20 years, already we are seeing the gradual increase in the need for technical skills; consequently, CBC has aggressively pursued programs that support the oil and gas and related industry sectors. After three years of consistent drop in enrollment, CBC began to explore new ways to reach students. Dual enrollment programs with area high schools are growing and this expanded to include two Early College High Schools. Dual enrollments continue to account for one-third of our enrollments. Furthermore, customized and continuing education, non-credit enrollments are increasing with new partnerships and additional programming available. CBC's instruction is expanding its focus to meet the various education and training options to serve a diverse workforce.

In fall 2013, the Workforce Training division expanded instruction to include entry point courses to career pathways. Over the last year partnerships with business and industry, school districts,

non-profit agencies, and grants have expanded to increase workforce training. These options remain open to the adult education and adult literacy population, workforce clients, and high school dual credit students. These entry points lead to industry certifications that support entry into the workforce as well as earning a short-term marketable skills award, levels I and II certificates and the associate degree. These options support students beginning at the lowest level of training to enter the workforce and build from there to earning credentials and credits that apply to the next level certificate, degree and/or industry certification, increasing their skills and ability to advance in the workforce in high demand, high wage occupations.

In 2012 CBC began an aggressive program review process and further developed the process of college-wide institutional effectiveness. As in previous years, in 2014 the program review reports/data were used in developing the FY15 budget. The program review process cycles on a four year rotation of a comprehensive review for reporting total cost of ownership (TCO) and return on investment (ROI) for each instructional program and administrative educational service area; through this process programs that were no longer viable in the region and cost effective to run at CBC were closed while new ones were added. Each program is required to submit an annual update that is used in setting college priorities during the budget development process. CBC's annual planning calendar was expanded to include expirations and deadlines for agreements and contracts to ensure that CBC gets the best rates in insurance, energy, auxiliary, and other high cost services. In summer 2014 CBC received confirmation that its accreditation was reaffirmed by the Southern Association of Schools and Colleges Commission on Colleges through 2024. As a result CBC is committed to the College's strategic plan, Vision 2020 Keeping Student Success in Sight; the four goals support educational quality, student services, community engagement, and fiscal responsibility. Each of the goals has annual targets and a year 2020 goal to reach. Annual review of these goals allows us to revise programs and services as needed and reduce the College's risk in carrying programs and services that are not beneficial to sustainability and growth.

Local Governance Impact

In May 2014, CBC governing board shifted to a majority of the members serving less than one year. The focus became training and development for a board to understand the college business and governance responsibilities. The 2014 goals that the governing board approved were worked on extensively throughout the year with a summary provided to the board at a retreat held in February 2014. The six goals set by the CBC Board beginning in FY14 were: 1) CBC will ensure that student success is a top priority. Every student will be able to complete a certificate or degree on time and CBC will always provide access to affordable, quality education. 2) Ensure the college staffing is in line with current enrollment by 2014. 3) Research new programs and initiatives that would help serve the needs of the service area. 4) Continually evaluate programs and positions to meet the needs and demands of our service area. Invest and support programs with growth and student success, and eliminate or reduce those that are declining. Always keeping in mind student and community/industry needs, 5) Re-establish fund balance to \$5.4

Coastal Bend College

Management's Discussion and Analysis

Fiscal Year Ended August 31, 2014

UNAUDITED

million-This will require the college to contribute \$1.5 million per year through fiscal year 2015.

6) Reduce costs and spending to ensure a \$1.5 million contribution to reserves annually.

State Legislative Impact

The outcome of the 83rd Legislative Session, ending May 2013 led to a new formula funding for community colleges in Texas. For CBC this new funding required a revision of data evaluation and analysis as 10% of the budget is based on student success points; these points are earned at various stages of meeting college achievement milestones. The budget development process for FY15 was based on the new formula funding model. The funding cycle is on a biennium and is effective FY14 and FY15.

Regional Accreditation Impact

The College's regional accreditation reaffirmation process was also conducted in the FY13-FY14 years. The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) results for CBC were finalized in summer 2014. The College received confirmation that it was reaffirmed to continue its accreditation through the next ten years, 2024. During this same period workforce programs completed program accreditation; the results allow CBC to continue providing these program degrees as follows: nursing (2017), dental hygiene (2019), and radiologic technology (2021).

Financial information can be obtained from the Coastal Bend College business office via written request to 3800 Charco Road, Beeville, Texas 78102.

Beatriz T. Espinoza, Ph.D.
President

BASIC FINANCIAL STATEMENTS

COASTAL BEND COLLEGE

Statement of Net Position

August 31, 2014

(With Memorandum Totals for the Year Ended August 31, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 1,813,969	\$ 655,451
Short-term investments	4,213	4,213
Accounts receivable (net)	6,414,001	5,393,760
Inventories	239,503	275,717
Prepaid expenses	49,523	2,351,787
Total Current Assets	<u>8,521,209</u>	<u>8,680,928</u>
Noncurrent Assets		
Restricted cash & cash equivalents	2,775,735	3,115,309
Endowment investments	713,214	711,878
Other long-term investments	120,113	117,893
Deferred charges	316,682	285,932
Capital assets (net) (See note 5)	15,369,087	13,978,047
Total Noncurrent Assets	<u>19,294,831</u>	<u>18,209,059</u>
Total Assets	<u>27,816,040</u>	<u>26,889,987</u>
DEFERRED OUTFLOWS		
Deferred amount on refunding bonds	69,053	76,726
Total Deferred Outflows	<u>69,053</u>	<u>76,726</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,603,562	750,020
Funds held for others	152,262	367,558
Unearned revenues	5,618,642	7,378,799
Leases payable - current portion	169,595	236,661
Notes payable - current portion	449,000	309,000
Bonds payable - current portion	347,000	335,000
Total Current Liabilities	<u>8,340,061</u>	<u>9,377,038</u>
Noncurrent Liabilities		
Accrued compensable absences - noncurrent portion	283,069	371,110
Leases payable	-	245,022
Notes payable - long term portion	4,886,000	3,835,000
Bonds payable - long term portion	3,183,000	3,530,000
Total Noncurrent Liabilities	<u>8,352,069</u>	<u>7,981,132</u>
Total Liabilities	<u>16,692,130</u>	<u>17,358,170</u>
NET POSITION		
Invested in capital assets, net of related debt	9,219,221	8,496,431
Restricted for		
Non-Expendable		
Endowments	531,670	531,670
Expendable		
Scholarships	309,320	311,989
Debt service	965,595	880,661
Unrestricted	167,157	(612,208)
Total Net Position (Schedule D)	<u>\$ 11,192,963</u>	<u>\$ 9,608,543</u>

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

COASTAL BEND COLLEGE
Statement of Revenues, Expenses and
Changes in Net Position
For The Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$5,447,417 & \$5,646,922, respectively)	\$ 4,076,778	\$ 3,067,124
Federal grants and contracts	3,016,456	3,798,821
State grants and contracts	713,369	461,706
Sales and services of educational activities	118,669	111,410
Auxiliary enterprises (net of discounts of \$352,968 & \$501,153, respectively)	2,097,281	2,155,848
General operating revenues	<u>178,786</u>	<u>74,235</u>
Total Operating Revenues (Schedule A)	<u>10,201,339</u>	<u>9,669,144</u>
OPERATING EXPENSES		
Instruction	7,395,754	9,137,731
Public service	16,482	16,363
Academic support	873,841	768,499
Student services	2,964,708	3,659,319
Institutional support	5,183,787	4,491,653
Operation and maintenance of plant	2,676,293	2,731,937
Scholarships and fellowships	1,550,145	1,829,584
Auxiliary enterprises	2,347,113	2,348,876
Depreciation	<u>1,406,330</u>	<u>1,171,236</u>
Total Operating Expenses (Schedule B)	<u>24,414,453</u>	<u>26,155,197</u>
Operating (Loss)	<u>(14,213,114)</u>	<u>(16,486,054)</u>
Non-Operating Revenues (Expenses)		
State allocations	7,654,073	7,761,373
Title IV	5,946,515	5,932,317
Ad valorem taxes		
Taxes for maintenance and operations	2,077,625	1,887,014
Taxes for debt service	244,690	-
Gifts	158,688	129,442
Investment income (net of investment expenses)	3,781	70,621
Other income (expense)	91,885	50,711
Interest on capital related debt	<u>(257,052)</u>	<u>(212,098)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>15,920,205</u>	<u>15,619,380</u>
Increase in Net Position	<u>1,707,091</u>	<u>(866,673)</u>
NET POSITION		
Net Position - Beginning of Year	9,608,543	10,475,216
Adjustment to Net Position	<u>(122,671)</u>	<u>-</u>
Net Position - End of Year	<u>\$ 11,192,963</u>	<u>\$ 9,608,543</u>

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

COASTAL BEND COLLEGE
Statement of Cash Flows
For The Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 5,459,188	\$ 4,778,000
Receipts from grants and contracts	6,497,871	7,583,393
Payments to suppliers for goods or services	(8,702,026)	(8,673,805)
Payments to or on behalf of employees	(14,352,445)	(16,165,236)
Payments of scholarships and fellowships	(1,551,440)	(1,829,584)
Other receipts	178,784	74,235
Net cash provided (used) by operating activities	(12,470,068)	(14,232,997)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,654,073	7,761,373
Receipts from ad valorem taxes	2,360,750	1,911,374
Receipts from Non Operating Federal Revenue	5,946,515	5,932,317
Gifts	158,688	129,442
Payments for collection of taxes	(38,435)	(19,038)
Receipts from student organizations and other agency transactions	13,269	16,189
Payments to student organizations and other agency transactions	(225,012)	(13,492)
Other receipts	78,525	52,527
Other payments	(71,892)	(1,816)
Net cash provided by non-capital financing activities	15,876,481	15,768,876
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on issuance of capital debt	1,500,000	5,665,000
Payment to escrow agent	-	(2,639,673)
Debt issuance costs	(36,600)	(94,781)
Purchases of capital assets	(2,920,041)	(1,847,170)
Payments on capital debt - principal	(889,022)	(432,916)
Payments on capital debt - interest	(245,587)	(212,098)
Net cash provided (used) by capital and related financing activities	(2,591,250)	438,362
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	-	1,262,720
Interest on investments	3,781	70,621
Net cash provided (used) by investing activities	3,781	1,333,341
Increase (decrease) in cash and cash equivalents	818,944	3,307,582
Cash and cash equivalents - September 1	3,770,760	463,178
Cash and cash equivalents - August 31	\$ 4,589,704	\$ 3,770,760
Cash & cash equivalents	\$ 1,813,969	\$ 655,451
Restricted cash & cash equivalents	2,775,735	3,115,309
Total cash and cash equivalents	\$ 4,589,704	\$ 3,770,760

COASTAL BEND COLLEGE
Statement of Cash Flows
For The Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)
(Continued)

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (14,213,113)	\$ (16,486,054)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	1,406,330	1,171,236
Payments made directly by state for benefits	1,250,491	1,439,311
Changes in assets and liabilities:		
Receivables (net)	(1,030,313)	(7,348)
Deferred expenses	(30,752)	-
Inventories	139,193	(59,778)
Prepaid expenses	(2,302,266)	(66,396)
Accounts payable	853,542	12,469
Funds held for others	(215,296)	(16,189)
Compensated absences	(88,041)	91,583
Deferred revenue	1,760,157	(311,831)
Net cash provided (used) by operating activities	\$ (12,470,068)	\$ (14,232,997)

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

1. Reporting Entity

Coastal Bend College (the “College”) was established in 1965, in accordance with the laws of the state of Texas, to serve the educational needs of Bee County and the surrounding communities. 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, 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.

Component Unit

The Coastal Bend College Foundation (the Foundation) is a nonprofit organization with the purpose of supporting the educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. Under Governmental Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation is considered a blended component unit of the College, as the Foundation is fiscally dependent on the College and provides services exclusively, or almost exclusively, for the benefit of the College. The financial statements of the Foundation are not material to the financial statements of the College and have not been included in the basic financial statements.

Complete financial statements for the Foundation may be obtained from the Director of Business Services, Coastal Bend College, 3800 Charco Rd., Beeville, Texas 78102.

2. Summary of Significant Accounting Policies

Report 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 Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

For fiscal year 2013, the College implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows and inflows of resources and required changes in account captions in the statement of net position.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for financial statements beginning after December 15, 2012. The College adopted GASB Statement No. 65 for the fiscal year ended August 31, 2014. A prior period adjustment (note 22) was required to remove bond issuance costs from the Statement of Net Position.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for financial statements for periods beginning after December 15, 2012. Adoption of this Statement had no impact on the financial reporting of the College.

Tuition Discounting

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

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

Other tuition discounts– The College awards tuition and fee scholarships from institutional funds to students who qualify when these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount as recorded as a tuition discount. If the amount is dispersed 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 district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1st. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1st.

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.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

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. The governing board has designated public funds investment pools comprised of MBIA Government Pool, Logic and TexPool to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of bookstore stock and are valued at cost under the “first-in, first-out” method and are charged to expense as consumed.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are charged to operating expense in the year in which the expense 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 estimated useful lives of the assets. The following lives are used:

Buildings and Improvements	20-50 years
Furniture, Machinery, Vehicles and Other Equipment	10 Years
Telecommunications and Peripheral Equipment	5 years
Library Books	15 years

Deferred Revenues

Tuition and fees of \$5,618,642 and \$7,378,799 have been reported as deferred revenues at August 31, 2014 and 2013, respectively.

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.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

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, Federal Pell grants, all Title IV student financial aid grants, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

3. Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

4. Deposits and Investments

Cash and Deposits included on Exhibit 1, Statement of Net Assets, consist of the items reported below:

Cash and Deposits

	August 31,	
	<u>2014</u>	<u>2013</u>
Bank Deposits		
Demand Deposits	\$ 5,300,980	\$ 4,478,626
Cash and Cash Equivalents		
Petty Cash on Hand	<u>1,938</u>	<u>4,012</u>
Total Cash and Deposits	<u>\$ 5,302,918</u>	<u>\$ 4,482,638</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

During the year ended August 31, 2014, deposits were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Market Value 08/31/14	Market Value 08/31/13
Investments		
U.S. Agencies	\$ 108,862	\$ 112,268
Money Market Fund	11,251	5,625
Investment Pools	<u>4,213</u>	<u>4,213</u>
Total Investments	<u>124,326</u>	<u>122,106</u>
Total Cash and Deposits	<u>5,302,918</u>	<u>4,482,638</u>
Total Deposits and Investments	<u>\$ 5,427,244</u>	<u>\$ 4,604,744</u>
Cash and Cash Equivalents	\$ 1,813,969	\$ 655,451
Short Term Investments	4,213	4,213
Restricted Cash and Cash Equivalents	2,775,735	3,115,309
Endowment Investments	713,214	711,878
Other Long Term Investments	<u>120,113</u>	<u>117,893</u>
Total Deposits and Investments	<u>\$ 5,427,244</u>	<u>\$ 4,604,744</u>

As of August 31, 2014, the College had the following investment and maturities:

Investment Type	Fair Value	Less than 1	1 to 3	4 to 5
U.S. Agencies	\$ 108,862	\$ -	\$ 108,862	\$ -
Investment Pools:				
Investment in TexPool	1,129	1,129	-	-
Investment in Texas Class	2,174	2,174	-	-
Investment in LOGIC Pool	910	910	-	-
Money Market Fund	<u>11,251</u>	<u>11,251</u>	-	-
Total Fair Value	<u>\$ 124,326</u>	<u>\$ 15,464</u>	<u>\$ 108,862</u>	<u>\$ -</u>

Interest Rate Risk – In accordance with state law and College policy, the College does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the College's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The College's investments in investment pools were rated AAA. The College's investments in FHLB were rated A2.

Concentration of Credit Risk – The College does not place a limit on the amount the College may invest in any other issuer. More than 5% of the College's investments are in Federal Home Loan Bank (87.56%).

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

Custodial Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a custodial credit risk.

The local government investment pools such as TexPool, Texas Class and Logic Pool are not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pools both seek to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state Comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters.

Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the College's position in TexPool is the same as the value of TexPool shares.

Logic Pool is co-administered by JPMorgan Chase and First Southwest Asset Management, Inc. The fair value of funds in Logic Pool is also the same as the value of Logic Pool shares.

Texas Class is administered by Cutwater Investors Services Corporation. The fair value of the funds in Texas Class is also the same fair value as Texas Class shares.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

5. Capital Assets

Capital asset activity for the year ended August 31, 2014 is as follows:

	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Subtotal	<u>476,889</u>	<u>-</u>	<u>-</u>	<u>476,889</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	<u>21,300,397</u>	<u>2,199,520</u>	<u>-</u>	<u>23,499,917</u>
Total Buildings and Other Capital Assets	<u>21,300,397</u>	<u>2,199,520</u>	<u>-</u>	<u>23,499,917</u>
Library Books	1,312,223	17,517	-	1,329,740
Telecommunications and Peripheral Equipment	4,574,347	160,617	-	4,734,964
Furniture, machinery, and equipment	<u>3,389,233</u>	<u>419,716</u>	<u>-</u>	<u>3,808,949</u>
Subtotal	<u>9,275,803</u>	<u>597,850</u>	<u>-</u>	<u>9,873,653</u>
Total Buildings and Other Capital Assets	<u>30,576,200</u>	<u>2,797,370</u>	<u>-</u>	<u>33,373,570</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	<u>(11,248,369)</u>	<u>(569,543)</u>	<u>-</u>	<u>(11,817,912)</u>
Total Buildings and Other Capital Assets	<u>(11,248,369)</u>	<u>(569,543)</u>	<u>-</u>	<u>(11,817,912)</u>
Library Books	(1,083,127)	(39,448)	-	(1,122,575)
Telecommunications and Peripheral Equipment	(2,803,677)	(540,983)	-	(3,344,660)
Furniture, machinery and equipment	<u>(1,939,869)</u>	<u>(256,356)</u>	<u>-</u>	<u>(2,196,225)</u>
Subtotal	<u>(5,826,673)</u>	<u>(836,787)</u>	<u>-</u>	<u>(6,663,460)</u>
Total Accumulated Depreciation	<u>(17,075,042)</u>	<u>(1,406,330)</u>	<u>-</u>	<u>(18,481,372)</u>
Net Other Capital Assets	<u>13,501,158</u>	<u>1,391,040</u>	<u>-</u>	<u>14,892,198</u>
Net Capital Assets	<u>\$ 13,978,047</u>	<u>\$ 1,391,040</u>	<u>\$ -</u>	<u>\$ 15,369,087</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

Capital assets activity for the year ended August 31, 2013 is as follows:

	Balance August 31, 2012	Increases	Decreases	Balance August 31, 2013
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Subtotal	<u>476,889</u>	<u>-</u>	<u>-</u>	<u>476,889</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	20,858,775	441,622	-	21,300,397
Total Buildings and Other Capital Assets	<u>20,858,775</u>	<u>441,622</u>	<u>-</u>	<u>21,300,397</u>
Library Books	1,300,083	12,140	-	1,312,223
Telecommunications and Peripheral Equipment	3,281,826	1,292,521	-	4,574,347
Furniture, machinery, and equipment	<u>3,293,612</u>	<u>95,621</u>	<u>-</u>	<u>3,389,233</u>
Subtotal	<u>7,875,521</u>	<u>1,400,282</u>	<u>-</u>	<u>9,275,803</u>
Total Buildings and Other Capital Assets	<u>28,734,296</u>	<u>1,841,904</u>	<u>-</u>	<u>30,576,200</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	(10,715,934)	(532,435)	-	(11,248,369)
Total Buildings and Other Capital Assets	<u>(10,715,934)</u>	<u>(532,435)</u>	<u>-</u>	<u>(11,248,369)</u>
Library Books	(1,040,448)	(42,679)	-	(1,083,127)
Telecommunications and Peripheral Equipment	(2,429,518)	(374,159)	-	(2,803,677)
Furniture, machinery and equipment	<u>(1,717,906)</u>	<u>(221,963)</u>	<u>-</u>	<u>(1,939,869)</u>
Subtotal	<u>(5,187,872)</u>	<u>(638,801)</u>	<u>-</u>	<u>(5,826,673)</u>
Total Accumulated Depreciation	<u>(15,903,806)</u>	<u>(1,171,236)</u>	<u>-</u>	<u>(17,075,042)</u>
Net Other Capital Assets	<u>12,830,490</u>	<u>670,668</u>	<u>-</u>	<u>13,501,158</u>
Net Capital Assets	<u>\$ 13,307,379</u>	<u>\$ 670,668</u>	<u>\$ -</u>	<u>\$ 13,978,047</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

6. Long – Term Liabilities

Maintenance Tax Notes, Series 2014

On August 14, 2014 the College issued \$1,500,000 Maintenance Tax Notes, Series 2014 secured by ad valorem taxes levied against all taxable property in the College District. The Notes carry interest rates of 2.510% and mature August 15, 2024. The Notes were issued for the purpose of financing improvements to the College’s facilities.

Long-term liability activity for the year ended August 31, 2014 is as follows:

	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014	Current Portion
<u>Bonds, Leases and Notes</u>					
Revenue Bonds	\$ 3,865,000	\$ -	\$ 335,000	\$ 3,530,000	\$ 347,000
Maintenance Tax Notes	4,144,000	1,500,000	309,000	5,335,000	449,000
Deferred amount on Refunding bonds	(76,726)	7,673	-	(69,053)	(7,673)
Capital Leases	481,683	-	312,088	169,595	169,595
Subtotal	<u>8,413,957</u>	<u>1,507,673</u>	<u>956,088</u>	<u>8,965,542</u>	<u>957,922</u>
<u>Other Liabilities</u>					
Compensated Absences	<u>371,110</u>	<u>344,486</u>	<u>432,527</u>	<u>283,069</u>	<u>-</u>
Total long term liabilities	<u>\$ 8,785,067</u>	<u>\$1,852,159</u>	<u>\$1,388,615</u>	<u>\$ 9,248,611</u>	<u>\$ 957,922</u>

Long-term liability activity for the year ended August 31, 2013 is as follows:

	Balance August 31, 2012	Increases	Decreases	Balance August 31, 2013	Current Portion
<u>Bonds, Leases and Notes</u>					
Revenue Bonds	\$ 2,845,000	\$3,865,000	\$2,845,000	\$ 3,865,000	\$ 335,000
Maintenance Tax Notes	2,482,000	1,800,000	138,000	4,144,000	309,000
Deferred amount on Refunding bonds	-	(76,726)	-	(76,726)	(7,673)
Capital Leases	213,368	508,744	240,429	481,683	236,661
Subtotal	<u>5,540,368</u>	<u>6,097,018</u>	<u>3,223,429</u>	<u>8,413,957</u>	<u>872,988</u>
<u>Other Liabilities</u>					
Compensated Absences	<u>462,693</u>	<u>188,000</u>	<u>279,583</u>	<u>371,110</u>	<u>-</u>
Total long term liabilities	<u>\$ 6,003,061</u>	<u>\$6,285,018</u>	<u>\$3,503,012</u>	<u>\$ 8,785,067</u>	<u>\$ 872,988</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

7. Debt Obligations

Debt service requirements at August 31, 2014 for bonds and notes are as follows:

For the year Ended <u>August 31,</u>	<u>Maintenance Tax Notes</u>			<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 449,000	\$ 164,451	\$ 613,451	\$ 347,000	\$ 110,489	\$ 457,489
2016	460,000	153,330	613,330	360,000	99,628	459,628
2017	473,000	141,484	614,484	366,000	88,360	454,360
2018	485,000	128,750	613,750	379,000	76,904	455,904
2019	499,000	114,975	613,975	391,000	65,041	456,041
2020-2024	2,531,000	326,699	2,857,699	1,687,000	133,964	1,820,964
2025-2029	438,000	24,986	462,986	-	-	-
	<u>\$5,335,000</u>	<u>\$1,054,675</u>	<u>\$6,389,675</u>	<u>\$3,530,000</u>	<u>\$574,386</u>	<u>\$4,104,386</u>

Defeased bonds outstanding:

Defeased bonds outstanding at August 31, 2014 totaled \$2,630,000.

Capital Leases

During 2013, the College entered into a lease agreement for the purchase of a telecommunications system for \$508,744. The scheduled maturity date of the final lease payment is June, 2015. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. Future minimum lease payments to be paid are as follows:

<u>Year Ending August 31</u>	
2015	\$ 174,684
Total	174,684
Less Amount Representing Interest (Rate 2.913% to 6.0631)	<u>(5,089)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 169,595</u>

8. Bonds Payable

General information related to bonds payable is summarized below:

- Bond Issue Name: Coastal Bend College Combined Fee Revenue Bonds, Series 2013
- Purpose of Bonds Issue: To purchase and improve a facility previously leased by the College.
- Issue Date: August 1, 2013
- Original Amount of Issue; Amount Authorized: \$3,865,000.
- Interest Rates: 3.13%
- Source of revenue for debt service – Pledged registration fees, out of district fees, student service fees and course fees.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

9. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all of its employees.

Teacher Retirement System of Texas

Plan Description

Coastal Bend 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 provision 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 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 the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2014, 2013, and 2012, and a state contribution rate of 3.2% for fiscal year 2014, 6.4% for fiscal year 2013, and 6.4% for fiscal year 2012.

Optional Retirement Plan

Plan Description

Participation in the Optional Retirement Program is in lieu of participation in the Teachers 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 contributed by the state and each participant are 3.2%, 5.3% and 6.65%, respectively. The College contributes 2.1% 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 \$721,743 and \$573,600 for the fiscal years ended August 31, 2014 and 2013, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

The total payroll for all College employees was \$11,010,063 and \$12,777,532 for fiscal years 2014 and 2013, respectively. The total payroll of employees covered by the Teacher Retirement System was \$7,975,946 and \$8,727,848, and the total payroll of employees covered by the Optional Retirement Program was \$3,232,916 and \$2,903,920 for fiscal years 2014 and 2013, respectively.

10. Deferred Compensation Program

College 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. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants.

11. Compensable Absences

Full-time employees earn annual leave of 10 days per year. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum carryover of 20 days. Employees with at least three months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized an accrued liability of \$3,083 and \$62,650 for the unpaid annual leave for 2014 and 2013. Sick leave, which can be accumulated to a maximum of 90 days, is earned at the rate of one day per month. It is paid to an employee who misses work because of illness. Employees with at least 10 years of service who terminate their employment are entitled to payment for all accumulated sick leave up to the maximum allowed. Annual sick leave of \$341,402 was recognized for 2014 and \$400,043 for 2013.

12. Operating Lease Commitments and Rental Agreement

The College completed the acquisition of the Kingsville site property in March 2014 and no longer maintains any operating lease commitments.

13. Funds Held in Trust by Others

The balances or transactions of funds, held in trust by others on behalf of Coastal Bend College are not reflected in the financial statements. At August 31, 2014 and 2013 there was one fund for the benefit of the College. The assets of this fund are administered by an appointed plan administrator.

14. Contract and Grant Award

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. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal 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 Institution has not yet performed services are not included in the financial statements. Contract and grant awards already committed, e.g. multi-year awards, or funds awarded during fiscal years 2014 and 2013 for which monies have not been received nor funds expended totaled \$0 and \$0.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

15. 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 these benefits if they reach normal retirement age while working for the State. These and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$503.14 per month for the year ended August 31, 2014 (\$470.38 per month for 2013) and totaled \$259,281 for 2014 (\$268,567 for the year ended 2013). The cost of providing those benefits for 131 retirees in the year ended 2014 was \$815,195 (retiree benefits for 119 retirees cost \$673,753 in 2013). For 223 active employees, the cost of providing benefits was \$1,436,409 for the year ended 2014 (active employee benefits for 232 employees cost \$1,624,925 for the year ended 2013).

16. Property Tax

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

As of August 31:

	<u>2014</u>	<u>2013</u>	
Assessed valuation of the District	\$ 2,295,279,910	\$ 2,074,402,370	
Less: Exemptions	901,017,200	893,925,421	
Less: Abatements	<u>14,184,910</u>	<u>14,419,520</u>	
Net assessed valuation of the District	<u>\$ 1,380,077,800</u>	<u>\$ 1,166,057,429</u>	
	<u>2014</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</u>	
Authorized tax rate per \$100 valuation	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>
Assessed tax rate per \$100 valuation	<u>\$ 0.155050</u>	<u>\$ 0.018830</u>	<u>\$ 0.173880</u>
	<u>2013</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</u>	
Authorized tax rate per \$100 valuation	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>
Assessed tax rate per \$100 valuation	<u>\$ 0.170670</u>	<u>\$ -</u>	<u>\$ 0.170670</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

Taxes levied for the years ended August 31, 2014 and 2013 amounted to \$2,368,487 and \$1,915,622, 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.

<u>Taxes Collected</u>	2014		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,007,476	\$ 242,168	\$ 2,249,644
Delinquent taxes collected	39,414	-	39,414
Penalties and interest collected	33,257	-	33,257
Less discounts and commissions	-	-	-
Total Collections	<u>\$ 2,080,147</u>	<u>\$ 242,168</u>	<u>\$ 2,322,315</u>

<u>Taxes Collected</u>	2013		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 1,826,941	\$ -	\$ 1,826,941
Delinquent taxes collected	49,059	-	49,059
Penalties and interest collected	28,067	-	28,067
Less discounts and commissions	-	-	-
Total Collections	<u>\$ 1,904,067</u>	<u>\$ -</u>	<u>\$ 1,904,067</u>

Tax collections for the years ended August 31, 2014 and 2013 were 97.53% and 99.40%, respectively of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

17. 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 tax under internal Revenue code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2014, and 2013.

18. Commitments and Contingencies

Contingencies

The College participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

Pending Lawsuits and Claims

On August 31, 2014, various lawsuits and claims involving Coastal Bend College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

19. Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2014 are as follows:

	2014	2013
Student receivable	\$ 2,353,065	\$ 1,690,152
Taxes receivable	143,816	133,922
Tuition Sponsor receivable	183,478	237,192
Contract and Grant receivable	3,801,317	3,359,790
Other receivables	35,255	71,478
Subtotal	6,516,931	5,492,534
Allowance for doubtful accounts	(102,930)	(98,774)
Total Receivables	\$ 6,414,001	\$ 5,393,760

Payables

Payables at August 31, 2014 are as follows:

	2014	2013
Vendors payable	\$ 1,314,319	\$ 590,004
Interest Payable	11,465	10,600
Other Payable	277,778	149,416
Total Payables	\$ 1,603,562	\$ 750,020

20. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2014

21. Post Employment Benefits Other than Pensions
(In accordance with GASB Statement 45)

Plan Description

Coastal Bend 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/>.

Funding Policy

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 lever 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.

The College's contributions to SRHP for the years ended August 31, 2014 and 2013 were \$93,453 and \$74,197, respectively, which equaled the required contributions each year.

22. Restatement of Net Assets

In accordance with GASB Statement 65, debt issuance costs incurred by the College are now required to be expensed in the year they are incurred. This update required a restatement of net assets for the period ending August 31, 2013. These debt issuance costs, typically capitalized and then amortized in accordance with the debt schedule, have been recorded as an expense for FY13 with a corresponding reduction in capital assets at August 31, 2013.

Beginning Net Assets for fiscal year August 31, 2014 have been restated as follows:

YEAR ENDED AUGUST 31, 2013	<u>Net Assets</u>
Beginning Net Assets, as originally reported	\$9,608,543
Restatement for debt issuance costs	(122,671)
Beginning Net Assets, as restated	<u>\$9,485,873</u>

**SUPPLEMENTAL INFORMATION
AND
FINANCIAL ASSISTANCE SECTION**

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

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2014 Total	2013 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 1,377,390	\$ -	\$ 1,377,390	\$ -	\$ 1,377,390	\$ 1,349,998
Out-of-district resident tuition	2,289,225	-	2,289,225	-	2,289,225	2,267,724
Non-resident tuition	40,084	-	40,084	-	40,084	24,625
TPEG set aside (set aside)*	222,221	-	222,221	-	222,221	237,000
State funded continuing education	85,343	-	85,343	-	85,343	179,993
TPEG - non-credit (set aside) *	-	-	-	-	-	-
Non-state funded continuing education	-	-	-	-	-	8,753
Total Tuition	<u>4,014,263</u>	<u>-</u>	<u>4,014,263</u>	<u>-</u>	<u>4,014,263</u>	<u>4,068,093</u>
Fees:						
Out of district fee	2,789,454	-	2,789,454	-	2,789,454	2,724,893
Distance learning fee	277,320	-	277,320	-	277,320	295,846
Installment plan fees	-	-	-	24,475	24,475	8,650
Dual credit fees	366,989	-	366,989	-	366,989	381,254
Individual course fees	816,119	-	816,119	-	816,119	833,124
General use fees	843,416	-	843,416	-	843,416	-
Registration fee	392,158	-	392,158	-	392,158	402,187
Total Fees	<u>5,485,456</u>	<u>-</u>	<u>5,485,456</u>	<u>24,475</u>	<u>5,509,931</u>	<u>4,645,954</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(307,658)	-	(307,658)	-	(307,658)	(249,649)
Remissions and exemptions - local	-	-	-	-	-	-
Title IV federal grants	(4,615,030)	-	(4,615,030)	-	(4,615,030)	(4,711,697)
Other federal grants	(3,871)	-	(3,871)	-	(3,871)	(8,491)
TPEG awards	(168,617)	-	(168,617)	-	(168,617)	(160,870)
Other state grants	(254,178)	-	(254,178)	-	(254,178)	(262,394)
Rising Star program	-	-	-	-	-	-
Other local grants	(98,063)	-	(98,063)	-	(98,063)	(253,821)
Total Scholarship Allowances	<u>(5,447,417)</u>	<u>-</u>	<u>(5,447,417)</u>	<u>-</u>	<u>(5,447,417)</u>	<u>(5,646,922)</u>
Total Net Tuition and Fees	<u>4,052,302</u>	<u>-</u>	<u>4,052,302</u>	<u>24,475</u>	<u>4,076,777</u>	<u>3,067,125</u>
Additional Operating Revenues:						
Federal grants and contracts	-	3,016,456	3,016,456	-	3,016,456	3,798,821
State grants and contracts	-	713,369	713,369	-	713,369	461,706
Sales and services of educational activities	118,669	-	118,669	-	118,669	111,410
General operating revenues	178,786	-	178,786	-	178,786	74,235
Total Additional Operating Revenues	<u>297,455</u>	<u>3,729,825</u>	<u>4,027,280</u>	<u>-</u>	<u>4,027,280</u>	<u>4,446,172</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	1,472,580	1,472,580	1,697,380
Less Discounts	-	-	-	(205,131)	(205,131)	(225,535)
Housing	-	-	-	861,323	861,323	693,252
Less Discounts	-	-	-	(125,267)	(125,267)	(137,809)
Child Care Center	-	-	-	110,132	110,132	126,895
Less Discounts	-	-	-	(22,570)	(22,570)	-
Student Programs	-	-	-	6,215	6,215	1,666
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,097,282</u>	<u>2,097,282</u>	<u>2,155,849</u>
Total Operating Revenues	<u>\$ 4,349,757</u>	<u>\$ 3,729,825</u>	<u>\$ 8,079,582</u>	<u>\$ 2,121,757</u>	<u>\$ 10,201,339</u>	<u>\$ 9,669,146</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$222,221 and \$237,000 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2014 and 2013, respectively

COASTAL BEND COLLEGE
Schedule of Operating Expenses by Object
For the 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 Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 5,098,450	\$ -	\$ 748,993	\$ 463,249	\$ 6,310,692	\$ 7,693,691
Public service	11,174	-	1,566	3,742	16,482	16,363
Academic support	526,530	-	71,694	118,184	716,408	623,161
Student services	710,713	-	106,210	186,077	1,003,000	1,048,235
Institutional support	2,008,441	-	530,851	1,970,595	4,509,887	4,214,816
Operation and maintenance of plant	774,254	-	206,873	1,020,809	2,001,936	1,925,462
Scholarships and fellowships	-	-	-	250,491	250,491	306,975
Total Unrestricted Educational Activities	<u>9,129,562</u>	<u>-</u>	<u>1,666,187</u>	<u>4,013,147</u>	<u>14,808,896</u>	<u>15,828,703</u>
Restricted - Educational Activities						
Instruction	247,115	764,078	23,639	50,230	1,085,062	1,444,039
Academic support	67,167	78,908	11,358	-	157,433	145,338
Student services	876,736	106,511	185,471	792,990	1,961,708	2,611,084
Institutional support	290,966	300,994	48,726	33,214	673,900	276,837
Operation and maintenance of plant	-	-	-	674,357	674,357	806,475
Scholarships and fellowships	23,285	-	553	1,275,816	1,299,654	1,522,610
Total Restricted Educational Activities	<u>1,505,269</u>	<u>1,250,491</u>	<u>269,747</u>	<u>2,826,607</u>	<u>5,852,114</u>	<u>6,806,383</u>
Total Educational Activities	10,634,831	1,250,491	1,935,934	6,839,754	20,661,010	22,635,086
Auxiliary Enterprises	375,233	-	91,753	1,880,127	2,347,113	2,348,876
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	569,543	569,543	532,435
Equipment and furniture	-	-	-	836,787	836,787	638,801
Total Operating Expenses	<u>\$ 11,010,064</u>	<u>\$ 1,250,491</u>	<u>\$ 2,027,687</u>	<u>\$ 10,126,211</u>	<u>\$ 24,414,453</u> (Exhibit 2)	<u>\$ 26,155,198</u> (Exhibit 2)

COASTAL BEND COLLEGE
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2014 Total</u>	<u>2013 Total</u>
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 6,403,582	\$ -	\$ -	\$ 6,403,582	\$ 6,322,062
State group insurance	-	981,024	-	981,024	865,711
State retirement matching	-	269,467	-	269,467	573,600
Total State Allocations	<u>6,403,582</u>	<u>1,250,491</u>	<u>-</u>	<u>7,654,073</u>	<u>7,761,373</u>
Ad valorem taxes:					
Taxes for maintenance and operations	2,077,625	-	-	2,077,625	1,887,014
Taxes for debt service	244,690	-	-	244,690	-
Title IV	-	5,946,515	-	5,946,515	5,932,317
Gifts	158,688	-	-	158,688	129,442
Other revenue	78,526	-	-	78,526	52,527
Investment income	3,781	-	-	3,781	70,621
Total Non-Operating Revenues	<u>8,966,892</u>	<u>7,197,006</u>	<u>-</u>	<u>16,163,898</u>	<u>15,833,294</u>
Non-Operating Expenses					
Interest on capital related debt	257,052	-	-	257,052	212,098
Other non-operating expense	-	(13,359)	-	(13,359)	1,816
Total Non-Operating Expenses	<u>257,052</u>	<u>(13,359)</u>	<u>-</u>	<u>243,693</u>	<u>213,914</u>
Net Non-Operating Revenues	<u>\$ 8,709,840</u>	<u>\$ 7,210,365</u>	<u>\$ -</u>	<u>\$ 15,920,205</u> (Exhibit 2)	<u>\$ 15,619,380</u> (Exhibit 2)

COASTAL BEND COLLEGE
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2014

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ 167,157	\$ -	\$ -	\$ -	\$ 167,157	\$ 167,157	\$ -
Restricted for:							
Nonexpendable:							
Student aid	-	309,320	-	-	309,320	309,320	-
Expendable:							
Student aid	-	-	531,670	-	531,670	-	531,670
Unexpended bond proceeds	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Auxiliary enterprises	-	-	-	-	-	-	-
Plant							
Debt service	-	965,595	-	-	965,595	-	965,595
Investment in plant	-	-	-	9,219,221	9,219,221	-	9,219,221
Total Net Position, August 31, 2014	167,157	1,274,915	531,670	9,219,221	11,192,963	476,477	10,716,486
Total Net Position, August 31, 2013	(612,208)	1,192,650	531,670	8,496,431	9,608,543	(300,219)	9,908,762
Adjustment to net position	-	-	-	(122,671)	(122,671)	-	(122,671)
Net Increase (Decrease) in Net Position	\$ 779,365	\$ 82,265	\$ -	\$ 845,461	\$ 1,707,091	\$ 776,696	\$ 930,395

SCHEDULE E

COASTAL BEND 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	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs:</i>			
TRIO Cluster			
TRIO Student Support Services	84.042		\$ 219,364
TRIO Upward Bound	84.044		336,167
TRIO Educational Talent Search	84.047		493,100
TRIO Upward Bound GOST	84.047M		241,880
Total TRIO Cluster:			<u>1,290,511</u>
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grants	84.007		72,842
Work-Study Program	84.033		84,876
Pell Grant Program	84.063		5,873,673
Direct Student Loans	84.268		3,359,565
Total Student Financial Assistance Cluster:			<u>9,390,956</u>
STEM Program	84.120		<u>878,688</u>
Total Direct Programs			<u>11,560,155</u>
<i>Pass Through From Del Mar College:</i>			
Title V - Celebrando Educacion	84.031s		<u>327,849</u>
Total Del Mar College			<u>327,849</u>
<i>Pass Through From Federal Correctional Institution:</i>			
Prison Program	16.000		<u>68,119</u>
Total Texas Higher Education Coordinating Board			<u>68,119</u>
<i>Pass Through From Texas Workforce Commission:</i>			
Adult Basic Education	84.002		<u>99,346</u>
Total Texas Workforce Commission			<u>99,346</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Carl Perkins Vocational	84.048		<u>202,458</u>
Total Texas Higher Education Coordinating Board			<u>202,458</u>
Total U.S. Department of Education			<u>12,257,927</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
<i>Direct Programs:</i>			
Temporary Assistance for Needy Families (TANF)	93.558		<u>64,609</u>
Total TANF			<u>64,609</u>
Total U.S. Department of Health and Human Services			<u>64,609</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,322,536</u>

COASTAL BEND COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Federal Grants and Contracts revenue - per Schedule A	\$ 3,016,456
Add: Non-Operating Revenue from Schedule C	5,946,515
Add: Direct Student Loans	<u>3,359,565</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 12,322,536</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the college for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule.

SCHEDULE F

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

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
College Work-study Program	9920050M	\$ 17,329
Texas Educational Opportunity Grant Program	PCA13399	<u>378,806</u>
Total Direct Funding		<u>396,135</u>
<i>Passed through from Alamo Community Colleges:</i>		
VAST Grant	-	<u>79,025</u>
Total passed through Alamo Community Colleges		<u>79,025</u>
Total Texas Higher Education Coordinating Board		<u>475,160</u>
DEPARTMENT OF STATE HEALTH SERVICES		
<i>Pass-Thru from University of Texas-Health Science Center Houston</i>		
Children's Learning Institute Grant	-	<u>29,379</u>
Total Department of State Health Services		<u>29,379</u>
TEXAS WORKFORCE COMMISSION		
Skills Development Fund	-	163,694
State Adult Education	-	<u>45,136</u>
Total Texas Workforce Commission		<u>208,830</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 713,369</u>

Notes to the Schedule on the following page.

COASTAL BEND COLLEGE
Notes to Schedule of Expenditures of State Awards
For the Year Ended August 31, 2014

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ 713,369
Total State Revenues per Schedule A	<u>\$ 713,369</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 of the notes to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**

**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**

To the Board of Trustees
Coastal Bend College
Beeville, 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 the Coastal Bend College, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Coastal Bend College's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

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

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2014-01).

Compliance and Other Matters

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

Public Funds Investment Act

We have performed tests designed to verify the District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2014, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

Coastal Bend College's Response to Findings

Coastal Bend College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Coastal Bend College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is for the information and use of the audit committee, the board of trustees, management, others within the entity, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Bunn & Hill, LLP

December 19, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Coastal Bend College
Beeville, Texas

Report on Compliance for Each Major Federal Program

We have audited the Coastal Bend College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Coastal Bend College's major federal programs for the year ended August 31, 2014. The Coastal Bend College's major federal 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Coastal Bend College's major federal 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Coastal Bend 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 program. However, our audit does not provide a legal determination of the Coastal Bend College's compliance.

Opinion on Each Major Federal Program

In our opinion, the Coastal Bend 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 programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of the Coastal Bend 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 Coastal Bend College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coastal Bend 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 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 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 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.

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. This report is intended solely for the information and use of the audit committee, the board of trustees, management, others within the entity, the Texas Higher Education Coordinating Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose.

Patricia Brown & Will, C.P.

December 19, 2014

**COASTAL BEND COLLEGE
BEEVILLE, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2014**

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unmodified.
Internal control over financial reporting: Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported.
Internal control over major programs: Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported.
Noncompliance which is material to the basic financial statements	No.
Type of auditors' report on compliance with major programs	Unmodified.
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and the State of Texas Single Audit Circular	Yes.
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	Yes
Major federal programs	TRIO Cluster (CFDA #84.042, #84.044 and #84.047) The Student Financial Aid Cluster (CFDA #84.007, #84.033, #84.063 and #84.268)
Major state programs	Texas Grant Program Texas Educational Opportunity Grant Program

COASTAL BEND COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2014

II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

Program

Findings/Noncompliance

Finding 2014-01

Accounting System and Financial Statements

Criteria:

The management of the Coastal Bend College is responsible for establishing and maintaining effective internal control over financial reporting with requirements of laws, regulations and contracts. Controls relative to timely close-out of financial statements at year-end should be in place, in order to provide management and those charged with governance with the necessary financial information to make appropriate decisions, and to ensure compliance with federal and state reporting guidelines.

Condition:

During our testing, we found that the College is not recording all transactions in their accounting system. As a result, the client prepares their annual financial report with only specific data from its accounting software.

Questioned Cost:

Questioned costs could not be quantified, as they do not apply to the conditions / finding being reported.

Effect:

Although the transactions that comprise the amounts and disclosures in the annual financial report are supported by adequate documentation and does not appear to be materially misstated, the data in the college's accounting software does not agree with the amounts in their annual financial report.

Recommendation:

We recommend that the College review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements in accordance with GAAP are prepared and available for managements' use, as well as for audit purposes.

III. Findings and Questioned Costs for Federal and State Awards

None reported.

COASTAL BEND COLLEGE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

IV. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported.

V. Prior Findings and Questioned Costs for Federal and State Awards

None reported.

COASTAL BEND COLLEGE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

Finding 2014-01:

The College has agreed to implement corrective measures in regards to the financial reporting of the District.

The Poise Software system was installed in 2006 and has the capabilities to close-out year end; even though the system is capable, the process has never been performed. Year -end accruals have also never been entered into the system.

In order for our financial statements to comply with GAAP, effective FY 2014 ending August 31, 2014 the transfer of expenditures to record Capital Assets will be recorded and the contributions from the State of Texas to fund benefits for Coastal Bend College employees will also be recorded as revenue to offset the expenditure. These and all other required year end accruals will be entered into the system, so the accounting system will agree with our financial report.

Person responsible for implementation:

Director of Business Services

Estimated date of completion:

February 28, 2015