BLINN COLLEGE

ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended
August 31, 2015

BLINN COLLEGE
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BLINN COLLEGE

Organizational Data
Year Ended August 31, 2015

Board of Trustees

Officers

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

	Members	Term Expires May 31.
David Sommer	Brenham, Texas	2019
Douglas R. Borchardt	Brenham, Texas	2017
Atwood C. Kenjura	Brenham, Texas	2019
Theodora ('Teddy") V. Boehm	Brenham, Texas	2017
Richard Powell	Brenham, Texas	2021
Charles Moser	Brenham, Texas	2017
Stacy Aschenbeck	Brenham, Texas	2021

Key Administrators

Mary Hensley, Ed.D., District President/CEO
Melvin E. Waxler, JD., M.P.Aff.,M.Ed., Executive Vice President and General Counsel
Kelli D. Shomaker, C.P.A., CFO/Sr. VP for Finance and Administrative Services
Dennis Crowson, Ph.D., Sr. VP Student Services
Karen Buck, M.Ed., Interim VP for Instruction

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Blinn College
Brenham, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Blinn College, (the College) as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blinn College as of August 31, 2015 and 2014, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the Schedule of College's Share of Net Pension Liability and Schedule of College's Contributions on pages 44 through 46 be presented to supplement the basic financial statements. Such inf01mation, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the inf01mation 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 assuranc.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the State of Texas Single Audit Circulru and are also not a required part of the financial statements.

The supplemental schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state awards rue the responsibility of management and were derived from and

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

relate directly to the -underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such info1mation directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial rep01iing or on compliance. That rep01i is an integral paii of an audit perfo1med in accordance with *Government Auditing Standards* in considering the College's internal control over financial repo1iing and compliance.

Lott, Vernon & Co., P.C.

Temple, Texas
December 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Blinn College's (the College) annual financial statements provide an overview of the College's financial performance for the fiscal years ended August 31, 2015 and 2014. Management's discussion and analysis is based on management's knowledge of current activities, resultant changes and known facts; therefore, it should be read in conjunction with the accompanying basic financial statements and associated notes. The basic financial statements, notes and this discussion are the responsibility of management.

Financial Highlights and Significant Activities for 2015

Net position increased by $ 7.8 million

Tuition and fee revenue (before allowances and discounts) increased by $5 million

The College's net position increased approximately $7.8 million, or 9%. An increase in the general fee led to an increase in total tuition and fee revenue (before allowances and discounts) of approximately $5 million, or 9 %.

Total operating revenues increased approximately $3.7 million. This increase is primarily attributable to the increase in tuition and fees discussed above, offset by an increase in allowances and discounts of $1.3 million. Operating expenses increased $3.3 million, or 3%, due primarily to increases in personnel costs.

Financial Highlights and Significant Activities for 2014

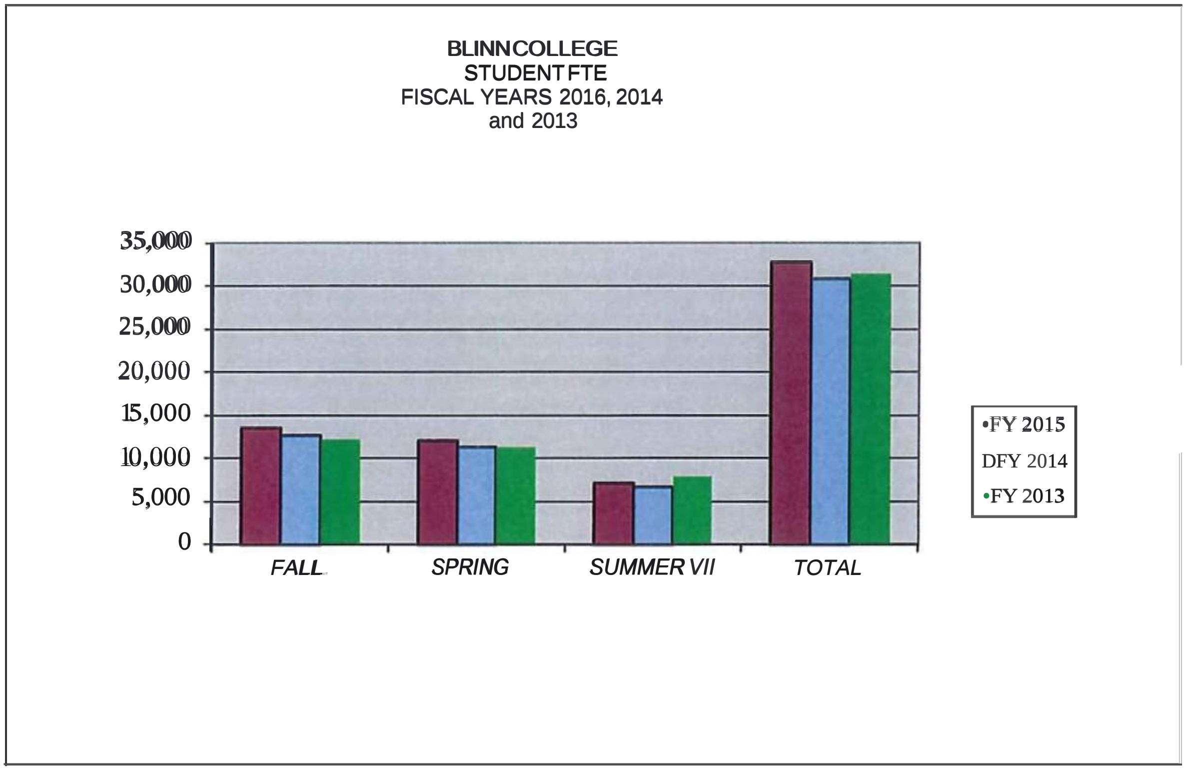
Net position increased by $ 7.5 million

Tuition and fee revenue (before allowances and discounts) increased by $4.3 million

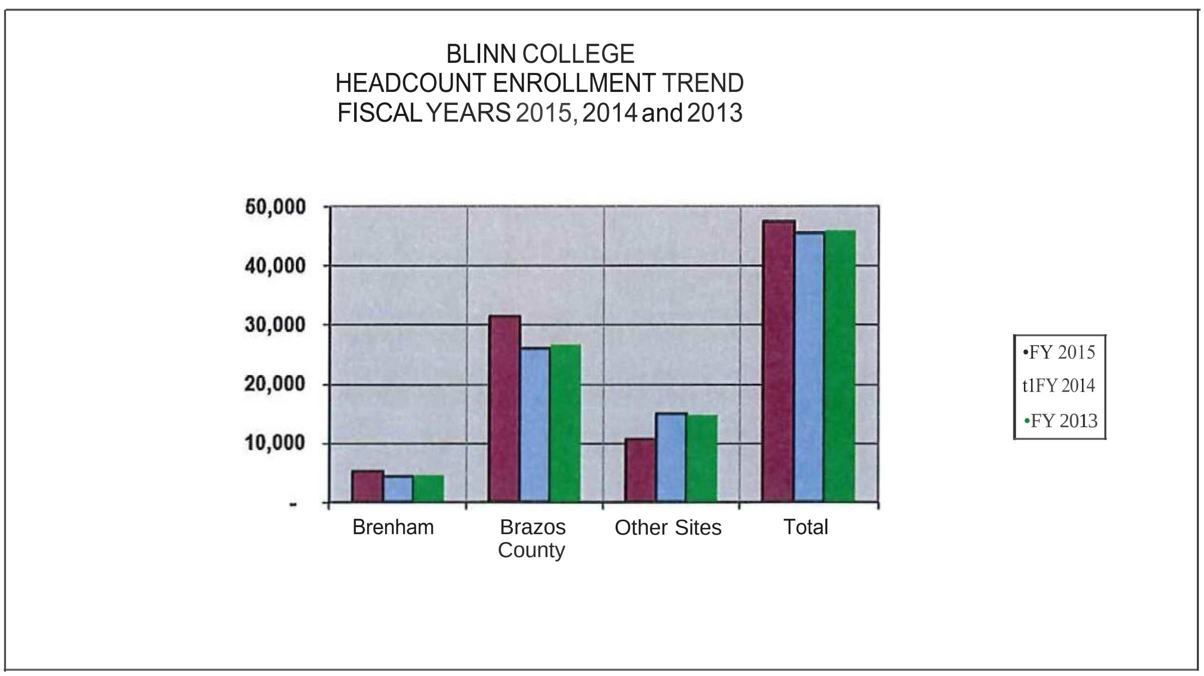
The College's net assets increased approximately $7.5 million, or 8%. An increase in tuition and fee rates led to an increase in total tuition and fee revenue (before allowances and discounts) of approximately $4.3 million, or 8 %.

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

Below is a breakdown of the College's full time equivalency (FTE) enrollment by term for fiscal years 2015, 2014 and 2013:



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



Overview of the Basic Financial Statements

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

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

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

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

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

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

Statement of Net Position

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

	2015	2014	Increase (Decrease) 2015-2014	2013	Increase (Decrease) 2014-2013
Assets:					
Current Assets	$ 68,402,000	$ 55,211,000	$ 13,191,000	$ 48,983,000	$ 6,228,000
Capital Assets, Net of Depreciation	110,378,000	102,653,000	7,725,000	101,701,000	952,000
Noncurrent Assets	14,069,000	15,188,000	(1,119,000)	14,700,000	488,000
Total Assets	192,849,000	173,052,000	19,797,000	165,384,000	7,668,000
Deferred Outflows of Resources:					
Deferred outflows related to pensions	2,343,000				
Total Deferred Outflow of Resources	2,343,000				
Liabilities:					
Current Liabilities	48,609,000	42,704,000	5,905,000	39,055,000	3,649,000
Noncurrent Liabilities	49,978,000	31,254,000	18,724,000	34,735,000	(3,481,000)
Total Liabilities	98,587,000	73,958,000	24,629,000	73,790,000	168,000
Deferred Inflows of Resources:					
Deferred inflows related to pensions	3,818,000				
Total Deferred Inflows of Resources	3,818,000				
Net Position:					
Investment in Capital Assets, Net of Related Debt	74,169,000	67,994,000	6,175,000	63,707,000	4,287,000
Restricted	15,458,000	15,188,000	270,000	15,061,000	127,000
Unrestricted	3,160,000	15,912,000	(12,752,000)	12,826,000	3,086,000
Total Net Position	$ 92,787,000	$ 99,094,000	$ (6,307,000)	$ 91,594,000	$ 7,500,000

At August 31, 2015, current assets included $45.7 million of cash and cash equivalents and $22.4 million in student receivables related primarily to the fall 2015 semester. The increase in current assets is due primary to a $8.5 million increase in cash and cash equivalents and a $4.7 million increase in accounts receivables. The cash increase was attributable to increased receipts from students of $3.9 million and the unexpended portion of the Series 2014 Bond issue ($4.8 million) for Villa Maria Street Bryan Campus renovations; receivables increased due to general fee increases. The increase in current assets in 2014 was due primarily to a $5.6 million increase in cash and cash equivalents and a $775,000 increase in accounts receivables. The cash increase was attributable to increased receipts from students of $3.6 million and increased state appropriation of $1.2 million; receivables increased due to tuition and general fee increases.

Statement of Net Position (continued)

In Fiscal 2015, the College had capital asset additions of approximately $12 million offset by the annual depreciation charge of $4.3 million. In Fiscal 2014, the College had capital asset additions of approximately $5.2 million offset by the annual depreciation charge of $4 million.

The College's noncurrent assets include funds restricted for endowments, debt service and other investments. Noncurrent assets decreased $1.1 million in Fiscal 2015 due primarily to a decrease in the market value of the investments in 2015 as compared to 2014.

Current liabilities increased $5.9 million in Fiscal year 2015, due primarily to an increase of $6 million in deferred tuition and fees related to the Fall 2015 semester resulting from tuition and fee increases, $494,000 increase in deferred grant revenues, offset by a $748,000 decrease in accounts payable. Current liabilities increased $3.6 million in fiscal year 2014, due primarily to an increase of $2.7 million in deferred tuition and fees related to the Fall 2014 semester resulting from tuition and fee increases and a $1.5 million increase in accounts payable, offset by a $476,000 decrease in housing deposits.

Noncurrent liabilities increased $18.7 million in Fiscal 2015 as a result of a $6.2 million increase in bonds payable and a $12.5 million increase in net pension liability. The bonds payable increase is due to the $9.8 million issuance of the Series 2014 bonds offset by scheduled debt service amortization of existing bonds. The Fiscal 2014 variance ($3.5 million) is the result of scheduled debt service amortization.

In Fiscal 2015, the College implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The College reported a liability of $12.5 million for its proportionate share of the Teacher Retirement System of Texas (TRS) net pension liability, which reflects a reduction of State pension support provided to the College. In addition, the College reported its proportionate share of TRS's deferred outflows of resources ($2.3 million) and deferred inflows of resources ($3.8 million) related to pensions.

At August 31, 2015 and 2014, total net position was $92.8 and $99.1 million, respectively. In connection with the implementation of the GASB pension statements discussed above, a $14 million prior year adjustment was made to decrease unrestricted net position as of September 1, 2014. The College has an unrestricted net position balance, after the restatement, of approximately $3.2 million at August 31, 2015. Restricted net position includes endowment funds of approximately $10.3 million and required debt service reserves of $5.1 million. The investment in capital assets, net of related debt increased $6.2 million in 2015. The College's financial position remains strong with adequate liquid assets and a reasonable level of unrestricted net position, considering the restatement.

Statement of Revenues, Expenses and Changes in Net Position:

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

	2015			Increase (Decrease) 2014-2013	
Operating Re1.enues:					
Student Tuition and Fees, Net	$ 48,807,000			$ $ 2,909,000	
Federal Grants and Contracts	574,000			12,000	
State Grants and Contracts	1,993,000			409,000	
Auxiliary Enterprises, Net	7,986,000			844,000	
other	664,000			236,000	
Total Operating Re1.enues	60,024,000			4,410,000	
Less Operating Expenses	100,478,000			5,090,000	
Operating Loss	(40,454,000)			(680,000)	
Nonoperating Re1.enues(Expenses)					
State Appropriations	27,873,000	26,928,000	945,000	24,480,000	2,448,000
Property Taxes	1,671,000	1,638,000	33,000	1,504,000	134,000
Federal Re1.enue, Nonoperating	19,751,000	19,334,000	417,000	18,647,000	687,000
Gifts	222,000	290,000	(68,000}	288,000	2,000
In.estment Income	293,000	307,000	(14,000)	341,000	(34,000)
Unrealized Gain(Loss) In1.estments	(289,000)	318,000	(607,000}	(538,000)	856,000
Interest on Capital Related Debt	(1,148,000}	(1,263,000)	115,000	(1,372,000)	109,000
Other	(110,000)	(16,000)	(94,000)	(27,000)	11,000
Total Nonoperating Re1.enues	48,263,000	47,536,000	727,000	43,323,000	4,213,000
Income Before Other Re1.enue	7,809,000	7,436,000	373,000	3,903,000	3,533,000
Additions to Endowments	24,000	64,000	(40,000)	206,000	(142,000)
Total Increase in Net Position	7,833,000	7,500,000	333,000	4,109,000	3,391,000
Net Position, Beginning of Year	99,094,000	91,594,000	7,500,000	87,485,000	4,109,000
Cumulati1.e Effect of Change in Accounting Principle	(14,140,000)		(14,140,000)		
Net Position, Beginning of Year, as restated	84,954,000	91,594,000	(6,640,000)	87,485,000	4,109,000
Net Position, End of Year	$ 92,787,000	$ 99,094,000	$ (6,307,000)	$ 91,594,000	$ 7,500,000

Total operating revenues increased $3.7 million from 2014 due to an increase in tuition and fees of $5 million, due to an increase in the general fee charged, offset by an increase in allowances and discounts of $1.3 million. Total operating revenues increased $4.4 million from 2013 due to an increase in tuition and fees of $2.9 million and increased auxiliary enterprises revenues of $844,000, as a result of the increase in tuition and fees rates and housing and food service charges. Operating expenses consist mainly of personnel costs, which were 61% and 59% of total operating expenses in fiscal 2015 and 2014, respectively.

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

	2015	2014	Increase (Decrease) 2015-2014	2013	Increase (Decrease) 2014-2013
Instructional and General	$ 55,104,000	$ 50,889,000	$ 4,215,000	$ 48,866,000	$ 2,023,000
Institutional Support	11,332,000	10,248,000	1,084,000	8,828,000	1,420,000
Operations and Maintenance of Plant	8,193,000	8,901,000	(708,000)	8,520,000	381,000
Auxiliary Enterprises	8,570,000	8,415,000	155,000	7,644,000	771,000
Depreciation	4,254,000	3,950,000	304,000	3,773,000	177,000
Scholarships and Fellowships	13,025,000	14,071,000	(1,046,000)	13,753,000	318,000
Total Operating Expenses	$ 100,478,000	$ 96,474,000	$ 4,004,000	$ 91,384,000	$ 5,090,000
Non-Operating Rei,enues (Expenses):					
State Appropriations	$ 27,873,000	$ 26,928,000	$ 945,000	$ 24,480,000	$ 2,448,000
Property Taxes	1,671,000	1,638,000	33,000	1,504,000	134,000
Federal Rei,enue, Non-Operating	19,751,000	19,334,000	417,000	18,647,000	687,000
Gifts	222,000	290,000	(68,000)	288,000	2,000
Unrealized Gain (Loss) on Investments	(289,000)	318,000	(607,000)	(538,000)	856,000
Ini,estment Income	293,000	307,000	(14,000)	341,000	(34,000)
Gain (Loss) on Disposal of Capital Assets	4,000	(16,000)	20,000	(27,000)	11,000
Interest on Capital Related Debt	(1,148,000)	(1,263,000)	115,000	(1,372,000)	109,000
Other Non-Operating Expenses	(114,000)		(114,000)		
Net Non-Operating Rei,enues (Expenses)	$ 48,263,000	$ 47,536,000	$ 727,000	$ 43,323,000	$ 4,213,000

Total operating expenses increased $4.0 million from 2014 due to increased personnel costs resulting from pay rate and benefit cost increases and additional positions, increased depreciation expense and other miscellaneous expense increases, offset by decreased scholarship and fellowships. Total operating expenses increased $5.1 million from 2013 due to increased personnel costs resulting from pay rate and benefit cost increases and additional positions, increased technology software expenditures and other miscellaneous expense increases.

Total non-operating revenues increased $726,000 from 2014 due primarily to a $417,000 increase in non-operating Federal revenue (Title IV funds), $945,000 increase in State appropriation (increased State group insurance appropriation and State retirement contribution), and offset by $607,000 increase in unrealized loss on endowment and bond reserve investments.

Total non-operating revenues increased $4.2 million from 2013 due primarily to a $2.4 million increase in State appropriation ($800,000 increase in the new biennium education and general state support, $200,000 Hazelwood Legacy Act expenditure reimbursement, $841,000 increase in State group insurance appropriation and $559,000 increase in the State retirement contribution), $856,000 increase in unrealized gain on endowment and bond reserve investments, $687,000 increase in non-operating Federal revenue (Title IV funds), a $134,000 increase in property taxes and a $109,000 decrease in interest on Bonds Payable based on scheduled debt service amortization.

Statement of Cash Flow

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

	2015	2014	Increase (Decrease) 2015-2014	2013	Increase (Decrease) 2014-2013
Cash ProlAded by (Used in):					
Operating ActilAties	$ (30,527,000)	$ (29,630,000)	$ (897,000)	$ (29,693,000)	$ 63,000
Non-Capital Financing Actillities	44,770,000	44,563,000	207,000	42,664,000	1,899,000
Capital and Related Financing ActilAties	(6,873,000)	(9,516,000)	2,643,000	(7,253,000)	(2,263,000)
Imesting Actillities	420,000	339,000	81,000	831,000	(492,000)
Net Increase (Decrease) in Cash and Cash Equivalents	7,790,000	5,756,000	2,034,000	6,549,000	(793,000)
Cash and Cash Equivalents - Beginning of Year	38,637,000	32,881,000	5,756,000	26,332,000	6,549,000
Cash and Cash Equjvalents - End of Year	$ 46,427,000	$ 38,637,000	$ 7,790,000	$ 32,881,000	$ 5,756,000

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

Cash used in operations in 2015 increased $897,000 over 2014, due to an increase in payments to or on behalf of employees ($3.6 million), increase in payments to suppliers for goods and services ($2.6 million) offset by an increase in receipts from students and other customers ($3.9 million), decrease in scholarship payments ($1.1 million) and increase in receipts from grants and contracts of $402,000.

Cash used in operations in 2014 decreased slightly from 2013, with the $3.6 million increase in receipts from students and other customers offsetting the increase in payments to or on behalf of employees ($2 million), the increase in payments to suppliers for goods and services ($1.1 million) and the increase in scholarship payments of $318,000.

In addition to State appropriations, non-capital financing activities include property tax receipts, non-operating Federal revenue (Title IV funds) and additions to permanent endowments. The increase in non-capital financing activities from 2014 is due primarily to a $417,000 increase in non-operating Federal revenue (Title IV funds) offset by a $135,000 decrease in cash State appropriations. The increase in non-capital financing activities from 2013 is due to a $1.2 million increase in the new biennium State appropriations and a $687,000 increase in non-operating Federal revenue (Title IV funds).

Variations in cash used for capital and related financing activities are dependent on the College's issuance and payment of long-term debt and capital acquisitions. The decrease in cash used for capital and related financing activities in 2015 was due to the proceeds from the Series 2014 bond ($9.8 million) issued in 2015 offset by spending for capital assets of $7.1 million. The increase in cash used for capital and related financing activities in 2014 was due to increased spending for capital assets of $1.9 million and increased scheduled debt service payments of $350,000.

The variance in cash provided by investing activities in 2015 and 2014 is due primarily to the purchase and sales and maturities of investments.

Capital Assets and Debt Administration

In fiscal year 2015, the College had capital additions of approximately $12 million, including $3.8 million for the acquisition of a 95 ac. tract of land for a new Bryan campus, $3.6 million for building renovations on the Villa Maria Street Bryan campus, $1.9 million in leasehold improvements for the new Bryan Central Administrative Services building located in the Tejas Center, $1.1 million for renovations and improvements on the Brenham campus and $820,000 for technology equipment.

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

During fiscal year 2015, the College issued Combined Fee Revenue Bonds, Series 2014. The proceeds from the issue ($9,820,000) will be used for the Villa Maria Street renovations and the Tejas Center leasehold improvements discussed above.

Future Considerations

The College expects enrollment to continue to grow over the near term across its four campuses. In eight of the past nine years, the College has posted record enrollment, climbing to 19,422 in Fall 2015, with the largest growth taking place on the College's Bryan campus. Blinn's master planning efforts indicate that despite statewide enrollment decreases, growth at the College will continue due to its strong academic reputation and its partnerships with Texas A&M, Baylor, Sam Houston State and Texas State universities, and the universities of Texas and Houston. The growth of Bryan-College Station is also a key factor, even as the College has proven unique among community colleges in attracting students from across the state. Blinn students came from 1,533 zip codes in Fall 2013, drawing significant numbers from Houston, San Antonio, Austin and Dallas-Fort Worth.

The College anticipates continued investment in strategic capital projects to accommodate anticipated enrollment growth. The College has reached capacity at the residential Brenham campus and is exploring options for adding on-campus housing. The College is also facing academic facility capacity constraints on the Bryan campus. To alleviate long-term overcrowding at the existing Bryan campus, the College is in the midst of a $10 million renovation project designed to add student study and lounge space, classroom and meeting space and improve campus traffic and parking. In 2015, the College announced the purchase of 95 acres for the development of a 10,000-15,000 student campus to complement the current Bryan campus. Blinn anticipates hosting classes as early as Fall 2017.

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

Contacting the College's Financial Management

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

FINANCIAL STATEMENTS

Exhibit 1

BLINN COLLEGE
Statements of Net Position
August 31, 2015 and 2014

	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 45,666,066	$ 37,164,708
Accounts receivable (net)	22,385,728	17,727,233
Interest and dividends receivable	78,945	87,219
Inventories	40,047	31,334
Other assets	230,838	200,037
Total Current Assets	68,401,624	55,210,531
Noncurrent Assets:		
Restricted endowment cash and cash equivalents	760,597	1,010,075
Restricted debt service cash and cash equivalents		462,287
Restricted endowment and other investments	13,308,271	13,715,823
Capital Assets (net) (See Note 6)	110,378,217	102,652,885
Total Noncurrent Assets	124,447,085	117,841,070
Total Assets	192,848,709	173,051,601
Deferred Outflows of Resources:		
Deferred outflows related to pensions	2,342,786	
Total Deferred Outflows of Resources	2,342,786	
Liabilities		
Current Liabilities:		
Accounts payable	4,238,351	4,986,707
Funds held for others	1,260,883	1,085,028
Deferred revenues	39,396,621	32,939,761
Deposits	187,770	287,070
Bonds payable - current portion	3,525,000	3,405,000
Total Current Liabilities	48,608,625	42,703,566
Noncurrent Liabilities:		
Bonds payable	37,498,186	31,253,605
Net pension liability	12,480,226	
Total Noncurrent Liabilities	49,978,412	31,253,605
Total Liabilities	98,587,037	73,957,171
Deferred Inflows of Resources:		
Deferred inflows related to pensions	3,817,738	
Total Deferred Inflow of Resources	3,817,738	
Net Position		
Invested in capital assets, net of related debt	74,169,141	67,994,280
Restricted for:		
Nonexpendable - endowments	9,622,247	9,599,173
Expendable		
Endowments	705,541	730,547
Student aid	729,436	672,920
Debt service	5,054,917	4,650,832
Star of the Republic Museum	(654,237)	(465,852)
Unrestricted	3,159,675	15,912,530
Total Net Position (Schedule D)	$ 92,786,720	$ 99,094,430

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

Exhibit 1-A

BLINN COLLEGE FOUNDATION, INC.
Statements of Financial Position
August 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash	$ 527,688	$ 599,000
Unconditional promises to give	855,650	1,282,676
Total Current Assets	1,383,338	1,881,676
Restricted Assets:		
Cash	1,377,874	1,209,314
Investments	6,959,537	6,640,769
Total Restricted Assets	8,337,411	7,850,083
Long-term Unconditional Promises to Give:		
Total face-value of promises	1,139,580	1,783,496
Less amount classified as current	{855,650}	{1,282,676}
Net long-term unconditional promises to give	283,930	500,820
Other Assets:		
Oil/Gas royalty interest	10,000	10,000
Total Assets	10,014,679	10,242,579
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	117,887	40,815
Total Liabilities	117,887	40,815
Net Assets:		
Unrestricted	108,700	111,518
Temporarily restricted net assets	4,272,362	4,693,006
Permanently restricted net assets	5,515,730	5,397,240
Total Net Assets	9,896,792	10,201,764
Total Liabilities and Net Assets	$ 10,014,679	$ 10,242,579

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

BLINN COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2015 and August 31, 2014

	2015	2014
Operating Revenues		
Tuition and Fees (net of discounts of $13,309,312 and $11,991,345, respectively)	$ 48,806,629	$ 45,156,170
Federal Grants and Contracts	574,125	662,540
State Grants and Contracts	1,993,458	1,493,847
Sales and Services of Educational Activities	385,928	440,802
Auxiliary Enterprises (net of discounts of $931,519 and $939,607, respectively)	7,986,447	8,372,018
Other Operating Revenues	277,274	248,636
Total Operating Revenues (Schedule A)	60,023,861	56,374,013
Operating Expenses		
Instruction	41,774,307	39,597,858
Public Service	1,315,167	970,180
Academic Support	5,949,569	4,639,016
Student Services	6,064,535	5,682,192
Institutional Support	11,331,552	10,247,758
Operation and Maintenance of Plant	8,193,192	8,900,447
Scholarships and Fellowships	13,024,654	14,071,016
Auxiliary Enterprises	8,570,237	8,415,357
Depreciation	4,254,166	3,950,049
Total Operating Expenses (Schedule B)	100,477,379	96,473,873
Operating Loss	(40,453,518)	(40,099,860)
Non-Operating Revenues (Expenses)		
State Appropriations	27,872,570	26,928,177
Property Taxes	1,671,349	1,637,679
Federal Revenue, Non Operating	19,751,129	19,333,780
Gifts	221,724	289,618
Unrealized Gain (Loss) on Investments	(289,129)	318,349
Investment Income	292,716	306,781
Gain (Loss) on Disposal of Capital Assets	4,180	(15,657)
Interest on Capital Related Debt	(1,148,219)	(1,262,469)
Other Non-Operating Expenses	{113,937)	
Net Non-Operating Revenues (Schedule C)	48,262,383	47,536,258
Income Before Other Revenue	7,808,865	7,436,398
Other Revenue - Additions to Permanent Endowments	23,573	64,035
Increase in Net Position	7,832,438	7,500,433
Net Position		
Net Position, Beginning of Year	99,094,430	91,593,997
Cumulative Effect of Change in Accounting Principle (Note 2)	{14,140,148}	
Net Position, Beginning of Year, as restated	84,954,282	91,593,997
Net Position, End of Year	$ 92,786,720	$ 99,094,430

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

BLINN COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues				
Donations	$ 44,623	$ 379,517	$ 117,990	$ 542,130
Fundraising		26,306		26,306
Investment income	10,503	(315,457)		(304,954)
Oil/Gas royalty	639			639
Endowment of temporarily restricted net assets		(500)	500	
Net assets released from purpose restrictions	510,510	(510,510)		
Total Public Support and Revenues	566,275	(420,644)	118,490	264,121
Expenses				
Program sevices:				
Expenditures for the benefit of Blinn College	212,646			212,646
Scholarships	313,000			313,000
Support sevices:				
Administrative expenses	32,781			
Fundraising	10,666			
Total Expenses	569,093			
Change in Net Assets	(2,818)	(420,644)	118,490	
Net Assets - Beginning of Year	111,518	4,693,006	5,397,240	
Net Assets - End of Year	$ 108,700	$ 4,272,362	$ 5,515,730	

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

Exhibit 2-A

BLINN COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2014

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

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

Exhibit 3

BLINN COLLEGE
Statements of Cash Flows
Years Ended August 31,2015 and August 31,2014

	2015	2014
Cash Flows From Operating Activities:		
Receipts from students and other customers	$ 59,143,019	$ 55,337,212
Receipts from grants and contracts	2,479,918	2,039,646
Payments to suppliers for goods and services	(22,479,533)	(19,884,358)
Payments to or on behalf of employees	(56,922,529)	(53,300,250)
Payments for scholarships	(13,024,654)	(14,071,016)
other receipts	277,274	248,636
Net cash used by operating activities	(30,526,505)	(29,630,130)
Cash Flows From Non-Capital Financing Activities:		
Receipts from state appropriations	23,103,232	23,238,471
Receipts from property taxes	1,669,917	1,636,950
Receipts from non operating federal revenue	19,751,129	19,333,780
Increase (decrease) in permanent endowments	23,574	64,035
Other receipts	221,724	289,618
Net cash provided by non-capital financing activities	44,769,576	44,562,854
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(11,975,318)	(4,917,102)
Proceeds from issuance of capital debt	9,845,897	
Bond issue costs paid on capital debt issue	(113,937)	
Payments on capital debt - principal	(3,481,316)	{3,336,316)
Payments on capital debt - interest	(1,148,219)	(1,262,469)
Net cash used by capital and related financing activities	(6,872,893)	(9,515,887)
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	710,870	1,318,349
Interest on investments	300,990	308,101
Purchases of investments	(592,445)	(1,287,620)
Net cash (used) by investing activities	419,415	338,830
Increase (Decrease) in Cash and Cash Equivalents	7,789,593	5,755,667
Cash and Cash Equivalents, Beginning of Year	38,637,070	32,881,403
Cash and Cash Equivalents, End of Year	$ 46,426,663	$ 38,637,070
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	$ (40,453,518)	$ (40,099,860)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	4,254,166	3,950,049
Noncash state appropriations for employee benefits	4,769,338	3,689,706
Changes in assets and liabilities:		
Receivables (net)	(4,657,064)	(774,001)
Inventories	(8,713)	(4,285)
Other assets	(30,801)	105,104
Accounts payable	(748,356)	1,477,675
Funds held for others	175,855	83,449
Deferred revenues	6,456,860	2,418,081
Deposits	(99,300)	(476,048)
Deferred inflows and outflows related to-pensions	(184,972)	
Net cash used by operating activities	$(30,526,505)	$ (29,630,130)

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

1. Reporting Entity

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

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

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 disbursed directly to the student, the amount is recorded as a scholarship expense.

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

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

Basis of Accounting

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

Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepare<;! on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

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

Deferred Inflows

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

Deferred Outflows

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

Investments

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

Inventories

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

Capital Assets

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

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

Museum Collections

In accordance with guidance issued by the Texas Comptroller of Public Accounts, collections located at the Star of the Republic Museum held for public exhibition are capitalized but not depreciated. Collections are valued at their historical cost or estimated fair value at date of donation.

Deferred Revenues

Tuition, fees and housing charges of $38,323,870 and $32,327,746 and federal, state and local grants of $837,736 and $343,498 have been reported as deferred revenues at August 31, 2015 and 2014, respectively.

Pensions

For the year ended August 31, 2015, the College implemented the provisions of GASS 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 includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating and Non-Operating Revenue and Expense Policy

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

Management Estimates

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

Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities,* Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(8), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations.* The College had no unrelated business income tax liability for the year ended August 31, 2014 and 2015.

Reclassifications

Certain 2014 amounts have been reclassified to conform to current year presentation.

Prior Year Restatement

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

Beginning net position	$99,094,430
Prior period adjustment - Implementation of GASB 68:	
Net pension liability (measurement date as of August 31,2014)	(15,324,692)
Deferred outHows - College contributions made during FY 2014	1,184,544
Beginning net position, as restated	$84,954,282

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

3. Authorized Investments

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

4. Deposits and Investments

Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires pledging of collateral for all bank balances in excess of Federal Depository Insurance Corporation (FDIC) limits at a minimum of 102% of market value. As of August 31, 2015 and 2014, all of the College's bank balances of $4,105,034 and $3,473,245, respectively, were insured and collateralized and not exposed to custodial credit risk.

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

	2015	2014
Cash and cash equivalents:		
Petty cash	$ 7,126	$ 6,883
Demand deposits	4,825,555	3,386,273
In\estment pools:		
Lone Star Inwstment Pool	11,969,848	12,013,653
Tex Pool	19,281,827	12,293,506
TexSTAR	10,342,307	10,936,755
Cash and cash equivalents	$46,426,663	$ 38,637,070
Cash and cash equivalents per Exhibit 1	$ 46,426,663	$ 38,637,070

Investments

The College had the following investments as of August 31:

In\iestments	Maturities	Fair Value 2015	2014
Federal Home Loan Mortgage Corp.	12/2015 - *512020*	$ 2,655,031	$ 2,657,283
Federal Home Loan Bank	3/2016 - 3/2021	7,969;045	7,969,710
Federal National Mortgage Assoc.	8/2016 - 1/2017	2,508,695	2,482,830
Equities		175,500	606,000
Total In'vestments		$13,308,271	$13,715,823
Total In'vestments per Exhibit 1		$13,308,271	$13,715,823

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College places no limit on the amount the College may invest in any one issuer. At August 31, 2015 and 2014, the College had approximately $13.1 million of its investment portfolio in Federal Agency securities, which mature through March 2021.

During fiscal year 2006, a donor remitted shares in a Company to the College to establish an endowment scholarship. The shares had a fair market value of $175,500 at August 31, 2015. Securities donated to an investing entity for a particular purpose or under terms of use specified by the donor, are not subject to the requirements of the Public Funds Investment Act. The College amended its investment policy to allow, at the Board of Trustees discretion, the College to hold donated equities for endowed scholarships.

5. Disaggregation of Receivables and Payables Balances

Receivables consist of the following at August 31:

	2015	2014
Student tuition and fees	$ 25,111,094	$ 20,147,631
Ad valorem taxes	99,247	97,815
Federal grants	170,275	252,101
State grants	74,842	42,833
Other receivables	867,527	730,308
	26,322,985	21,270,688
Allowance for doubtful accounts	(3,937,257)	(3,543,455)
Total	$ 22,385,728	$ 17,727,233

Payables consist of the following at August 31:

	2015	2014
Vendors payable	$ 2,955,940	$ 3,918,485
Other payables	1,282,411	1,068,222
Total	$ 4,238,351	$ 4,986,707

6. Capital Assets

Capital assets' activities for the years ended August 31:

2015

	Balance September 1, 2014	Increases	Decreases	Balance August 31, 2015
Capital assets not subject to depreciation:				
Land	$ 6,757,153	$ 3,800,104	$	$ 10,557,257
Collections	691,273			691,273
Construction in Progress		3,699,347		3,699,347
Total not depreciated	7,448,426	7,499,451		14,947,877
Capital assets subject to depreciation:				
Buildings	117'131,630	3,002,627		120,134,257
Land improvements	6,690,057			6,690,057
Furniture, equipment and vehicles	6,142,308	767,985	(97,244)	6,813,049
Computer equipment	6,914,061	568,561	(773,377)	6,709,245
Library books	4,411,874	175,666	(35,447)	4,552,093
Total depreciated	141,289,930	4,514,839	(906,068)	144,898,701
Less accumulated depreciation				
Buildings	30,356,446	2,348,308		
Land improvements	3,651,734	190,429		
Furniture, equipment and vehicles	4,363,698	557,667		
Computer equipment	4,627,503	1,022,374		
Library books	3,086,090	135,388	-	-
Total accumulated depreciation	46,085,471	4,254,166	-	–
Net Capital Assets	$ 102,652,885	$ 7,760,124	-	-

2014

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

7. Long-Term Liabilities

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

	Balance September 1, 2014	.A.dditions			
Bonds payable	$34,315,000	$ 9,820,000			$
Unamortized bond premium	343,605	25,897			
	34,658,605	9,845,897			
Net pension liability		12,480,226			
Total	$34,658,605	$22,326,123			$

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

8. Bonds Payable

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

Combined Fee Revenue Bonds. Series 2014

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2014
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories and related facilities, administration facilities and the acquisition of sites therefor and (ii) pay the costs of issuance of the Bonds
- Issued December 18, 2014
- $9,820,000, all authorized bonds have been issued
- Interest rates range from 2.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2015 of $9,820,000
- A premium of $25,897 is being amortized over the life of the bonds

Combined Fee Revenue Refunding Bonds. Series 2011

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2011
- To refund a portion of the College's Combination Fee Revenue Bonds, Series 2002 for a debt service savings and pay the costs of issuance of the Bonds
- Issued May 17, 2011
- $6,925,000, all authorized bonds have been issued
- Interest rates range from 2.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2015 and 2014 of $5,550,000 and $6,165,000, respectfully
- A premium of $181,438 is being amortized over the life of the bonds

Combined Fee Revenue Bonds. Series 2010

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2010
- To pay for (i) various campus renovation projects (ii) a dormitory (iii) teaching equipment for the Allied Health Center and (iv) the costs of issuance of the Bonds
- Issued March 15, 201O
- $20,155,000 , all authorized bonds have been issued
- Interest rates range from 3.000% to 4.375%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2015 and 2014 of $18,095,000 and $18,820,000, respectfully

Combined Fee Revenue Refunding Bonds. Series 2009

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2009
- To refund a portion of the College's Combination Fee Revenue Bonds, Series 1998, Combination Fee Revenue Bonds, Series 1999 and pay the costs of issuance of the Bonds
- Issued April 15, 2009
- $8,925,000, all authorized bonds have been issued
- Interest rates range from 1.10% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2015 and 2014 of $4,385,000 and $5,180,000, respectively
- A premium of $244,401 is being amortized over the life of the bonds

Combined Fee Revenue Refunding Bonds, Series 2005

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2005
- To pay the costs of acquisition, construction, improvement and equipment of College facilities and the acquisition of sites therefore, including payment of the College's obligation created by the College's exercise of its purchase option under the lease agreement between the College and the City of Bryan, Texas in connection with the

City of Bryan Lease Revenue Bonds Series 1995; to fund the reserve funds and to pay the related costs of issuance

- Issued July 6, 2005
- $11,815,000, all authorized bonds have been issued
- Interest rates range from 3.5% to 5.125%
- Source of revenue for debt service - designated portion of tuition and fees
- Outstanding bonds payable at August 31, 2015 and 2014 of $2,390,000 and $3,510,000, respectively
- A premium of $416,775 is being amortized over the life of the bonds
- The College received $1,268,465 from the City of Bryan, Texas. These funds represent the difference between the monthly capital lease payments made by College for the lease of the Bryan Campus and the debt service payments made by the City of Bryan, Texas.

Combined Fee Revenue Refunding Bonds, Series 2003

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2003
- To refund $4,300,000 of Combined Fee and Revenue Bonds, Series 1993
- Issued January 1, 2003
- $4,475,000, all authorized bonds have been issued
- Interest rates range from 3% to 4.3%
- Source of revenue for debt service - designated portion of tuition and registration charges, other fee charges and designated revenues
- Outstanding bonds payable at August 31, 2015 and 2014 of $490,000 and $640,000 respectively
- Net proceeds from refunding bonds $4,406,739; after payment of $94,344 in underwriting fees, insurance, and other issuance costs
- The 1993 Series bond are considered fully defeased and the liability for those bonds has been removed from the financial statements
- Advanced refunding of the 1993 Series bonds reduced the Colleges debt service payments over the next 15 years by approximately $230,000
- Economic gain of approximately $170,000 is difference between the net present value of the old and new debt service payments

Under each bond issue, the College is to maintain a reserve account equal to the maximum annual principal and interest requirements on all bonds. The reserve account balance at August 31, 2015 is $5,054,917. The Series 2003 bonds require the College to maintain adequate insurance coverage. All premiums have been paid.

Combined Bond Debt Service Requirements

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

Fiscal Year	Principal	Interest	Total
2016	$ 3,525,000	$ 1,529,918	$ 5,054,918
2017	3,665,000	1,312,239	4,977,239
2018	2,840,000	1,206,942	4,046,942
2019	2,785,000	1,111,319	3,896,319
2020	2,860,000	1,013,794	3,873,794
2021-2025	8,930,000	3,927,921	12,857,921
2026-2030	8,035,000	2,439,158	10,474,158
2031-2035	5,240,000	922,128	6,162,128
2036-2040	2,850,000	294,200	3,144,200
Total	$ 40,730,000	$ 13,757,619	$ 54,487,619

9. Defined Benefit Pension Plans

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.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 retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used.

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	2014	2015
Member	6.40%	6.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

FY 2014 College Contributions	$1,184,544
FY 2014 State of Texas On-behalf Contributions	672,916

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 junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

<u>Actuarial Assumptions</u>

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	Le\t\91 Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected in\t\9stment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-A\t\9rage 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 posHetirement 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. 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 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%	70.0%	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%	90.0%	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 Arithrretic and Georretric mean returns.

Source: Teacher Retirerrent 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%)
College's proportionate share of the net pension liability	$22,301 ,407	$12,480,226	$5,135,812

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 $12,480,226 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction of 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:

College's Proportionate share of the collecti1ie net pension liability	$12,480,226
State's proportionate share that is associated with College	7,104,883
Total	$19,585,109

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.

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 r cognized pension expense of $656,833 and revenue of $656,833 for support provided by the State.

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
Differences between expected and actual economic experience	$ 193,011	$
Changes in actuarial assumptions	811,229	
Difference between projected and actual investment earnings		3,814,467
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		3,271
Contributions paid to TRS subsequent to the measurement date	1,338,546	
Total	$ 2,342,786	$ 3,817,738
	Exhibit 1	Exhibit 1

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

Year ended August 31	Pension Expense Amount
2016	$ (784,754)
2017	(784,754)
2018	(784,754)
2019	(784,754)
2020	168,863
Thereafter	156,655

10. Optional Retirement Plan

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

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

The retirement expense to the State for the College was $361,792 and $372,415 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 $46,998,883 and $44,010,954 for fiscal years 2015 and ?014 respectively. The total payroll of employees *covered* by the Teacher Retirement System was $29,951,161 and $26,840,670 and the total payroll of employees *covered* by the Optional Retirement Program was $11,041,788 and $11,341,163 for fiscal years 2015 and 2014; respectively.

11. Deferred Compensation Program

The College's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. This plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2015 and 2014, the College had no employees electing to defer compensation.

12. Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for *active* employees are provided through an insurance company whose premiums are based on benefits paid during previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was $573 to $1,128 and $491 to $984 per month for the years ended August 31, 2015 and 2014, depending on the coverage elected. The State's contribution totaled $3,121,358 and $2,908,188, for the years ended August 31, 2015 and 2014, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

13. Compensated Absences

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

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

14. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities.* Revenues are recognized on Exhibit 2 and Schedule A. Contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the college has not yet performed services are not included in the financial statements.

15. Property Tax

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

	2015	2014
Assessed valuation of the College	$ 2,966,848,267	$ 2,848,308,527
Less exemptions	(471,185,896)	(443,056,521)
Net assessed valuation of the College	$ 2,495,662,371	$ 2,405,252,006

	2015 Current Operations	2015 Debt Service	Total
Tax rate per $100 valuation for authorized	$ 0.0584	$	$ 0.0584
Tax rate per $100 valuation assessed	0.0584		0.0584

	2014 Current Operations	2014 Debt Service	Total
Tax rate per $100 valuation for authorized	$ 0.0600	$	$ 0.0600
Tax rate per $100 valuation assessed	0.0600		0.0600

Tax levied for the years ended August 31, 2015 and 2014 is $1,654,032 and $1,618,009, respectively (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed.

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

Taxes Collected at August 31	2015	
Current	$ 1,621,330	
Delinquent	29,302	
Penalties and Interest	20,717	
Total Collections	$ 1,671,349	$ 1,637,680

Tax collections for the year ended August 31, 2015 and 2014 were 98% of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking fund expenditures.

16. Operating Leases

The College leases facilities related to the Bryan and Sealy Campuses under non-cancelable leases expiring through August 2021, with future minimum payments as of August 31, 2015 as follows:

Fiscal Year	
2016	$ 2,210,519
2017	2,138,585
2018	2,178,187
2019	2,230,977
2020	2,272,991
2021	2,108,666

Rental expense was approximately $111,000 and $131,000 for the years ended August 31, 2015 and 2014, respectively.

17. Contingent Liabilities

State and Federal Grants

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

18. Self Insurance

Effective September 1, 2003, the College began participating in a public entity risk pool for workers compensation. The participants of the pool include several other public junior and community colleges. The plan provides coverage to each participant with the College's individual loss fund maximum of $468,400 and $462,007 at August 31, 2015 and 2014, respectively, which is based on estimated payroll.

The liability for claims incurred but not reported under the self-insured plan is $118,681 and $112,007 as of August 31, 2015 and 2014, respectively, and is included in the accompanying statement of net position. Future payments for the claims will be paid from the accrued liability.

Self-insurance activity for the years ended August 31, 2015 and 2014 was as follows:

Accrued Liability for the Year Ended August 31	Balance of Liability at Beginning of Fiscal Year	Additions	Reductions for Claims Paid	Cumulative Balance of Liability at End of Fiscal Year
2014	$ 435,673	$ 116,884	$ (99,691)	$ 452,866
2015	452,866	10,602	(16,082)	447,386

19. Postemployment Benefits Other than Pensions

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

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

Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

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

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

The College's contributions to SRHP for State retirees for the years ended August 31, 2015, 2014 and 2013 were $1,393,168 and $1,219,376, and $1,087,513 respectively, which amounts were funded 50% from the College's State group insurance appropriation. The College's contributions to SRHP for local retirees for the years ended August 31, 2015, 2014 and 2013 were $252,748, $239,359 and $239,879, respectively, which amounts were paid directly by the College.

20. Component Units

Blinn College Foundation. Inc. – Discrete Component Unit

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

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). As of the date the College's audit was released, the Foundation's 2015 audit was completed. Complete financial statements of Blinn College Foundation, Inc. can be obtained from the administrative office of the Foundation.

REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES

BLINN COLLEGE
Schedule of College's Share of Net Pension Liability
For the Year Ended August 31, 2015

Fiscal Year Ending August 31*,	2015**
TRS net position as percentage of total pension liability	83.25%
Blinn College proportionate share of collective net pension liability (%)	0.0467225%
Blinn College proportionate share of collective net pension liability ($)	$12,480,226
Portion of NECE's total proportionate share of NPL associated with Blinn College	7,104,883
Total	19,585,109
Blinn College's covered payroll amount	$26,840,670
Ratio of: ER proportionate share of collective NPL / ER's covered payroll amount	46.50%

* The amounts presented above are as of the measurement date of the collective net pension liability

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

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

BLINN COLLEGE
Schedule of College's Contributions
For the Year Ended August 31, 2015

Fiscal Year Ending August 31,*	2015**
Legally required contributions	$1,338,546
Actual contributions	1,338,546
Contributions deficiency (excess)	
Blinn College covered payroll amount	$29,951,161
Ratio of: Actual contributions / ER covered payroll amount	4.47%

* The amount presented above are as of the College's most recent fiscal year-end.

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

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

BLINN COLLEGE
Notes to Required Supplementary Information
Year Ended August 31, 2015

1. Changes of Benefit Terms

The College implemented a salary and wage increase effective September 1, 2014 for full time faculty/administrators and staff. The salary and wage increase averaged between 2% and 3%.

2. Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2015.

SUPPLEMENTARY SCHEDULES

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

	Educational Activities Unrestricted	Educational Activities Restricted	Total Educational Activities	Auxiliary Enterprises	2015 Total	2014 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	$ 444,672	$	$ 444,672	$	$ 444,672	$ 541,981
Out-of-district resident tuition	35,385,263		35,385,263		35,385,263	34,236,003
Non-resident tuition	2,781,435		2,781,435		2,781,435	2,678,063
TPEG - credit (set aside) •	1,150,134		1,150,134		1,150,134	1,091,987
State funded continuing education	487,194		487,194		487,194	679,872
Non-State funded continuing education	108,500		108,500		108,500	199,407
Total Tuition	40,357,198		40,357,198		40,357,198	39,427,313
Fees:						
General fee	15,433,442		15,433,442	2,723,549	18,156,991	14,770,969
Laboratory and course fees	1,893,482		1,893,482		1,893,482	1,704,087
Vehicle registration fees	1,114,825		1,114,825		1,114,825	854,650
Incidental fees	173,648		173,648		173,648	103,488
Other fees				419,797	419,797	287,008
Total fees	18,615,397		18,615,397	3,143,346	21,758,743	17,720,202
Allowances and discounts:						
Bad debt allowance	(413,663)		(413,663)		(413,663)	(762,161)
Scholarship allowances	(707,215)		(707,215)		(707,215)	(662,072)
Remissions and exemptions	(2,348,436)		(2,348,436)		(2,348,436)	(2,406,997)
TPEG allowances	(468,815)		(468,815)		(468,815)	(360,724)
Federal and State grants to students	(9,163,483)		(9,163,483)		(9,163,483)	(7,618,652)
other	(207,700)		(207,700)		(207,700)	(180,739)
Total allowances and discounts	(13,309,312)		(13,309,312)		(13,309,312)	(11,991,345)
Total net tuition and fees	45,663,283		45,663,283	3,143,346	48,806,629	45,156,170
Additional operating revenues:						
Federal grants and contracts		574,125	574,125		574,125	662,540
State grants and contracts		1,993,458	1,993,458		1,993,458	1,493,847
Sales and services of educational activities	385,928		385,928		385,928	440,802
other operating revenues	277,274		277,274		277,274	248,636
Total additional operating revenues	663,202	2,567,583	3,230,785		3,230,785	2,845,825
Auxiliary enterprises:						
Residential life				4,607,549	4,607,549	4,331,896
Scholarships allowances and discounts				(438,852)	(438,852)	(394,587)
Net residential life				4,168,697	4,168,697	3,937,309
Cafeteria				2,517,695	2,517,695	2,753,675
Scholarship allowances and discounts				(311,635)	(311,635)	(336,147)
Net cafeteria				2,206,060	2,206,060	2,417,528
Bookstore				1,300,814	1,300,814	1,806,681
Scholarship allowances and discounts				(181,031)	(181,031)	(208,872)
Net bookstore				1,119,783	1,119,783	1,597,809
other auxiliary				491,907	491,907	419,372
Total net auxiliary enterprises				7,986,448	7,986,448	8,372,018
Total Operating Revenues	$46,326,485	$ 2,567,583	$48,894,068	$11,129,793	$60,023,861	$56,374,013
					(Exhibit 2)	(Exhibit 2)

• In accordance with Education Code §56.033, $1,150,134 and $1,091,987 for the years ended August 31, 2015 and 2014, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

BLINN COLLEGE
Schedule of Operating Expenses By Object
Year Ended August 31,2015
(With Memorandum Totals for the Year Ended August 31,2014)

	Oerating Exenses					
	Salaries and Wages	Benefits State	Benefits Local	Other Exenses	2015 Total	2014 Total
Unrestricted - Educational Activities:						
Instruction	$29,447,551	$	$ 4,844,609	$ 4,603,447	$ 38,895,607	$35, 108,662
Public Service	315,740		63,440	175,295	554,475	506,185
Academic Support	4,139,771		793,373	633,794	5,566,938	4,073,153
Student Services	4,099,417		830,419	663, 183	5,593,019	4,818,451
Institutional Support	4,770,049		930,643	3,563,298	9,263,990	7,910,260
Operation and Maintenance of Plant	1,225,362		450,729	6,517, 101	8,193,192	8,900,447
Scholarships and Fellowships				757,952	757,952	763,214
Total Unrestricted - Educational Activities	43,997,890		7,913,213	16,914,070	68,825,173	62,080,372
Restricted - Educational Activities:						
Instruction	165,210	2,410,224	213,424	89,842	2,878,700	4,489,196
Public Service	198,177	27,626	64,902	469,987	760,692	463,995
Academic Support		382,631			382,631	565,863
Student Services		471,516			471,516	863,741
Institutional Support	21,325	1,839,133	1,437	205,667	2,067,562	2,337,498
Scholarships and Fellowships				12,266,702	12,266,702	13,307,802
Total Restricted - Educational Activities	384,712	5,131,130	279,763	13,032,198	18,827,803	22,028,095
Total Educational Activities	44,382,602	5,131,130	8,192,976	29,946,268	87,652,976	84,108,467
Auxiliary Enterprises	2,616,281		1,183,908	4,770,048	8,570,237	8,415,357
Depreciation Expense - Buildings and other real estate improvements				2,538,737	2,538,737	2,371,245
Depreciation Expense - Equipment, furniture and library books				1,715,429	1,715,429	1,578,804
Total Operating Expenses	$46,998,883	$ 5,131,130	$ 9,376,884	$38,970,482	$ 100,477,379	$96,473,873
					(Exhibit 2)	(Exhibit 2)

BLINN COLLEGE
Schedule of Nonoperating Revenues and Expenses
Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	2015 Total	2014 Total
Non-Operating Revenues:				
State appropriations:				
Education and General state support	$ 22,741,440	$	$ 22,741,440	$ 22,866,056
State group insurance		3,121,358	3,121,358	2,908,188
State retirement matching		2,009,772	2,009,772	1,153,933
Total state appropriations	22,741,440	5,131,130	27,872,570	26,928,177
Property taxes	1,671,349		1,671,349	1,637,679
Federal revenue, non operating		19,751,129	19,751,129	19,333,780
Gifts		221,724	221,724	289,618
Investment income	292,716		292,716	306,781
Gain on disposal of capital assets	4,180		4,180	
Unrealized gain (loss) on investments	(289,129)		{289,129	318,349
Total non-operating revenues	24,420,556	25,103,983	49,524,539	48,814,384
'Non-Operating Expenses:				
Interest on capital related debt	1,148,219		1,148,219	1,262,469
Loss on disposal of capital assets				15,657
other expenses	113,937		113,937	
Total non-operating expenses	1,262,156		1,262,156	1,278,126
Net non-operating revenues	$ 23,158,400	$ 25,103,983	$ 48,262,383	$ 47,536,258
			(Exhibit 2)	(Exhibit 2)

Schedule D

BLINN COLLEGE
Schedule of Net Position by Source and Availability
Year Ended August 31,2015
(With Memorandum Totals for the Year Ended August 31,2014)

	Detail by Source					Available for Current Oeerations	
		Restricted		Capital Assets			
	Unrestricted	Exendable	Non-endable	Net of Depreciation and Related Debt	Total	Yes	No
Current:							
Unrestricted	$ 2,352,391	$ -	$ -	$ -	$ 2,352,391	$ 2,352,391	$
Student aid		729,436	-	-	729,436		729,436
Star of Republic Museum	-	(654,237)		-	(654,237)	-	(654,237)
Auxiliary enterprises	807,284	-	-	-	807,284	807,284	
Endowment:							
Expendable	-	705,541		-	705,541	-	705,541
Non-expendable	-	-	9,622,247	-	9,622,247		9,622,247
Plant:							
Debt service	-	5,054,917	-	-	5,054,917	-	5,054,917
Investment in plant	-	-		74,169,141	74,169,141	-	74,169,141
Total Net Position, August 31, 2015	3,159,675	5,835,657	9,622,247	74,169,141	92,786,720 (Exhibit 1)	3,159,675	89,627,045
Total Net Position, August 31, 2014 (as restated, see note 2)	1,772,382	5,588,447	9,599,173	67,994,280	84,954,282 (Exhibit 2)	15,912,530	83,181,900
Net Increase (Decrease) in Net Position	$ 1,387,293	$ 247,210	$ 23,074	$ 6,174,861	$ 7,832,438 (Exhibit 2)	$ (12,752,855)	$ 6,445,145

BLINN 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	Expenditures and Pass Through Disbursements
U S Department of Education			
Direct Programs:			
Student Financial Assistance			
Federal Supplemental Education Opportunity Grant	84.007	P007A143969	$ 261,365
Federal Work Study Program	84.033	P033A143969	153,511
Federal Pell Grant	84.063	P063P142262	19,489,764
Federal Direct Student Loan Program	84.268	P268K142262	64,043
Federal Direct Student Loan Program	84 268	P268K152262	27 991 000
			28,055,043
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	154223	301 171
Total U.S. Department of Education			48,260 854
U.S. Small Business Administration			
Pass-Through from:			
University of Houston:			
Small Business Development Center	59.037	R-14-0048-53803	8,176
Small Business Development Center	59.037	R-15-0017-53803	111267
Total U.S. Small Business Administration			119 443
Total Expenditures of Federal Awards			$ 48,380,297

Federal Direct Student Loan Program, CFDA 84.268, includes the following·

Direct Subsidized Loans	$ 14,813,247
Direct Unsubsidized Loans	11,524,699
Direct PLUS Loans	1717 097
	$ 28,055,043

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

BLINN COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2015

Grantor Agency Program Title	Grant Contract Number	Expenditures and Pass Through Disbursements
Texas Comptroller of Public Accounts -		
Jobs and Education for Texans (JET)	5535-09	$ 250,925
Law Enforcement Officer Standards & Education (LEOSE)	9P140458	907
Law Enforcement Officer Standards & Education (LEOSE)	9P150458	915
Texas Higher Education Coordinating Board:		
Accelerate Texas: Scaling & Sustaining Success	11519	48,308
Intensive College Readiness Programs (IPAES)	06094	31,837
Texas Science, Technology, Engineering and Math Challenge	11273	11,288
Texas Science, Technology, Engineering and Math Challenge	13494	189,606
Texas Grant Program		216,486
Texas Educational Opportunity Grant Program (TEOG)		747,934
Top 10% Scholarship		2,000
Texas Workforce Commission		
Skills Development-Mid-South Electric Cooperative	1613SDFOOO	87,023
Skills Development-Axis Pipe and Tube	1614SDFOOO	123,787
Skills Development-Blue Bell Creameries, Inc.	1614SDF001	196,490
Skills Development-Sealy Texas Management, Inc.	1615SDFOOO	85,952
Total Expenditures of State Awards		$ 1,993,458

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

BLINN COLLEGE
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended August 31, 2015

1. Relationship to Financial Statements

	Federal	State
Federal Grants and Contracts Revenue - Per Schedule A	$ 574, 125	$ 1,993,458
Add Financial Aid Loans	28,055,043	
Add Non-operating Federal Revenue from Schedule C	19,751,129	
Total per Schedule of Expenditures of Federal and State Awards	$ 48,380,297	$ 1,993,458

2. Significant Accounting Policies Used in Preparing the Schedules

The schedules present the activity of all Federal and State programs of the College for the year ended August 31, 2015. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

3. Relationship to Federal and State Financial Reports

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

4. Amounts Passed-Through by the College

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

Education Service Center-Region VI	$ 31.837

AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE

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

Board of Trustees
Blinn College
Brenham, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial aup.its contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blinn College (the College), .as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 11, 2015.

<u>Internal Control Over Financial Repmting</u>

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

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

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

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

Compliance and Other Matters

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

Purpose of this Repo11

The purpose of this rep011is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit perf01med in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lott, Vernon & Co., P.C.

Temple, Texas
December 11, 2015

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

Board of Trustees
Blinn College
Brenham, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Blinn College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and The State of Texas Single Audit Circular that could have a direct and material effect _on each of its major federal and state programs for the year ended August 31, 2015. The College's major federal and state programs are identified *in* the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance *in* accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and The State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements rfened to above that could have a direct and material effect on a major federal or state program occuned.

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

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and The State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance. .

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the no1mal course of performing their assigned functions, to prevent, or detect and con-ect, 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 fderal or state program will not be prevented, or detected and c01Tected, 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 wealmess in internal control over compliance, yet imp01iant enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and The State of Texas Single Audit Circular. Accordingly, this rep01i is riot suitable for any other purpose.

Lott, Vernon & Co., P.C.

Temple, Texas
December 11, 2015

I. Summary of Audit Results

Financial Statements

1. Type of auditor's repmi issued: *unmodified*

2. Internal control over financial repmiing:
   Material weakness(es) identified? _____ yes____K._ no
   Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes _____X_ none repmied

3. Noncompliance material to financial statements noted? _____ yes____K._ no

Federal and State Awards

4. Internal control over major programs:
   Material weakness(es) identified? _____ yes X no
   Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X no

5. Type of auditor's report issued on compliance for major programs: *unmodified*

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 or the State of Texas Single Audit Circular and Uniform Grant Management Standards? ____ yes____K._ no

7. Identification of major programs:

Name of Federal Programs	Federal CFDA Number	Name of State Program
U.S. Depaiiment of Education		Texas Education Oppmiunity Grant
Student Financial Aid Cluster:		
SEOG	84.007	
Federal College Work Study Program	84.033	
Federal Pell Grant Program	84.063	
William D Ford Direct Loans	84.268	
Small Business Development Centers	59.037	

(TEOG)

Texas Workforce Commission
Skills Development
- Mid-South Electric Cooperative
- Axis Pipe and Tube
- Blue Bell Creameries, Inc.
- Sealy Texas Management, Inc.

8.	Dollar threshold used to distinguish between type A and type B federal programs:	$300,000
9.	Dollar threshold used to distinguish between Type A and Type B state programs:	$300,000
10.	Auditee qualified as low-risk auditee for federal single audit?	___X__ yes _____no
11.	Auditee qualified as low-risk auditee for state single audit?	X yes______no

II. Financial Statement Findings

None.

III. Federal and State Awards Findings and Questioned Costs

None.