

COASTAL BEND COLLEGE

ANNUAL FINANCIAL REPORT

AUGUST 31, 2015 AND 2014

**COASTAL BEND COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

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**COASTAL BEND COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2015**

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. George P. "Trace" Morrill III	Member	2020
Mr. Jeff Massengill	Member	2020
Mrs. Martha Warner	Member	2016

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Beatriz T. Espinoza	President
Ms. Guadalupe Ganceres	Executive Director of Student Services
Dr. Kyle Wagner	Vice President of Instruction and Economic Development
Ms. Dela Castillo	Executive 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 Coastal Bend College, as of and for the year ended August 31, 2015 and 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

Coastal Bend College's 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.

Auditors' 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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Coastal Bend College, as of August 31, 2015 and 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.

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,AICP)
Governmental Audit
Quality Center

Change in Accounting Principle

As discussed in Note 2 to the financial statements in 2015 the District adopted new accounting guidance, GASB Statement No.68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 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.

A handwritten signature in black ink that reads "Patten, Brown & Hill, CPAs". The signature is written in a cursive style with a vertical line separating "Brown" and "Hill".

Brownsville, Texas
December 4, 2015

Overview of Discussion and Analysis

Coastal Bend College is pleased to present its financial statements for 2015 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, 2015, 2014, and 2013.

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 position and their availability for expenditure by the institution.

The College's financial position as a whole changed during the year ending August 31, 2015, when compared to the snapshot from August 31, 2014.

Overall, current assets, which include cash and cash equivalents, short-term investments, accounts receivable, inventories and prepaid expenses, decreased by \$612,089. This decrease is partially due to a reduction in bookstore inventory. Management of the College bookstore was contracted to Texas Book Company during the year; the transition included Texas Book Company's assumption of existing book and supply inventories. The remaining decrease is attributed to late registration activities. This decrease is offset by lower deferred revenue in the current liabilities section. 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 \$807,506. This increase was due to the acquisition of capital assets for use by the College.

Meanwhile, current liabilities, which include accounts payable, funds held for others, deferred revenues, and bonds payable (current portion), decreased by \$1,149,232. This decrease is largely due to the above-mentioned decrease in deferred revenue, as well as less accounts payable. Notes payable increased by \$140,002 due to the acquisition of a heavy-duty truck for hauling mobile simulation labs and the purchase and installation of digital signage at all College locations.

Non-current liabilities, which include accrued compensable absences and bonds payable, increased significantly when compared to the August 31, 2014 snapshot. The increase of \$2,909,964 is due to a change in accounting principle. In FY15, the College implemented GASB Statement No. 68, which required the College to recognize its proportionate share of the overall pension liability of the Teacher Retirement System of Texas (TRS). At 0.013404% of the total TRS net position and pension liability, the proportionate share of the liability recognized by the College amounted to \$3,580,393.

Coastal Bend College

Management's Discussion and Analysis

Fiscal Year Ended August 31, 2015

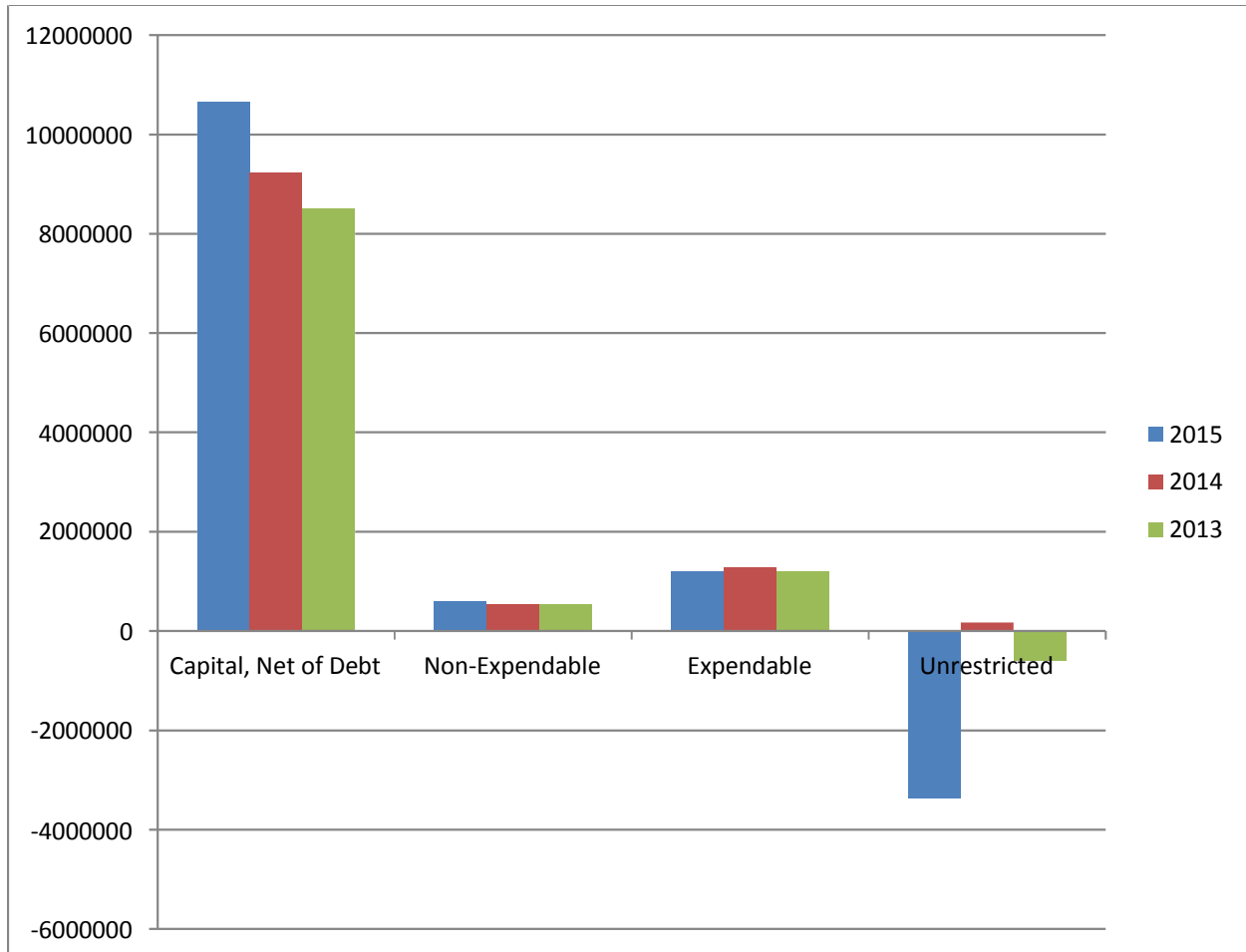
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Below is a condensed version of the institution's assets and liabilities:

	2015	2014	2013
Total Current Assets	\$7,909,120	\$8,521,209	\$8,680,927
Total Noncurrent Assets	20,102,337	19,294,831	18,209,059
Total Assets	28,024,075	27,816,040	26,889,988
Deferred Outflows	619,046	69,053	-
Total Current Liabilities	7,190,829	8,340,061	9,369,365
Total Noncurrent Liabilities	11,262,033	8,352,069	7,912,079
Total Liabilities	18,452,862	16,692,130	17,281,444
Deferred Inflows	1,095,254	-	-
Total Net Position	\$9,082,387	\$11,192,963	\$9,608,543

Thus, the total net position as of August 31, 2015 indicates a decrease of \$2,110,576 as compared to the institution's net position as of August 31, 2014. Excluding the increase for net pension liability, the College saw an increase in net position of \$1,946,025. Of this amount, the major increase was due to increased investment in capital assets. June 2015 saw the completion of the \$2.5 million renovation of Joe Hunter Field.

The portion of net position considered to be unrestricted dropped substantially compared to the prior year, and illustrates the effect of the implementation of GASB Statement No. 68 on the financial position of the College:



Unrestricted net position – the part of net position 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 balance of \$167,157 at August 31, 2014 to a deficit of \$3,365,221 at August 31, 2015. This decrease of \$3,532,378 is the cumulative effect of the increase in net position coming as a result of operations plus the negative impact of the implementation of GASB Statement No. 68.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents 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

Coastal Bend College

Management's Discussion and Analysis

Fiscal Year Ended August 31, 2015

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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 Position follows:

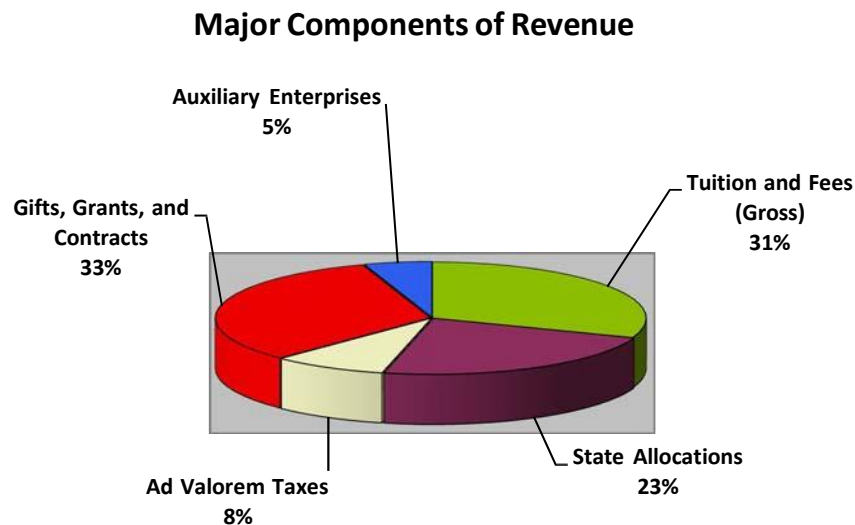
	2015	2014	2013
Operating Revenues	\$10,347,024	\$10,201,339	\$9,669,144
Operating Expenses	(25,608,651)	(24,414,453)	(26,155,197)
Operating Loss	(15,261,627)	(14,213,114)	(16,486,054)
Non-operating Revenues	17,207,652	15,920,205	15,619,380
Increase/(Decrease) in Net Position	\$1,946,025	\$1,707,091	\$(866,673)

Revenue

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	2015	2014	2013
Tuition and Fees (Gross)	\$10,147,497	\$9,524,195	\$8,714,046
State Allocations	7,584,915	7,654,073	7,761,373
Ad Valorem Taxes	2,839,872	2,319,813	1,887,014
Gifts, Grants, and Contracts			
Federal	9,665,236	8,961,272	9,731,138
State	1,115,788	714,664	461,706
Local	-	-	-
Private (Operating and Non-Operating)	-	-	-
Total Gifts, Grants, and Contracts	10,781,024	9,675,936	10,192,844
Auxiliary Enterprises	\$1,686,946	\$2,450,250	\$2,519,193

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



For the fiscal year ending August 31, 2015, gross tuition and fee revenue was approximately \$10,147,495 or \$623,300 higher than in fiscal year 2014. Factors contributing to the 2015 increase relate to an upward trend in student enrollments, particularly the dual enrollment segment. Legislation introduced by the State of Texas has eliminated existing district boundaries that previously limited partnerships between the College and high schools outside its service area. College administration has taken an aggressive approach in developing relationships with new and existing partner high schools to provide instruction to high school students. All tuition and fees for registrations for fall 2015 are shown in fiscal year 2016, not in fiscal year 2015.

Ad Valorem tax revenue for fiscal year 2015 increased from the prior year by approximately \$517,557. The College used a rollback tax rate in 2015, and this coupled with higher taxable assessed values throughout the district led to higher tax revenue.

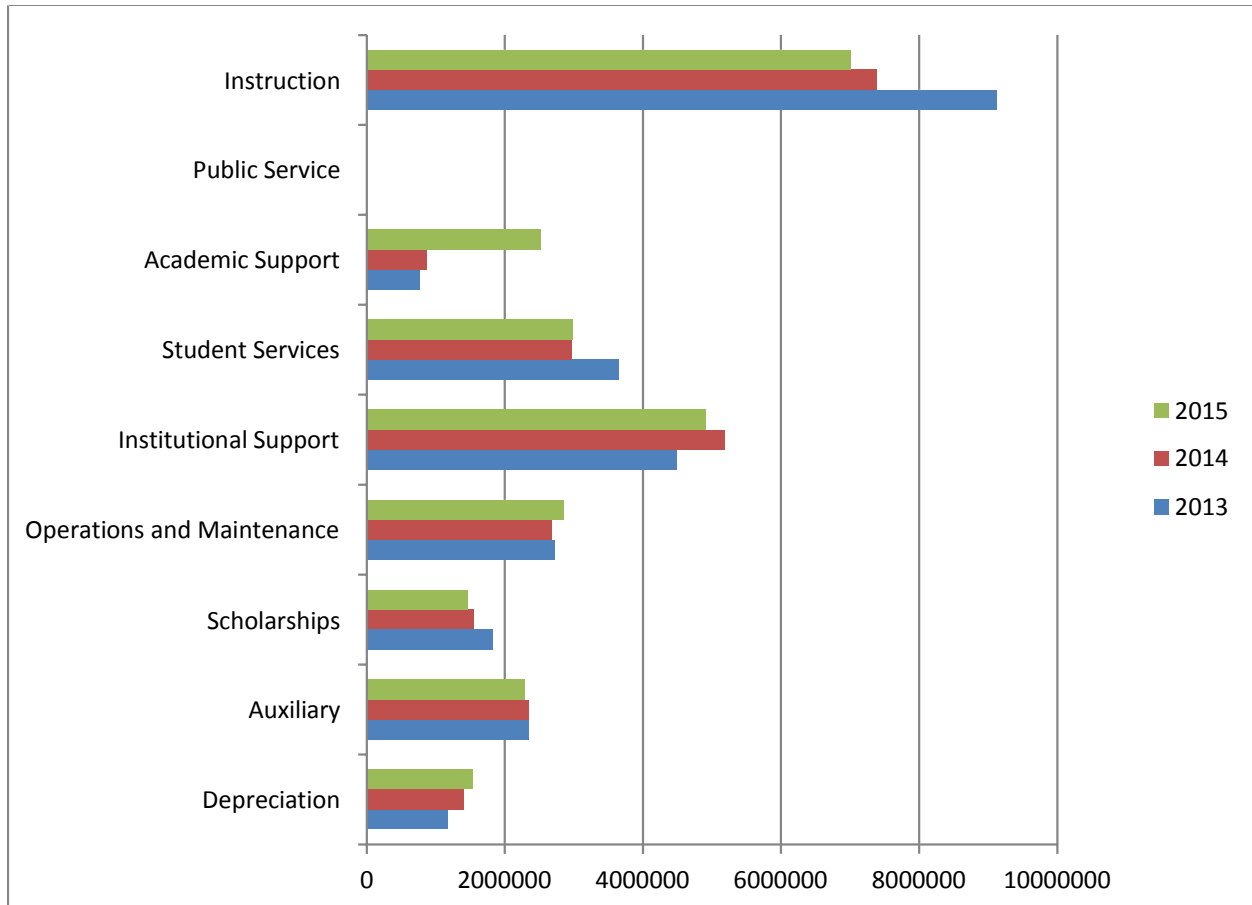
Operating Expenses by Functional Classification

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

The chart below shows the 2015 expenses compared to the 2014 and 2013 expenses.

Functional Classifications	2015	2014	2013
Instruction	\$7,015,738	\$7,395,754	\$9,137,730
Public Service	17,486	16,482	16,363
Academic Support	2,528,016	873,841	768,499
Student Services	2,981,466	2,964,708	3,659,319
Institutional Support	4,904,512	5,183,787	4,491,653
Operation and Maintenance of Plant	2,862,563	2,676,293	2,731,937
Scholarships and Fellowships	1,460,315	1,551,145	1,829,585
Auxiliary Enterprises	2,301,422	2,347,113	2,348,876
Depreciation	1,537,132	1,406,330	1,171,236
Total Operating Expenses	\$25,608,651	\$24,414,453	\$26,155,197

As the chart below visually demonstrates, differences existed in functional totals between 2015, 2014, and 2013. The majority of the College operating expenses continue to be dedicated to instruction and instructional support. In 2015, the majority of the operating expenses were dedicated to instruction and institutional support. Academic support increased substantially due to reclassification of expenses previously associated with Instruction or Institutional Support. This reclassification better aligns the reporting with the guidelines set forth by the Texas Higher Education Coordinating Board's Annual Financial Report manual. Expenses associated with the HSI STEM Project Oasis grant were also higher in fiscal year 2015, with fewer capitalized items as the remodeling of science labs nears completion.



The increase in operating expenses between fiscal year 2015 and fiscal year 2014 was \$1,194,199. A portion of the increase in expense is attributed to increases in pay for College personnel. The last cost of living pay adjustment took place in fiscal year 2011. Pay increases were made effective October 2014. Employees received pay increases of 2%, 3%, or 5% based on their pay at the time.

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:

	2015	2014	2013
Operating Activities	\$(13,756,906)	\$(12,470,068)	\$(14,232,997)
Noncapital Financing Activities	21,551,967	15,876,481	15,768,876
Capital and Related Financing Activities	(5,210,295)	(2,591,250)	438,362
Investing Activities	(5,153,574)	3,781	1,333,341
Changes in Cash and Cash Equivalents	\$(2,568,808)	\$818,944	\$3,307,582

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. The significant amounts for investing activities and the change in cash and cash equivalent are due to the effect of the implementation of GASB Statement No. 68 and THECB's guidance on its effect on the Statement of Cash Flows.

Economic Factors that Will Affect the Future

Local Economy Impact

South Texas and Coastal Bend College's nine counties service area are experiencing a readjustment to the local economy from the previous five year high impact of the Eagle Ford Shale (EFS) Play to a reduction in workforce by the thousands. High wage employment for entry-level workers ended and the workforce was redistributed with other less lucrative employment options for some and the return to college for retraining for others.

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 from two Early College High Schools in 2015 to seven for 2016. Dual enrollments increased dramatically from one-third of our credit enrollments to nearly one-half. 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 two years 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. Articulation agreements also support students' transfer to the university to pursue their bachelor's and advanced degrees.

In 2012 CBC began an aggressive program review process and further developed the process of college-wide institutional effectiveness. As in previous years, in 2015 the program review reports/data were used in developing the FY16 budget. The program review process cycle changed from its initial four year rotation to an annual 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 one program was designated as no longer viable in the region and cost effective to run at CBC.

In summer 2015 CBC applied for reaffirmation as a Leader College using the plan and data of the College's Quality Enhancement Plan (QEP) titled CBC Smart Start. The emphasis is on student success. Clearly CBC is committed to the College's strategic plan, Vision 2020 Keeping Student Success in Sight and the four goals that support educational quality, student services, community engagement, and fiscal responsibility. For all goals, except one, CBC met or exceeded the annual target. 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

As an annual review process, the CBC governing board assigns specific goals to direct the President and the college for the following year. The goals have been targeted to better college engagement, increase in student access and success, and fiscal responsibility. Goals for FY15 were met as well as goals for FY16 have been set and CBC staff are working toward that end. Goals for FY15 included: 1) Keep a focus on student success and evaluating them through the College's KPI measures and targets; 2) Stay on track with having a consistently balanced annual budget and building the College's reserve by contributing one-million dollars; 3) Showcasing BCC/CBC successes over the last 50 years and planning for the next 50; 4) Support leadership recruitment, retention, and development for CBC employees; 5) Bring CBC to the forefront of

community colleges at the state and national levels; and, 6) Increase dual enrollment partnerships and enrollments.

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. The 84th Legislative Session met and continued its formula funding for community colleges. CBC remained stable from the last biennium. Having the experience of budgeting for the biennial cycle has improved CBC's fiscal management. In FY15 CBC began to plan based on HB 5 which opened up the door for high school districts to work with their local community college for offering a minimum of five workforce tracks for high school students. The year was met with visits to over 35 high school districts to establish these tracks and student plans. This last session increased on that role by opening up dual enrollment for all high school students 9th – 12th graders and not just 11th and 12th graders. It also eliminated the minimum courses allowed to be taken by students. This will have a very positive impact and help achieve the goal of increasing CBC's early college and dual credit enrollments.

Regional Accreditation Impact

With the College's regional accreditation reaffirmed in summer 2014 for the next ten year period, the college focused its attention on renewing its partnership with Achieving the Dream National Reform Network by submitting its application for Leader College. The application was successful and CBC is reaffirmed as a Leader College through 2018. CBC is affirmed with SACSCOC through 2024, nursing through 2017, dental hygiene through 2019, and radiologic technology through 2021. CBC is in a position to keep its focus on excellence as it moves forward.

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, 2015

(With Memorandum Totals for the Year Ended August 31, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 1,372,825	\$ 1,813,969
Restricted cash and cash equivalents	611,813	-
Short-term investments	103,590	4,213
Accounts receivable (net)	5,807,700	6,414,001
Inventories	-	239,503
Prepaid expenses	<u>13,192</u>	<u>49,523</u>
Total Current Assets	<u>7,909,120</u>	<u>8,521,209</u>
Noncurrent Assets		
Restricted cash & cash equivalents	36,258	2,775,735
Endowment investments	590,614	713,214
Other long-term investments	1,110,508	120,113
Deferred charges	396,291	316,682
Capital assets (net)	<u>17,968,666</u>	<u>15,369,087</u>
Total Noncurrent Assets	<u>20,102,337</u>	<u>19,294,831</u>
Total Assets	<u>28,011,457</u>	<u>27,816,040</u>
DEFERRED OUTFLOWS		
Deferred outflows on refunding bonds	-	69,053
Deferred outflows related to pensions	<u>619,046</u>	<u>-</u>
Total Deferred Outflows	<u>619,046</u>	<u>69,053</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,312,364	1,603,562
Funds held for others	155,189	152,262
Unearned revenues	4,810,940	5,618,642
Leases payable - current portion	-	169,595
Notes payable - current portion	589,002	449,000
Bonds payable - current portion	<u>360,000</u>	<u>347,000</u>
Total Current Liabilities	<u>7,227,495</u>	<u>8,340,061</u>
Noncurrent Liabilities		
Accrued compensable absences - noncurrent portion	274,399	283,069
Notes payable - long term portion	4,547,575	4,886,000
Bonds payable - long term portion	2,823,000	3,183,000
Net pension liability	<u>3,580,393</u>	<u>-</u>
Total Noncurrent Liabilities	<u>11,225,367</u>	<u>8,352,069</u>
Total Liabilities	<u>18,452,862</u>	<u>16,692,130</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	<u>1,095,254</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,095,254</u>	<u>-</u>
NET POSITION		
Invested in capital assets, net of related debt	10,689,582	9,219,221
Restricted for		
Non-Expendable		
Endowments	590,614	531,670
Expendable		
Scholarships	255,076	309,320
Debt service	949,002	965,595
Unrestricted	<u>(3,401,887)</u>	<u>167,157</u>
Total Net Position (Schedule D)	<u>\$ 9,082,387</u>	<u>\$ 11,192,963</u>

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

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COASTAL BEND COLLEGE
Statement of Revenues, Expenses and
Changes in Net Position
For The Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	2015	2014
OPERATING REVENUES		
Tuition and fees (net of discounts of \$5,415,495 & \$5,447,417, respectively)	\$ 4,732,002	\$ 4,076,778
Federal grants and contracts	3,256,650	3,016,456
State grants and contracts	1,115,788	713,369
Sales and services of educational activities	157,888	118,669
Auxiliary enterprises (net of discounts of \$736,802 & \$352,968, respectively)	950,144	2,097,281
General operating revenues	134,552	178,786
Total Operating Revenues (Schedule A)	10,347,024	10,201,339
OPERATING EXPENSES		
Instruction	7,015,739	7,395,754
Public service	17,486	16,482
Academic support	2,528,016	873,841
Student services	2,981,465	2,964,708
Institutional support	4,904,513	5,183,787
Operation and maintenance of plant	2,862,563	2,676,293
Scholarships and fellowships	1,460,315	1,550,145
Auxiliary enterprises	2,301,422	2,347,113
Depreciation	1,537,132	1,406,330
Total Operating Expenses (Schedule B)	25,608,651	24,414,452
Operating (Loss)	(15,261,627)	(14,213,114)
Non-Operating Revenues (Expenses)		
State allocations	7,584,915	7,654,073
Title IV	6,408,586	5,946,515
Ad valorem taxes		
Taxes for maintenance and operations	2,207,151	2,077,625
Taxes for debt service	632,721	244,690
Gifts	168,517	158,688
Investment income (net of investment expenses)	(7,202)	3,781
Other income (expense)	490,548	91,885
Interest on capital related debt	(277,584)	(257,052)
Total Non-Operating Revenues (Expenses) (Schedule C)	17,207,652	15,920,205
Increase in Net Position	1,946,025	1,707,091
NET POSITION		
Net Position - Beginning of Year	11,192,963	9,608,543
Cumulative Effect of Change in Accounting Principle	(4,056,601)	(122,671)
Net Position - End of Year	\$ 9,082,387	\$ 11,192,963

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

COASTAL BEND COLLEGE

Statement of Cash Flows

For The Year Ended August 31, 2015

(With Memorandum Totals for the Year Ended August 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 5,974,584	\$ 5,459,188
Receipts from grants and contracts	4,372,438	6,497,871
Payments to suppliers for goods or services	(10,063,818)	(8,702,026)
Payments to or on behalf of employees	(12,758,581)	(14,352,445)
Payments of scholarships and fellowships	(1,460,315)	(1,551,440)
Other receipts	<u>178,786</u>	<u>178,784</u>
Net cash provided (used) by operating activities	<u>(13,756,906)</u>	<u>(12,470,068)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,584,915	7,654,073
Receipts from ad valorem taxes	2,868,655	2,360,750
Receipts from Non Operating Federal Revenue	6,408,586	5,946,515
Gifts	168,517	158,688
Deferred inflows/outflows net	476,208	-
Net pension	3,580,393	-
Payments for collection of taxes	(28,783)	(38,435)
Receipts from student organizations and other agency transactions	2,927	13,269
Payments to student organizations and other agency transactions	-	(225,012)
Other receipts	491,401	78,525
Other payments	<u>(852)</u>	<u>(71,892)</u>
Net cash provided by non-capital financing activities	<u>21,551,967</u>	<u>15,876,481</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on issuance of capital debt	-	1,500,000
Debt issuance costs	-	(36,600)
Purchases of capital assets	(4,136,711)	(2,920,041)
Payments on capital debt - principal	(796,000)	(889,022)
Payments on capital debt - interest	<u>(277,584)</u>	<u>(245,587)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,210,295)</u>	<u>(2,591,250)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,089,772)	-
Interest on investments	19,862	3,781
Loss on investments	(27,063)	-
Prior period adjustment	<u>(4,056,601)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(5,153,574)</u>	<u>3,781</u>
Increase (decrease) in cash and cash equivalents	(2,568,808)	818,944
Cash and cash equivalents - September 1	<u>4,589,704</u>	<u>3,770,760</u>
Cash and cash equivalents - August 31	<u>\$ 2,020,896</u>	<u>\$ 4,589,704</u>
Cash & cash equivalents	\$ 1,372,825	\$ 1,813,969
Restricted cash & cash equivalents	<u>648,071</u>	<u>2,775,735</u>
Total cash and cash equivalents	<u>\$ 2,020,896</u>	<u>\$ 4,589,704</u>

COASTAL BEND COLLEGE
Statement of Cash Flows
For The Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)
(Continued)

	2015	2014
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (15,261,627)	\$ (14,213,113)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	1,537,132	1,406,330
Payments made directly by state for benefits	1,278,513	1,250,491
Changes in assets and liabilities:		
Receivables (net)	(635,086)	(1,030,313)
Deferred expenses	79,609	(30,752)
Inventories	(239,503)	139,193
Prepaid expenses	(36,331)	(2,302,266)
Accounts payable	333,832	853,542
Funds held for others	2,927	(215,296)
Compensated absences	(8,670)	(88,041)
Deferred revenue	<u>(807,702)</u>	<u>1,760,157</u>
Net cash provided (used) by operating activities	<u>\$ (13,756,906)</u>	<u>\$ (12,470,068)</u>

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 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 the year ended August 31, 2015, the College implemented the provision of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This included for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

In the year of implementation of GASB 68, as amended by GASB 71, a restatement of beginning net position will be required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity’s fiscal year.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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.

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.

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, 2015 and 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. As of August 31, 2015, the College did not have any bookstore inventory.

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

Unearned Revenues

Tuition and fees of \$4,810,940 and \$5,618,642 have been reported as unearned revenues at August 31, 2015 and 2014, respectively.

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.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business type activity 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.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

4. Deposits and Investments

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

	August 31,	
	2015	2014
Bank Deposits		
Demand Deposits	\$ 2,608,528	\$ 5,300,980
Cash and Cash Equivalents		
Petty Cash on Hand	2,982	1,938
Total Cash and Deposits	\$ 2,611,510	\$ 5,302,918

During the year ended August 31, 2015 and 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 8/31/2015	Market Value 8/31/2014
Investments		
U.S. Agencies	\$ 1,108,926	\$ 108,862
Money Market Fund	100,952	11,251
Investment Pools	4,220	4,213
Total Investments	1,214,098	124,326
Total Cash and Deposits	2,611,510	5,302,918
Total Deposits and Investments	\$ 3,825,608	\$ 5,427,244
Cash and Cash Equivalents	\$ 1,372,825	\$ 1,813,969
Short Term Investments	103,590	4,213
Restricted Cash and Cash Equivalents	648,071	2,775,735
Endowment Investments	590,614	713,214
Other Long Term Investments	1,110,508	120,113
Total Deposits and Investments	\$ 3,825,608	\$ 5,427,244

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

As of August 31, 2015, the College had the following investment and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	4 to 5
U.S. Agencies	\$ 1,108,926	\$ -	\$ 1,108,926	\$ -
Investment Pools:				
Investment in TexPool	1,129	1,129	-	-
Investment in Texas Class	2,181	2,181	-	-
Investment in LOGIC Pool	910	910	-	-
Money Market Fund	<u>100,952</u>	<u>100,952</u>	<u>-</u>	<u>-</u>
Total Fair Value	<u>\$ 1,214,098</u>	<u>\$ 105,172</u>	<u>\$ 1,108,926</u>	<u>\$ -</u>

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

Investment Type	Fair Value	Investment Maturities (in Years)		
		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>	<u>-</u>	<u>-</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, 2015 and 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 position 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, 2015 and 2014

5. Capital Assets

Capital asset activity for the year ended August 31, 2015 is as follows:

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015
<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	23,499,917	2,967,550	-	26,467,467
Total Buildings and Other Capital Assets	<u>23,499,917</u>	<u>2,967,550</u>	<u>-</u>	<u>26,467,467</u>
 Library Books	1,329,740	-	-	1,329,740
Telecommunications and Peripheral Equipment	4,734,964	-	-	4,734,964
Furniture, Machinery, and Equipment	<u>3,808,949</u>	<u>1,169,162</u>	<u>-</u>	<u>4,978,111</u>
Subtotal	<u>9,873,653</u>	<u>1,169,162</u>	<u>-</u>	<u>11,042,815</u>
 Total Buildings and Other Capital Assets	<u>33,373,570</u>	<u>4,136,712</u>	<u>-</u>	<u>37,510,282</u>
 <u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	<u>(11,817,912)</u>	<u>(719,924)</u>	<u>-</u>	<u>(12,537,836)</u>
Total Buildings and Other Capital Assets	<u>(11,817,912)</u>	<u>(719,924)</u>	<u>-</u>	<u>(12,537,836)</u>
 Library Books	(1,122,575)	(36,718)	-	(1,159,293)
Telecommunications and Peripheral Equipment	(3,344,660)	(437,101)	-	(3,781,761)
Furniture, Machinery and Equipment	<u>(2,196,225)</u>	<u>(343,389)</u>	<u>-</u>	<u>(2,539,614)</u>
Subtotal	<u>(6,663,460)</u>	<u>(817,208)</u>	<u>-</u>	<u>(7,480,668)</u>
 Total Accumulated Depreciation	<u>(18,481,372)</u>	<u>(1,537,132)</u>	<u>-</u>	<u>(20,018,504)</u>
Net Other Capital Assets	<u>14,892,198</u>	<u>2,599,579</u>	<u>-</u>	<u>17,491,778</u>
Net Capital Assets	<u>\$ 15,369,087</u>	<u>\$ 2,599,579</u>	<u>\$ -</u>	<u>\$ 17,968,666</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

Capital assets 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	476,889	-	-	476,889
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	21,300,397	2,199,520	-	23,499,917
Total Buildings and Other Capital Assets	21,300,397	2,199,520	-	23,499,917
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	3,389,233	419,716	-	3,808,949
Subtotal	9,275,803	597,850	-	9,873,653
Total Buildings and Other Capital Assets	30,576,200	2,797,370	-	33,373,570
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	(11,248,369)	(569,543)	-	(11,817,912)
Total Buildings and Other Capital Assets	(11,248,369)	(569,543)	-	(11,817,912)
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	(1,939,869)	(256,356)	-	(2,196,225)
Subtotal	(5,826,673)	(836,787)	-	(6,663,460)
Total Accumulated Depreciation	(17,075,042)	(1,406,330)	-	(18,481,372)
Net Other Capital Assets	13,501,158	1,391,040	-	14,892,198
Net Capital Assets	\$ 13,978,047	\$ 1,391,040	\$ -	\$ 15,369,087

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

6. Long-Term Liabilities

Loan No 8845893210 – First National Bank of Beeville

On May 11, 2015, the College agreed to an unsecured promissory note in the amount of \$218,286 for the purchase of digital signage at all College locations. The note carries an interest rate of 3.5% and will be paid in eight quarterly payments beginning August 2015 and ending May 2017.

Loan No 8845893279 – First National Bank of Beeville

On July 6, 2015, the College agreed to an unsecured promissory note in the amount of \$59,577 for the purchase of a heavy-duty truck for hauling the mobile simulation labs. The note carries an interest rate of 3.5% and will be paid in three annual installments beginning July 2016 and ending July 2018.

Long-term liability activity for the year ended August 31, 2015 is as follows:

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015	Current Portion
<u>Bonds, Leases and Notes</u>					
Revenue Bonds	\$ 3,530,000	\$ -	\$ 347,000	\$ 3,183,000	\$ 360,000
Maintenance Tax Notes	5,335,000	-	449,000	4,886,000	460,000
Campus Signage Note	-	218,286	27,286	191,000	109,143
Heavy Duty Truck Note	-	59,577		59,577	19,859
Deferred amount on					
Refunding bonds	(69,053)	-	(69,053)	-	-
Capital Leases	<u>174,684</u>	<u>-</u>	<u>174,684</u>	<u>-</u>	<u>-</u>
Subtotal	<u>8,970,631</u>	<u>277,863</u>	<u>928,917</u>	<u>8,319,577</u>	<u>949,002</u>
<u>Other Liabilities</u>					
Net pension liability	-	3,580,393	-	3,580,393	-
Compensated Absences	<u>283,069</u>	<u>81,319</u>	<u>89,989</u>	<u>274,399</u>	<u>-</u>
Subtotal	<u>283,069</u>	<u>3,661,712</u>	<u>89,989</u>	<u>3,854,792</u>	<u>-</u>
Total long-term liabilities	<u>\$ 9,253,700</u>	<u>\$ 3,939,575</u>	<u>\$1,018,906</u>	<u>\$12,174,369</u>	<u>\$ 949,002</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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	<u>481,683</u>	<u>-</u>	<u>306,999</u>	<u>174,684</u>	<u>169,595</u>
Subtotal	<u>8,413,957</u>	<u>1,507,673</u>	<u>950,999</u>	<u>8,970,631</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>\$ 1,383,526</u>	<u>\$ 9,253,700</u>	<u>\$ 957,922</u>

7. Debt Obligations

Debt service requirements at August 31, 2015 for bonds and notes are as follows:

For the year Ended	<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>
August 31, 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
2020-2022	1,591,000	250,067	1,841,067	1,248,000	120,223	1,368,223
2023-2026	<u>1,378,000</u>	<u>101,618</u>	<u>1,479,618</u>	<u>439,000</u>	<u>13,741</u>	<u>452,741</u>
	<u>\$ 4,886,000</u>	<u>\$ 890,224</u>	<u>\$ 5,776,224</u>	<u>\$ 3,183,000</u>	<u>\$ 463,897</u>	<u>\$ 3,646,897</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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

For the year Ended	Maintenance Tax Notes			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
August 31,						
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, 2015 totaled \$2,630,000.

Capital Leases

The College has no capital leases outstanding as of August 31, 2015.

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.

9. Employees' Retirement Plan

Defined Benefit Pension Plan

Plan Description

The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability requirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries time years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit.

There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislatures as noted in the Plan description in (A) above.

Contributions

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

Employee contribution rates are set in state status, Texas Government Code 825.402. Senate Bills 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employee contribution rate for fiscal years 2014 and 2015.

Contribution Rate

	2015	2014
Member	6.40%	6.70%
Non-Employer contribution Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
FY14 District Contributions	\$ 262,713	\$ -
FY14 State of Texas On-behalf Contributions	\$ 175,142	\$ -

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, as amended October 1, 2014, are summarized below:

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

*The expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2014 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis.

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District proportionate share of the			
net pension liability:	\$ 6,397,946	\$ 3,580,393	\$ 1,473,389

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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

At August 31, 2015, the College reported a liability of \$3,580,393 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

District's Proportionate share of the collective net pension liability	\$3,580,393
State's proportionate share that is associated with District	<u>1,877,347</u>
Total	<u>\$5,457,740</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At the measurement date of August 31, 2014 the employer's proportion of the collective net pension liability was 0.0134040%. The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the College recognized pension expense of \$173,557 and revenue of \$173,557 for support provided by the State.

At August 31, 2014, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,397,946	\$ -
Changes in actuarial assumptions	232,730	-
Differences between projected and actual investment earnings	-	1,094,315
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	-	939
Total	\$ 6,630,676	\$ 1,095,254

	Pension Expense Amount
For the year ended August 31:	
2016	\$ (225,134)
2017	(225,134)
2018	(225,134)
2019	(225,134)
2020	48,444
Thereafter	44,940

At August 31, 2015, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts per August 31, 2014 measurement date	\$ 288,102	\$ 1,095,254
Changes in actuarial assumptions	(22,806)	-
Contributions paid to TRS subsequent to the measurement date	353,750	-
Total	\$ 619,046	\$ 1,095,254

See the Required Supplementary Information section for the Schedule of District's Share of Net Pension Liability and the Schedule of District's Contributions.

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.

COASTAL BEND COLLEGE
Notes to the Financial Statements
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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, the college, and each participant are 3.3%, 3.3% and 6.65%, respectively. 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 \$353,750 and \$721,743 for the fiscal years ended August 31, 2015 and 2014, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$10,780,111 and \$11,010,063 for fiscal years 2015 and 2014, respectively. The total payroll of employees covered by the Teacher Retirement System was \$7,750,856 and \$7,571,265, and the total payroll of employees covered by the Optional Retirement Program was \$1,535,874.34 and \$1,918,046 for fiscal years 2015 and 2014, 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 \$26,699 and \$3,083 for the unpaid annual leave for 2015 and 2014. 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 of all accumulated sick leave up to the maximum allowed. Annual sick leave of \$54,620 was recognized for 2015 and \$341,402 for 2014.

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, 2015 and 2014 there was one fund for the benefit of the College. The assets of this fund are administered by an appointed plan administrator.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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 2015 and 2014 for which monies have not been received nor funds expended totaled \$0 and \$0.

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 \$537.66 per month for the year ended August 31, 2015 (\$503.14 per month for 2014) and totaled \$627,685 for 2015 (\$259,281 for the year ended 2014). The cost of providing those benefits for 144 retirees in the year ended 2015 was \$958,429 (retiree benefits for 135 retirees cost \$815,195 in 2014). For 221 active employees, the cost of providing benefits was \$1,417,910 for the year ended 2015 (active employee benefits for 223 employees cost \$1,436,409 for the year ended 2014).

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

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 within the district.

As of August 31:

	2015	2014
Assessed valuation of the District	\$ 2,819,624,760	\$ 2,295,279,910
Less: Exemptions	1,101,791,310	901,017,200
Less: Abatements	17,128,290	14,184,910
Net assessed valuation of the District	\$ 1,700,705,160	\$ 1,380,077,800

	2015		
	Current Operations	Debt Service	Total
Authorized taxrate per \$100 valuation	\$ 0.500000	\$ 0.500000	\$ 1.000000
Assessed taxrate per \$100 valuation	\$ 0.137390	\$ 0.039990	\$ 0.177380

	2014		
	Current Operations	Debt Service	Total
Authorized taxrate per \$100 valuation	\$ 0.500000	\$ 0.500000	\$ 1.000000
Assessed taxrate per \$100 valuation	\$ 0.155050	\$ 0.018830	\$ 0.173880

Taxes levied for the years ended August 31, 2015 and 2014 amounted to \$2,943,547 and \$2,368,487, 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.

	2015		
Taxes Collected	Current Operations	Debt Service	Total
Current taxes collected	\$ 2,134,997	\$ 632,721	\$ 2,767,717
Delinquent taxes collected	35,391	-	35,391
Penalties and interest collected	36,763	-	36,763
Total Collections	\$ 2,207,151	\$ 632,721	\$ 2,839,872

	2014		
Taxes Collected	Current Operations	Debt Service	Total

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

Current taxes collected	\$ 2,004,954	\$ 244,690	\$ 2,249,644
Delinquent taxes collected	39,414	-	39,414
Penalties and interest collected	<u>33,257</u>	<u>-</u>	<u>33,257</u>
Total Collections	<u>\$ 2,077,625</u>	\$ 244,690	\$ 2,322,315

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

Tax collections for the years ended August 31, 2015 and 2014 were 96.48% and 97.53%, 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, 2015, and 2014.

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.

Pending Lawsuits and Claims

On August 31, 2015, 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 are as follows:

	2015	2014
Student receivables	\$ 2,345,284	\$ 2,353,065
Taxes receivable	114,653	143,816
Tuition sponsor receivables	141,407	183,478
Contract and grant receivables	3,303,303	3,801,317
Other receivables	<u>11,485</u>	<u>35,255</u>
Subtotal	5,916,132	6,516,931
Allowance for doubtful accounts	<u>(108,432)</u>	<u>(102,930)</u>
Total Receivables	<u>\$ 5,807,700</u>	<u>\$ 6,414,001</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

Payables

Payables at August 31 are as follows:

	2015	2014
Vendors payable	\$ 1,158,000	\$ 1,314,319
Interest payable	10,539	11,465
Other payables	143,825	277,778
Total Payables	\$ 1,312,364	\$ 1,603,562

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 2015, 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.

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2015 and 2014

The College's contributions to SRHP for the years ended August 31, 2015 and 2014 were \$99,995 and \$93,453, respectively, which equaled the required contributions each year.

22. Restatement of Net Position

During the implementation of GASB Statement No. 68, as amended by GASB 71, the College was required to restate beginning net position as a result of the recording of beginning net pension liability and for the recording of deferred outflows of resources for contribution made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year.

Beginning net position as of September 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Since the College does not have all the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions required to properly restate fiscal year 2014 financial statements, the restatement will be made directly to the beginning net position in the fiscal year financial statements as a cumulative effect of a change in accounting principle.

Prior Year Restatement of Beginning Net Position

Beginning net position	\$11,192,963
Adjustment to beginning net position	<u>(4,056,601)</u>
Beginning net position, as restated	<u>\$7,136,362</u>

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

COASTAL BEND COLLEGE
Schedule of the District's Share of Net Pension Liability
Teacher Retirement System
For the Year Ended August 31, 2015

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0134040%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,580,393
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>1,877,347</u>
Total	<u>\$ 5,457,740</u>
District's Covered Employee Payroll	7,571,265
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	47.29%
Plan Fiduciary Net Position as a percentage of Total Pension Liability	83.25%

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COASTAL BEND COLLEGE
Schedule of the District's Contributions
Teacher Retirement System
For the Year Ended August 31, 2015

	<u>2015</u>
Contractually Required Contribution	\$ 353,750
Contribution in Relation to the Contractually Required Contribution	_____ (353,750)
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered Employee Payroll Total	\$ 7,750,856
 Contributions as a percentage of Covered Employee Payroll	 4.56%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**SUPPLEMENTAL INFORMATION
AND
FINANCIAL ASSISTANCE SECTION**

COASTAL BEND COLLEGE
Schedule of Operating Revenues For
the Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2015 Total	2014 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 1,429,789	\$ -	\$ 1,429,789	\$ -	\$ 1,429,789	\$ 1,377,390
Out-of-district resident tuition	2,253,235	-	2,253,235	-	2,253,235	2,289,225
Non-resident tuition	28,319	-	28,319	-	28,319	40,084
TPEG set aside (set aside)*	303,055	-	303,055	-	303,055	222,221
State funded continuing education	200,471	-	200,471	-	200,471	85,343
TPEG - non-credit (set aside) *	-	-	-	-	-	-
Non-state funded continuing education	<u>3,308</u>	<u>-</u>	<u>3,308</u>	<u>-</u>	<u>3,308</u>	<u>-</u>
Total Tuition	<u>4,218,177</u>	<u>-</u>	<u>4,218,177</u>	<u>-</u>	<u>4,218,177</u>	<u>4,014,263</u>
Fees:						
Out of district fee	2,826,634	-	2,826,634	-	2,826,634	2,789,454
Distance learning fee	480,046	-	480,046	-	480,046	277,320
Installment plan fees	30,872	-	30,872	-	30,872	24,475
Dual credit fees	503,316	-	503,316	-	503,316	366,989
Individual course fees	800,810	-	800,810	-	800,810	816,119
General use fees	853,958	-	853,958	-	853,958	843,416
Registration fee	<u>433,684</u>	<u>-</u>	<u>433,684</u>	<u>-</u>	<u>433,684</u>	<u>392,158</u>
Total Fees	<u>5,929,320</u>	<u>-</u>	<u>5,929,320</u>	<u>-</u>	<u>5,929,320</u>	<u>5,509,931</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(282,101)	-	(282,101)	-	(282,101)	(307,658)
Remissions and exemptions - local	(71,836)	-	(71,836)	-	(71,836)	-
Title IV federal grants	(4,461,455)	-	(4,461,455)	-	(4,461,455)	(4,615,030)
Other federal grants	(486)	-	(486)	-	(486)	(3,871)
TPEG awards	(166,212)	-	(166,212)	-	(166,212)	(168,617)
Other state grants	(260,023)	-	(260,023)	-	(260,023)	(254,178)
Other local grants	<u>(173,382)</u>	<u>-</u>	<u>(173,382)</u>	<u>-</u>	<u>(173,382)</u>	<u>(98,063)</u>
Total Scholarship Allowances	<u>(5,415,495)</u>	<u>-</u>	<u>(5,415,495)</u>	<u>-</u>	<u>(5,415,495)</u>	<u>(5,447,417)</u>
Total Net Tuition and Fees	<u>4,732,002</u>	<u>-</u>	<u>4,732,002</u>	<u>-</u>	<u>4,732,002</u>	<u>4,076,777</u>
Additional Operating Revenues:						
Federal grants and contracts	-	3,256,650	3,256,650	-	3,256,650	3,016,456
State grants and contracts	-	1,115,788	1,115,788	-	1,115,788	713,369
Sales and services of educational activities	157,888	-	157,888	-	157,888	118,669
General operating revenue	<u>134,552</u>	<u>-</u>	<u>134,552</u>	<u>-</u>	<u>134,552</u>	<u>178,786</u>
Total Additional Operating Revenues	<u>292,440</u>	<u>4,372,438</u>	<u>4,664,878</u>	<u>-</u>	<u>4,664,878</u>	<u>4,027,280</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	808,642	808,642	1,472,580
Less Discounts	-	-	-	(437,030)	(437,030)	(205,131)
Housing	-	-	-	728,757	728,757	861,323
Less Discounts	-	-	-	(273,019)	(273,019)	(125,267)
Child Care Center	-	-	-	142,201	142,201	110,132
Less Discounts	-	-	-	(26,753)	(26,753)	(22,570)
Student Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,346</u>	<u>7,346</u>	<u>6,215</u>
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>950,144</u>	<u>950,144</u>	<u>2,097,282</u>
Total Operating Revenues	<u>\$ 5,024,442</u>	<u>\$ 4,372,438</u>	<u>\$ 9,396,880</u>	<u>\$ 950,144</u>	<u>\$ 10,347,024</u>	<u>\$ 10,201,339</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$303,055 and \$222,221 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2015 and 2014, respectively.

COASTAL BEND COLLEGE
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Operating Expenses				2015 <u>Total</u>	2014 <u>Total</u>
	<u>Salaries and Wages</u>	<u>State Benefits</u>	<u>Local Benefits</u>	<u>Other Expenses</u>		
Unrestricted - Educational Activities						
Instruction	\$ 4,778,609	\$ -	\$ 625,229	\$ 606,368	\$ 6,010,206	\$ 6,310,692
Public service	-	-	-	17,486	17,486	16,482
Academic support	1,026,620	-	113,166	405,435	1,545,221	716,408
Student services	715,026	-	91,609	204,016	1,010,651	1,003,000
Institutional support	1,644,089	-	490,441	2,512,395	4,646,925	4,509,887
Operation and maintenance of plant	928,897	-	321,171	910,487	2,160,555	2,001,936
Scholarships and fellowships	-	-	-	84,799	84,799	250,491
Total Unrestricted Educational Activities	<u>9,093,241</u>	<u>-</u>	<u>1,641,616</u>	<u>4,740,986</u>	<u>15,475,843</u>	<u>14,808,896</u>
Restricted - Educational Activities						
Instruction	100,154	748,676	6,217	150,486	1,005,533	1,085,062
Academic support	330,259	160,831	76,860	414,845	982,795	157,433
Student services	872,731	111,419	177,859	808,805	1,970,814	1,961,708
Institutional support	-	257,588	-	-	257,588	673,900
Operation and maintenance of plant	-	-	-	702,008	702,008	674,357
Scholarships and fellowships	17,917	-	403	1,357,196	1,375,516	1,299,654
Total Restricted Educational Activities	<u>1,321,061</u>	<u>1,278,514</u>	<u>261,339</u>	<u>3,433,340</u>	<u>6,294,254</u>	<u>5,852,114</u>
Total Educational Activities	10,414,302	1,278,514	1,902,955	8,174,326	21,770,097	20,661,010
Auxiliary Enterprises	365,809	-	75,516	1,860,097	2,301,422	2,347,113
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	719,924	719,924	569,543
Equipment and furniture	-	-	-	817,208	817,208	836,787
Total Operating Expenses	<u>\$ 10,780,111</u>	<u>\$ 1,278,514</u>	<u>\$ 1,978,471</u>	<u>\$ 11,571,555</u>	<u>\$ 25,608,651</u>	<u>\$ 24,414,453</u>
				(Exhibit 2)	(Exhibit 2)	

COASTAL BEND COLLEGE
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	Auxiliary Enterprises	2015 Total	2014 Total
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 6,311,499	\$ -	\$ -	\$ 6,311,499	\$ 6,403,582
State group insurance	-	1,052,933	-	1,052,933	981,024
State retirement matching	-	220,483	-	220,483	269,467
Total State Allocations	<u>6,311,499</u>	<u>1,273,416</u>	<u>-</u>	<u>7,584,915</u>	<u>7,654,073</u>
Ad valorem taxes:					
Taxes for maintenance and operations	2,207,151	-	-	2,207,151	2,077,625
Taxes for debt service	632,721	-	-	632,721	244,690
Title IV	-	6,408,586	-	6,408,586	5,946,515
Gifts	168,517	-	-	168,517	158,688
Investment income/(loss)	(7,200)	-	-	(7,200)	78,526
Other non-operating revenue	491,401	-	-	491,401	3,781
Total Non-Operating Revenues	<u>9,842,828</u>	<u>7,682,002</u>	<u>-</u>	<u>17,486,091</u>	<u>16,163,898</u>
Non-Operating Expenses					
Interest on capital related debt	277,584	-	-	277,584	257,052
Other non-operating expense	853	-	-	853	(13,359)
Total Non-Operating Expenses	<u>278,436</u>	<u>-</u>	<u>-</u>	<u>278,437</u>	<u>243,693</u>
Net Non-Operating Revenues	<u>\$ 9,564,392</u>	<u>\$ 7,682,002</u>	<u>\$ -</u>	<u>\$ 17,207,652</u>	<u>\$ 15,920,205</u>
				(Exhibit 2)	(Exhibit 2)

COASTAL BEND COLLEGE
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2015

	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	\$ (3,365,221)	\$ -	\$ -	\$ -	\$ (3,365,221)	\$ (3,365,221)	\$ -
Restricted for:							
Nonexpendable:					-		
Student aid	-	255,076	-	-	255,076	255,076	-
Expendable:					-		
Student aid	-	-	590,614	-	590,614	-	590,614
Unexpended bond proceeds	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Auxiliary enterprises	-	-	-	-	-	-	-
Plant					-		
Debt service	-	949,002	-	-	949,002	-	949,002
Investment in plant	-	-	-	10,652,916	10,652,916	-	10,652,916
Total Net Position, August 31, 2015	(3,365,221)	1,204,078	590,614	10,652,916	9,082,387	(3,110,145)	12,192,532
Total Net Position, August 31, 2014	<u>167,157</u>	<u>1,274,915</u>	<u>531,670</u>	<u>9,219,221</u>	<u>11,192,963</u>	<u>476,477</u>	<u>10,716,486</u>
Adjustment to net position	<u>(4,056,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,056,601)</u>	<u>(4,056,601)</u>	<u>-</u>
Net Increase (Decrease) in Net Position	\$ (3,532,378)	\$ (70,837)	\$ 58,944	\$ 1,433,695	\$ (2,110,576)	\$ (3,586,622)	\$ 1,476,046

COASTAL BEND COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

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		\$ 253,493
TRIO Upward Bound	84.044		371,900
TRIO Educational Talent Search	84.047		491,457
TRIO Upward Bound GOST	84.047M		<u>244,132</u>
Total TRIO Cluster:			<u>1,360,981</u>
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grants	84.007		71,577
Work-Study Program	84.033		87,686
Pell Grant Program	84.063		6,337,009
Direct Student Loans	84.268		<u>3,134,873</u>
Total Student Financial Assistance Cluster:			<u>9,631,145</u>
STEM Program	84.120		<u>1,083,353</u>
Total Direct Programs			<u>12,075,480</u>
<i>Pass Through From Del Mar College:</i>			
Title V - Celebrando Educacion	84.031s		<u>409,938</u>
Total Del Mar College			<u>409,938</u>
<i>Pass Through From Federal Correctional Institution:</i>			
Prison Program	16.000		<u>44,195</u>
Total Texas Higher Education Coordinating Board			<u>44,195</u>
<i>Pass Through From Texas State University</i>			
REENERGIZE Texas	84.12		<u>23,062</u>
Total Texas State University			<u>23,062</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Carl Perkins Vocational	84.048		<u>247,435</u>
Total Texas Higher Education Coordinating Board			<u>247,435</u>
Total U.S. Department of Education			<u>12,800,110</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,800,110</u>

Notes to the Schedule on the following page.

COASTAL BEND COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Federal Grants and Contracts revenue - per Schedule A	\$ 3,256,650
Add: Non-Operating Revenue from Schedule C	6,408,586
Add: Direct Student Loans	<u>3,134,873</u>
Total Federal Revenues per Schedule E	<u>\$ 12,800,110</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, 2015

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
College Work-study Program	9920050M	\$ 17,917
Texas Educational Opportunity Grant Program	PCA13399	<u>335,622</u>
Total Direct Funding		<u>353,546</u>
<i>Passed through from Alamo Community Colleges:</i>		
VAST Grant	-	<u>98,449</u>
Total passed through Alamo Community Colleges		<u>98,449</u>
Total Texas Higher Education Coordinating Board		<u>451,995</u>
DEPARTMENT OF STATE HEALTH SERVICES		
<i>Pass-Thru from University of Texas-Health Science Center Houston</i>		
Children's Learning Institute Grant	-	<u>31,119</u>
Total Department of State Health Services		<u>31,119</u>
TEXAS STATE COMPTROLLER'S OFFICE		
Jet Grant Round 8	5464-05	347,394
Jet Grant Round 9	5535-16	<u>276,993</u>
Total Texas State Comptroller's Office		<u>624,387</u>
TEXAS WORKFORCE COMMISSION		
Self-Sufficiency Fund Program	2214SSF000	<u>8,287</u>
Total Texas Workforce Commission		<u>8,287</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 1,115,788</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, 2015

Note 1: State Assistance Reconciliation

State Assistance Reconciliation

per Schedule of Expenditures of State Awards	\$ <u>1,115,788</u>
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Total State Revenues per Schedule A	\$ <u>1,115,788</u>
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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 AUDITORS' 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 Coastal Bend College as of and for the year ended August 31, 2015, and the related notes to the financial statements and have issued our report thereon dated December 4, 2015.

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).

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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*.

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.



Brownsville, Texas
December 4, 2015



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

To the Board of Trustees
Coastal Bend College
Beeville, Texas

Report on Compliance for Compliance for Each Major Federal and State Program

We have audited the compliance of Coastal Bend College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular that could have a direct and material effect on each of the Coastal Bend College's major federal and state programs for the year ended August 31, 2015. Coastal Bend College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Coastal Bend College's major federal and state programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, State of Texas Single Audit Circular, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. 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 and state program. However our audit does not provide a legal determination of the Coastal Bend College's compliance.

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Opinion on Each Major Federal and State Program

In our opinion, Coastal Bend College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2015.

Report on Internal Control over Compliance

Management of 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 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 and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, 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 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

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Brownsville, Texas
December 4, 2015

COASTAL BEND COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

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)?	Yes.
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	None reported.
Dollar threshold considered between Type A and Type B federal programs	\$384,003
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	No
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	JET Grant Round 8 JET Grant Round 9

COASTAL BEND COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2015

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

See Summary Schedule of Prior Year Findings.

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 AUGUST 31, 2015

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

<u>Program</u>	<u>Findings/Noncompliance</u>
<i><u>Finding 2014-01</u></i>	<i>Accounting System and Financial Statements</i>
<i>Criteria:</i>	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.
<i>Condition:</i>	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.
<i>Questioned Cost:</i>	Questioned costs could not be quantified, as they do not apply to the conditions / finding being reported.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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.
<i>Current Year Status:</i>	Item not corrected.

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, 2015

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, 2016

(Last page.)