



BLINN COLLEGE

**ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
August 31, 2016**

BLINN COLLEGE
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BLINN COLLEGE

Organizational Data
Year Ended August 31, 2016

Board of Trustees

Officers

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

	<u>Members</u>	<u>Term Expires</u> <u>May 31,</u>
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
Nancy Berry	Bryan, Texas	2017
Ann Horton	Bryan, Texas	2017

Key Administrators

Mary Hensley, Ed.D., District President/CEO
Melvin E. Waxler, JD., M.P.Aff., M.Ed., Executive Vice President and General Counsel
Dennis Crowson, Ph.D., Sr. VP for Student Services
Crystal Lee, Ph.D., VP for Instruction
Karen Buck, M.Ed., VP for College Administration & Operations
Annette Ferguson, CPA, Asst. VP/Controller for Business Services



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

Board of Trustees
Blinn College
Brenham, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Blinn College, (the College) as of and for the years ended August 31, 2016 and 2015, 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.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blinn College as of August 31, 2016 and 2015, 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 as listed in the table of contents and the Schedule of College's Share of Proportional Net Pension Liability and Schedule of College's Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

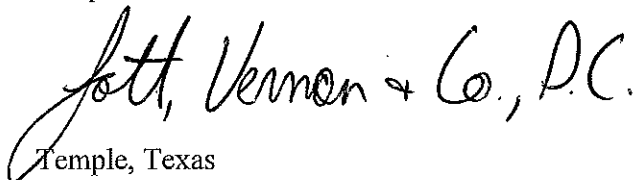
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular, and are also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Temple, Texas
November 22, 2016

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, 2016 and 2015. 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 2016

- Net position increased by \$ 17.4 million
- Tuition and fee revenue (before allowances and discounts) increased by \$8.5 million

The College's net position increased approximately \$17.4 million, or 19%. An increase in tuition and fee rates led to an increase in total tuition and fee revenue (before allowances and discounts) of approximately \$8.5 million, or 14%.

Total operating revenues increased approximately \$10.9 million. This increase is primarily attributable to increases in tuition and fees and auxiliary enterprise revenues, offset by an increase in allowances and discounts of \$1 million. Operating expenses increased \$5.4 million, or 5%, due primarily to increases in personnel costs and payments for goods and services.

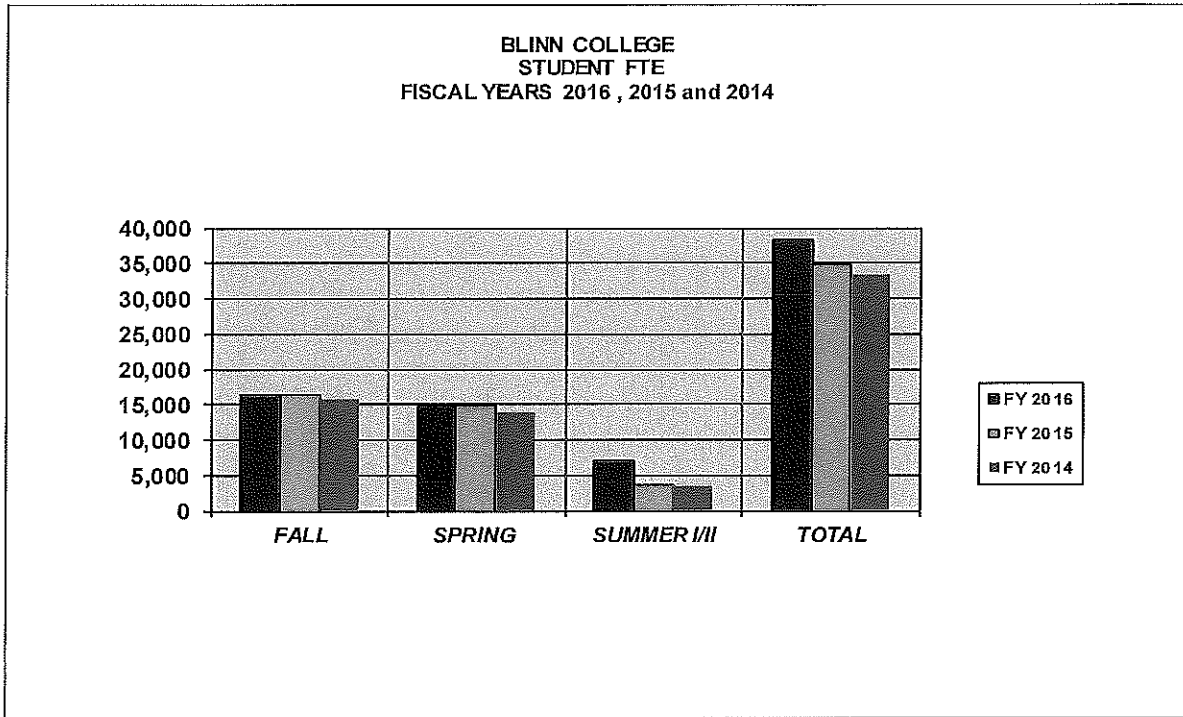
Financial Highlights and Significant Activities for 2015

- Net position increased by \$ 7.8 million
- Tuition and fee revenue (before allowances and discounts) increased by \$5 million

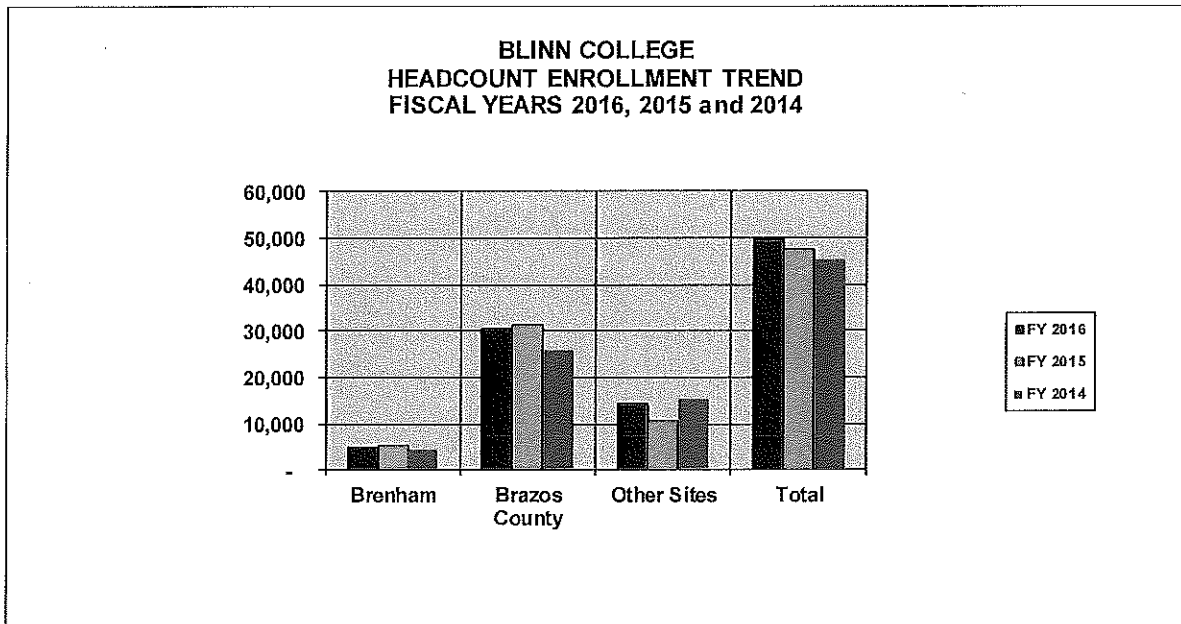
The College's net position increased approximately \$7.8 million, or 9%. An increase in the general fee led to an increase in total tuition and fee revenue (before allowances and discounts) of approximately \$5 million, or 9 %.

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.

Below is a breakdown of the College's full time equivalency (FTE) enrollment by term for fiscal years 2016, 2015 and 2014:



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

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

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

Statement of Net Position

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

	2016	2015	Increase (Decrease) 2016-2015	2014	Increase (Decrease) 2015-2014
Assets:					
Current Assets	\$ 123,255,000	\$ 68,402,000	\$ 54,853,000	\$ 55,211,000	\$ 13,191,000
Capital Assets, Net of					
Depreciation	114,949,000	110,378,000	4,571,000	102,653,000	7,725,000
Noncurrent Assets	17,387,000	14,069,000	3,318,000	15,188,000	(1,119,000)
Total Assets	255,591,000	192,849,000	62,742,000	173,052,000	19,797,000
Deferred Outflows of Resources:					
Deferred outflows related to pensions	6,007,000	2,343,000	3,664,000	-	2,343,000
Total Deferred Outflow of Resources	6,007,000	2,343,000	3,664,000	-	2,343,000
Liabilities:					
Current Liabilities	48,642,000	48,609,000	33,000	42,704,000	5,905,000
Noncurrent Liabilities	98,336,000	49,978,000	48,358,000	31,254,000	18,724,000
Total Liabilities	146,978,000	98,587,000	48,391,000	73,958,000	24,629,000
Deferred Inflows of Resources:					
Deferred inflows related to pensions	4,396,000	3,818,000	578,000	-	3,818,000
Total Deferred Inflows of Resources	4,396,000	3,818,000	578,000	-	3,818,000
Net Position:					
Investment in Capital Assets,					
Net of Related Debt	74,486,000	74,169,000	317,000	67,994,000	6,175,000
Restricted	17,158,000	15,458,000	1,700,000	15,188,000	270,000
Unrestricted	18,580,000	3,160,000	15,420,000	15,912,000	(12,752,000)
Total Net Position	\$ 110,224,000	\$ 92,787,000	\$ 17,437,000	\$ 99,094,000	\$ (6,307,000)

At August 31, 2016, current assets included \$100.2 million of cash and cash equivalents and investments and \$20.7 million in student receivables related primarily to the fall 2016 semester. The increase in current assets is due primary to a \$54.5 million increase in cash and cash equivalents and investments and a \$321,000 increase in accounts receivables. The cash and investment increase was attributable to increased receipts from students of \$8.6 million and the unexpended portion of the Series 2014, 2015 and 2016 Bond issues (\$45.6 million) for Villa Maria Street Bryan Campus renovations and the construction of the new Bryan Campus; receivables increased due to tuition and fee increases. The increase in current assets in 2015 was due primarily 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 the general fee increase.

Statement of Net Position (continued)

In Fiscal 2016, the College had capital asset additions of approximately \$9.1 million offset by the annual depreciation charge of \$4.6 million. In Fiscal 2015, the College had capital asset additions of approximately \$12 million offset by the annual depreciation charge of \$4.3 million.

The College's noncurrent assets include funds restricted for endowments, debt service and other investments. Noncurrent assets increased \$3.3 million in Fiscal 2016 due primarily to an increase in debt service investments as required by the Series 2015 and 2016 Bonds issued in Fiscal 2016 and an increase in the market value of the investments in 2016 as compared to 2015.

Current liabilities increased \$33,700 in Fiscal 2016, due primarily to an increase of \$282,000 in accounts payable and a \$140,000 increase in the current portion of bonds payable, offset by a \$376,000 decrease in deferred tuition and fees related to the Fall 2016 semester. 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.

Noncurrent liabilities increased \$48.4 million in Fiscal 2016 as a result of a \$44.9 million increase in bonds payable and a \$3.5 million increase in net pension liability. The bonds payable increase is due to the issuance of the Series 2015 bonds (\$9.6 million) and the Series 2016 bonds (\$37 million) offset by scheduled debt service amortization of existing bonds. 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.

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 has reported a liability of \$16 million and \$12.5 million at August 31, 2016 and 2015, respectively 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, at August 31, 2016, the College reported its proportionate share of TRS's deferred outflows of resources (\$6 million) and deferred inflows of resources (\$4.4 million) related to pensions.

At August 31, 2016 and 2015, total net position was \$110.2 and \$92.8 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. Net position has increased over the two-year period, with increases of \$17.4 and \$7.8 million in 2016 and 2015, respectively. The College has an unrestricted net position balance of approximately \$18.6 million at August 31, 2016. Restricted net position includes endowment funds of approximately \$10.3 million and required debt service reserves of \$6.8 million. The investment in capital assets, net of related debt increased \$317,000 in 2016. The College's financial position remains strong with adequate liquid assets and a reasonable level of unrestricted net position, considering the restatement made in the prior year.

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:

	2016	2015	Increase (Decrease) 2016-2015	2014	Increase (Decrease) 2015-2014
Operating Revenues:					
Student Tuition and Fees, Net	\$ 55,048,000	\$ 47,551,000	\$ 7,497,000	\$ 45,156,000	\$ 2,395,000
Federal Grants and Contracts	633,000	574,000	59,000	663,000	(89,000)
State Grants and Contracts	2,024,000	1,993,000	31,000	1,494,000	499,000
Auxiliary Enterprises, Net	11,908,000	9,242,000	2,666,000	8,372,000	870,000
Other	1,274,000	664,000	610,000	689,000	(25,000)
Total Operating Revenues	70,887,000	60,024,000	10,863,000	56,374,000	3,650,000
Less Operating Expenses	105,860,000	100,478,000	5,382,000	96,474,000	4,004,000
Operating Loss	(34,973,000)	(40,454,000)	5,481,000	(40,100,000)	(354,000)
Nonoperating Revenues(Expenses)					
State Appropriations	30,198,000	27,873,000	2,325,000	26,928,000	945,000
Property Taxes	1,824,000	1,671,000	153,000	1,638,000	33,000
Federal Revenue, Nonoperating	18,594,000	19,751,000	(1,157,000)	19,334,000	417,000
Gifts	2,401,000	222,000	2,179,000	290,000	(68,000)
Investment Income	619,000	293,000	326,000	307,000	(14,000)
Unrealized Gain(Loss) Investments	204,000	(289,000)	493,000	318,000	(607,000)
Interest on Capital Related Debt	(1,102,000)	(1,148,000)	46,000	(1,263,000)	115,000
Other	(323,000)	(110,000)	(213,000)	(16,000)	(94,000)
Total Nonoperating Revenues	52,415,000	48,263,000	4,152,000	47,536,000	727,000
Income Before Other Revenue	17,442,000	7,809,000	9,633,000	7,436,000	373,000
Additions (Deductions) to Endowments	(4,000)	24,000	(28,000)	64,000	(40,000)
Total Increase in Net Position	17,438,000	7,833,000	9,605,000	7,500,000	333,000
Net Position, Beginning of Year	92,787,000	99,094,000	(6,307,000)	91,594,000	7,500,000
Cumulative Effect of Change in Accounting Principle	-	(14,140,000)	14,140,000	-	(14,140,000)
Net Position, Beginning of Year, as restated	92,787,000	84,954,000	7,833,000	91,594,000	(6,640,000)
Net Position, End of Year	\$ 110,224,000	\$ 92,787,000	\$ 17,438,000	\$ 99,094,000	\$ (6,307,000)

Total operating revenues increased \$10.9 million from 2015 due to an increase in tuition and fees of \$8.5 million and increased auxiliary enterprises revenues of \$2.7 million, as a result of the increase in tuition and fees rates and housing, food service and vehicle registration charges, offset by an increase in allowances and discounts of \$1 million. 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. Operating expenses consist mainly of personnel costs, which were 61% total operating expenses in fiscal 2016 and 2015.

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

	2016	2015	Increase (Decrease) 2016-2015	2014	Increase (Decrease) 2015-2014
Instructional and General	\$ 55,499,000	\$ 55,104,000	\$ 395,000	\$ 50,889,000	\$ 4,215,000
Institutional Support	14,459,000	11,332,000	3,127,000	10,248,000	1,084,000
Operations and Maintenance of Plant	11,420,000	8,193,000	3,227,000	8,901,000	(708,000)
Auxiliary Enterprises	8,741,000	8,570,000	171,000	8,415,000	155,000
Depreciation	4,569,000	4,254,000	315,000	3,950,000	304,000
Scholarships and Fellowships	11,172,000	13,025,000	(1,853,000)	14,071,000	(1,046,000)
Total Operating Expenses	\$ 105,860,000	\$ 100,478,000	\$ 5,382,000	\$ 96,474,000	\$ 4,004,000
Non-Operating Revenues (Expenses):					
State Appropriations	\$ 30,198,000	\$ 27,873,000	\$ 2,325,000	\$ 26,928,000	\$ 945,000
Property Taxes	1,823,000	1,671,000	152,000	1,638,000	33,000
Federal Revenue, Non-Operating	18,594,000	19,751,000	(1,157,000)	19,334,000	417,000
Gifts	2,401,000	222,000	2,179,000	290,000	(68,000)
Unrealized Gain (Loss) on Investments	204,000	(289,000)	493,000	318,000	(607,000)
Investment Income	619,000	293,000	326,000	307,000	(14,000)
Gain (Loss) on Disposal of Capital Assets	(1,000)	4,000	(5,000)	(16,000)	20,000
Interest on Capital Related Debt	(1,102,000)	(1,148,000)	46,000	(1,263,000)	115,000
Other Non-Operating Expenses	(322,000)	(114,000)	(208,000)	-	(114,000)
Net Non-Operating Revenues (Expenses)	\$ 52,414,000	\$ 48,283,000	\$ 4,151,000	\$ 47,536,000	\$ 727,000

Total operating expenses increased \$5.4 million from 2015 due to increased personnel costs resulting from pay rate and benefit cost increases (including GASB 68 pension related adjustments), increased technology software expenditures and \$3.3 million of architectural design and construction costs at the Bryan Harvey Mitchell Parkway site (see Capital Assets and Debt Administration), offset by decreased scholarships and fellowships. 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 scholarships and fellowships.

Total non-operating revenues increased \$4.2 million from 2015 due primarily to a \$2.3 million increase in State appropriation (\$1.4 million increase in education and general state support, \$309,000 increase in State group insurance appropriation and \$632,000 increase in the State retirement contribution), \$2.2 million increase in gifts from the Blinn College Foundation, Inc., offset by a \$1.2 million decrease in non-operating Federal revenue (Title IV funds).

Total non-operating revenues increased \$727,000 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), offset by \$607,000 increase in unrealized loss on endowment and bond reserve investments.

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:

	2016	2015	Increase (Decrease) 2016-2015	2014	Increase (Decrease) 2015-2014
Cash Provided by (Used in):					
Operating Activities	\$ (25,031,000)	\$ (30,342,000)	\$ 5,311,000	\$ (29,630,000)	\$ (712,000)
Non-Capital Financing Activities	47,285,000	44,770,000	2,515,000	44,563,000	207,000
Capital and Related Financing Activities	34,747,000	(6,873,000)	41,620,000	(9,516,000)	2,643,000
Investing Activities	(41,883,000)	235,000	(42,118,000)	339,000	(104,000)
Net Increase (Decrease) in Cash and					
Cash Equivalents	15,118,000	7,790,000	7,328,000	5,756,000	2,034,000
Cash and Cash Equivalents - Beginning of Year	46,427,000	38,637,000	7,790,000	32,881,000	5,756,000
Cash and Cash Equivalents - End of Year	<u>\$ 61,545,000</u>	<u>\$ 46,427,000</u>	<u>\$ 15,118,000</u>	<u>\$ 38,637,000</u>	<u>\$ 7,790,000</u>

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

Cash used in operations in 2016 decreased \$5.3 million from 2015, due to an increase in receipts from students and other customers (\$8.5 million) and a decrease in scholarship payments (\$1.9 million) offset by an increase in payments to suppliers for goods and services (\$2.6 million), an increase in payments to or on behalf of employees (\$2.3 million) and a decrease in receipts from grants and contracts of \$608,000.

Cash used in operations in 2015 increased \$712,000 over 2014, due to an increase in payments to or on behalf of employees (\$3.4 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.

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 \$2.2 million in gifts from the Blinn Foundation Inc., \$1.4 million increase in State appropriations offset by a \$1.2 million decrease in non-operating Federal revenue (Title IV funds). 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.

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 2016 was due to the proceeds from the Series 2015 bond (\$9.6 million) and the Series 2016 bond (\$36 million) issued in 2016. 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 variance in cash provided by investing activities in 2016 and 2015 is due primarily to the purchase and sales and maturities of investments.

Capital Assets and Debt Administration

In fiscal year 2016, the College had capital additions of approximately \$9.1 million, including \$2.9 million for the Kruse Recreation facility on the Brenham campus, \$2.4 million for building renovations on the Villa Maria Street Bryan campus, \$1.5 million for a new Finance and Human Resource accounting software package, \$1.3 million for the Bryan RELLIS campus and \$527,000 for technology equipment.

In 2016, the College invested approximately \$4.7 million in the construction of a planned academic facility on the Bryan Harvey Mitchell Parkway site. Upon the execution of a Memorandum of Understanding with the Texas A&M University System to build a facility at the Texas A&M's RELLIS campus, the work was halted at the Bryan Harvey Mitchell Parkway site. Approximately \$1.3 million of these expenditures are transferrable to work associated with the new RELLIS Campus facility. The College anticipates experiencing reduced infrastructure and utility obligations and other lower or avoidable costs as a result of the move to the RELLIS Campus.

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. During fiscal year 2016, the College issued Combined Fee Revenue Bonds, Series 2015 and Series 2016. The proceeds from the issue (\$46.6 million) will be used for the construction of the Bryan RELLIS campus discussed above.

Future Considerations

Blinn College expects enrollment to continue to grow over the near term across its four campuses. In nine of the past 10 years, Blinn College has posted record enrollment, climbing to 19,422 in Fall 2016, including 12,883 students on Blinn College's Bryan campus. Blinn's master planning efforts indicate that despite statewide enrollment decreases, growth at Blinn 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 Blinn College has proven unique among community colleges in attracting students from across the state. A recent study found that Blinn students came from 1,533 zip codes, drawing significant numbers from Houston, San Antonio, Austin and Dallas-Fort Worth.

Blinn College anticipates continued investment in strategic capital projects to accommodate anticipated enrollment growth. To alleviate long-term overcrowding at the existing Bryan campus, Blinn College recently completed a \$10 million renovation project designed to add student study and lounge space, classroom and meeting space, and improve campus traffic and parking.

In 2016, Blinn College announced a Memorandum of Understanding with The Texas A&M University System to build a facility at Texas A&M's former Riverside Campus, now called the RELLIS Campus. This new campus establishes a new educational community combining a major university system and a community college at a single physical location. Blinn will begin construction in early 2017 and will begin hosting courses at RELLIS beginning in Fall 2018.

With more than 925 students on a wait list for student housing in Fall 2016, Blinn College identified the need to expanding available student housing on the Blinn-Brenham Campus. To accommodate the increased demand, Blinn has engaged in a public/private partnership for a new 465-bed student housing facility. The facility will begin housing students in Fall 2018. Management expects Blinn College's market position to remain strong, operating performance to remain positive and pledged revenues to remain strong to support debt service.

Contacting the College's Financial Management

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

FINANCIAL STATEMENTS

BLINN COLLEGE
Statements of Net Position
August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 46,990,047	\$ 40,461,354
Restricted cash and cash equivalents	8,465,521	5,204,712
Investments	7,576,276	-
Restricted investments	37,151,922	-
Accounts receivable (net)	22,706,644	22,385,728
Interest and dividends receivable	166,205	78,945
Inventories	13,732	40,047
Other assets	184,375	230,838
Total Current Assets	<u>123,254,722</u>	<u>68,401,624</u>
Noncurrent Assets:		
Restricted endowment cash and cash equivalents	6,089,973	760,597
Restricted investments	11,296,946	13,308,271
Capital Assets (net) (See Note 6)	<u>114,948,952</u>	<u>110,378,217</u>
Total Noncurrent Assets	<u>132,335,871</u>	<u>124,447,085</u>
Total Assets	<u><u>255,590,593</u></u>	<u><u>192,848,709</u></u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions	6,007,330	2,342,786
Total Deferred Outflows of Resources	<u>6,007,330</u>	<u>2,342,786</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	4,520,444	4,238,351
Funds held for others	1,260,893	1,260,883
Deferred revenues	39,020,350	39,396,621
Deposits	175,674	187,770
Bonds payable - current portion	<u>3,665,000</u>	<u>3,525,000</u>
Total Current Liabilities	<u>48,642,361</u>	<u>48,608,625</u>
Noncurrent Liabilities:		
Bonds payable	82,356,002	37,498,186
Net pension liability	<u>15,979,437</u>	<u>12,480,226</u>
Total Noncurrent Liabilities	<u>98,335,439</u>	<u>49,978,412</u>
Total Liabilities	<u>146,977,800</u>	<u>98,587,037</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions	4,395,833	3,817,738
Total Deferred Inflow of Resources	<u>4,395,833</u>	<u>3,817,738</u>
<u>Net Position</u>		
Invested in capital assets, net of related debt	74,486,420	74,169,141
Restricted for:		
Nonexpendable - endowments	9,617,891	9,622,247
Expendable		
Endowments	650,230	705,541
Student aid	783,273	729,436
Debt service	6,832,393	5,054,917
Star of the Republic Museum	(725,428)	(654,237)
Unrestricted	<u>18,579,511</u>	<u>3,159,675</u>
Total Net Position (Schedule D)	<u><u>\$ 110,224,290</u></u>	<u><u>\$ 92,786,720</u></u>

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

BLINN COLLEGE FOUNDATION, INC.
Statements of Financial Position
August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$ 1,222,875	\$ 527,688
Unconditional promises to give	<u>878,886</u>	<u>855,650</u>
Total Current Assets	<u>2,101,761</u>	<u>1,383,338</u>
Restricted Assets:		
Cash	260,709	1,377,874
Investments	<u>6,711,309</u>	<u>6,959,537</u>
Total Restricted Assets	<u>6,972,018</u>	<u>8,337,411</u>
Long-term Unconditional Promises to Give:		
Total face-value of promises	1,064,557	1,139,580
Less amount classified as current	<u>(878,886)</u>	<u>(855,650)</u>
Net long-term unconditional promises to give	<u>185,671</u>	<u>283,930</u>
Other Assets:		
Oil/Gas royalty interest	<u>10,000</u>	<u>10,000</u>
Total Assets	<u>9,269,450</u>	<u>10,014,679</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	<u>840,383</u>	<u>117,887</u>
Total Liabilities	<u>840,383</u>	<u>117,887</u>
Net Assets:		
Unrestricted	126,459	108,700
Temporarily restricted net assets	2,621,142	4,272,362
Permanently restricted net assets	<u>5,681,466</u>	<u>5,515,730</u>
Total Net Assets	<u>8,429,067</u>	<u>9,896,792</u>
Total Liabilities and Net Assets	<u>\$ 9,269,450</u>	<u>\$ 10,014,679</u>

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

BLINN COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2016 and August 31, 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Tuition and Fees (net of discounts of \$14,348,700 and \$13,309,312, respectively)	\$ 55,048,041	\$ 47,550,724
Federal Grants and Contracts	633,039	574,125
State Grants and Contracts	2,024,479	1,993,458
Sales and Services of Educational Activities	691,798	385,928
Auxiliary Enterprises (net of discounts of \$1,044,280 and \$931,519, respectively)	11,908,361	9,242,351
Other Operating Revenues	<u>581,432</u>	<u>277,275</u>
Total Operating Revenues (Schedule A)	<u>70,887,150</u>	<u>60,023,861</u>
Operating Expenses		
Instruction	41,287,966	41,774,307
Public Service	1,652,930	1,315,167
Academic Support	6,229,943	5,949,569
Student Services	6,327,883	6,064,535
Institutional Support	14,459,186	11,331,552
Operation and Maintenance of Plant	11,420,179	8,193,192
Scholarships and Fellowships	11,171,784	13,024,654
Auxiliary Enterprises	8,740,983	8,570,237
Depreciation	<u>4,568,636</u>	<u>4,254,166</u>
Total Operating Expenses (Schedule B)	<u>105,859,490</u>	<u>100,477,379</u>
Operating Loss	<u>(34,972,340)</u>	<u>(40,453,518)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	30,198,162	27,872,570
Property Taxes	1,823,314	1,671,349
Federal Revenue, Non Operating	18,594,062	19,751,129
Gifts	2,401,100	221,724
Unrealized Gain (Loss) on Investments	204,342	(289,129)
Investment Income	618,916	292,716
Gain (Loss) on Disposal of Capital Assets	(1,857)	4,180
Interest on Capital Related Debt	(1,101,962)	(1,148,219)
Other Non-Operating Expenses	<u>(322,313)</u>	<u>(113,937)</u>
Net Non-Operating Revenues (Schedule C)	<u>52,413,764</u>	<u>48,262,383</u>
Income Before Other Revenue	17,441,424	7,808,865
Other Revenue - Additions to Permanent Endowments	<u>(3,854)</u>	<u>23,573</u>
Increase in Net Position	17,437,570	7,832,438
Net Position		
Net Position, Beginning of Year	92,786,720	99,094,430
Cumulative Effect of Change in Accounting Principle (Note 2)	-	(14,140,148)
Net Position, Beginning of Year, as restated	<u>92,786,720</u>	<u>84,954,282</u>
Net Position, End of Year	<u>\$110,224,290</u>	<u>\$ 92,786,720</u>

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

BLINN COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenues</u>				
Donations	\$ 43,004	\$ 910,309	\$ 166,306	\$ 1,119,619
Fundraising	-	29,775	-	29,775
Investment income	11,870	139,750	-	151,620
Oil/Gas royalty	577	-	-	577
Endowment of temporarily restricted net assets	-	(32,430)	32,430	-
Net assets released from purpose restrictions	2,731,624	(2,698,624)	(33,000)	-
Total Public Support and Revenues	<u>2,787,075</u>	<u>(1,651,220)</u>	<u>165,736</u>	<u>1,301,591</u>
<u>Expenses</u>				
Program services:				
Expenditures for the benefit of Blinn College	2,448,327	-	-	2,448,327
Scholarships	286,368	-	-	286,368
Support services:				
Administrative expenses	24,834	-	-	24,834
Fundraising	9,787	-	-	9,787
Total Expenses	<u>2,769,316</u>	<u>-</u>	<u>-</u>	<u>2,769,316</u>
Change in Net Assets	17,759	(1,651,220)	165,736	(1,467,725)
Net Assets - Beginning of Year	<u>108,700</u>	<u>4,272,362</u>	<u>5,515,730</u>	<u>9,896,792</u>
Net Assets - End of Year	<u>\$ 126,459</u>	<u>\$ 2,621,142</u>	<u>\$ 5,681,466</u>	<u>\$ 8,429,067</u>

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenues</u>				
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	<u>566,275</u>	<u>(420,644)</u>	<u>118,490</u>	<u>264,121</u>
<u>Expenses</u>				
Program services:				
Expenditures for the benefit of Blinn College	212,646	-	-	212,646
Scholarships	313,000	-	-	313,000
Support services:				
Administrative expenses	32,781	-	-	32,781
Fundraising	10,666	-	-	10,666
Total Expenses	<u>569,093</u>	<u>-</u>	<u>-</u>	<u>569,093</u>
Change in Net Assets	(2,818)	(420,644)	118,490	(304,972)
Net Assets - Beginning of Year	<u>111,518</u>	<u>4,693,006</u>	<u>5,397,240</u>	<u>10,201,764</u>
Net Assets - End of Year	<u>\$ 108,700</u>	<u>\$ 4,272,362</u>	<u>\$ 5,515,730</u>	<u>\$ 9,896,792</u>

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

BLINN COLLEGE
Statements of Cash Flows
Years Ended August 31, 2016 and August 31, 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Receipts from students and other customers	\$ 67,732,212	\$ 59,143,019
Receipts from grants and contracts	1,871,598	2,479,918
Payments to suppliers for goods and services	(25,042,746)	(22,479,533)
Payments to or on behalf of employees	(59,001,215)	(56,737,559)
Payments for scholarships	(11,171,784)	(13,024,654)
Other receipts	581,432	277,276
Net cash used by operating activities	<u>(25,030,503)</u>	<u>(30,341,533)</u>
Cash Flows From Non-Capital Financing Activities:		
Receipts from state appropriations	24,477,925	23,103,232
Receipts from property taxes	1,815,949	1,669,917
Receipts from non operating federal revenue	18,594,062	19,751,129
Increase (decrease) in permanent endowments	(3,856)	23,574
Other receipts	2,401,100	221,722
Net cash provided by non-capital financing activities	<u>47,285,180</u>	<u>44,769,574</u>
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(9,141,227)	(11,975,318)
Proceeds from issuance of capital debt	48,913,919	9,845,897
Bond issue costs paid on capital debt issue	(322,313)	(113,937)
Payments on capital debt - principal	(3,601,316)	(3,481,316)
Payments on capital debt - interest	(1,101,962)	(1,148,219)
Net cash used by capital and related financing activities	<u>34,747,101</u>	<u>(6,872,893)</u>
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	5,064,333	710,870
Interest on investments	531,659	300,990
Purchases of investments	(47,478,892)	(777,415)
Net cash (used) by investing activities	<u>(41,882,900)</u>	<u>234,445</u>
Increase (Decrease) in Cash and Cash Equivalents	15,118,878	7,789,593
Cash and Cash Equivalents, Beginning of Year	<u>46,426,663</u>	<u>38,637,070</u>
Cash and Cash Equivalents, End of Year	<u>\$ 61,545,541</u>	<u>\$ 46,426,663</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (34,972,340)	\$ (40,453,518)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	4,568,636	4,254,166
Noncash state appropriations for employee benefits	5,720,237	4,769,338
Changes in assets and liabilities:		
Receivables (net)	(313,551)	(4,657,064)
Inventories	26,315	(8,713)
Other assets	46,464	(30,801)
Accounts payable	282,093	(748,356)
Funds held for others	10	175,855
Deferred revenues	(376,271)	6,456,860
Deposits	(12,096)	(99,300)
Net cash used by operating activities	<u>\$ (25,030,503)</u>	<u>\$ (30,341,533)</u>

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

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

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

Deferred Inflows

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

Deferred Outflows

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

Investments

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

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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 \$38,330,828 and \$38,323,870 and federal, state and local grants of \$409,872 and \$837,736 have been reported as deferred revenues at August 31, 2016 and 2015, respectively.

Pensions

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

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

Operating and Non-Operating Revenue and Expense Policy

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

Management Estimates

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

Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The College had no unrelated business income tax liability for the year ended August 31, 2016 and 2015.

Reclassifications

Certain 2015 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 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.

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 outflows - College contributions made during FY 2014	<u>1,184,544</u>
Beginning net position, as restated	<u>\$84,954,282</u>

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.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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, 2016 and 2015, all of the College's bank balances of \$6,499,265 and \$4,105,034, 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:

	2016	2015
Cash and cash equivalents:		
Petty cash	\$ 7,374	\$ 7,126
Demand deposits	6,930,770	4,825,555
Money market accounts	22,484,625	-
Investment pools:		
Lone Star Investment Pool	11,444,985	11,969,848
TexPool	17,823,649	19,281,827
TexSTAR	2,854,138	10,342,307
	<u>\$ 61,545,541</u>	<u>\$ 46,426,663</u>
Cash and cash equivalents per Exhibit 1	<u>\$ 61,545,541</u>	<u>\$ 46,426,663</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

Investments

The College had the following investments as of August 31:

Investments	Maturities	Fair Value	
		2016	2015
U.S. Government Securities	9/2016 - 8/2017	\$ 37,151,922	\$ -
Federal Home Loan Mortgage Corp.	5/2020	1,818,846	2,655,031
Federal Home Loan Bank	3/2019 - 3/2023	8,790,237	7,969,045
Federal National Mortgage Assoc.	1/2017	500,363	2,508,695
Certificate of deposit	9/2016	7,576,276	-
Equities		187,500	175,500
Total Investments		<u>\$ 56,025,144</u>	<u>\$13,308,271</u>
Total Investments per Exhibit 1		<u>\$ 56,025,144</u>	<u>\$13,308,271</u>

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College places no limit on the amount the College may invest in any one issuer. At August 31, 2016 and 2015, the College had approximately \$48.3 and \$13.1 million of its investment portfolio in U.S. Government and Federal Agency securities, which mature through March 2023.

During fiscal year 2006, a donor remitted shares in a Company to the College to establish an endowment scholarship. The shares had a fair market value of \$187,500 at August 31, 2016. Securities donated to an investing entity for a particular purpose or under terms of use specified by the donor, are not subject to the requirements of the Public Funds Investment Act. The College amended its investment policy to allow, at the Board of Trustees discretion, the College to hold donated equities for endowed scholarships.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

5. Disaggregation of Receivables and Payables Balances

Receivables consist of the following at August 31:

	2016	2015
Student tuition and fees	\$ 24,836,531	\$ 25,111,094
Ad valorem taxes	106,612	99,247
Federal grants	240,800	170,725
State grants	49,102	74,842
Other receivables	1,608,661	867,077
	<u>26,841,706</u>	<u>26,322,985</u>
Allowance for doubtful accounts	(4,135,062)	(3,937,257)
Total	<u>\$ 22,706,644</u>	<u>\$ 22,385,728</u>

Payables consist of the following at August 31:

	2016	2015
Vendors payable	\$ 2,453,296	\$ 2,955,940
Other payables	2,067,148	1,282,411
Total	<u>\$ 4,520,444</u>	<u>\$ 4,238,351</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

6. Capital Assets

Capital assets' activities for the years ended August 31:

	<u>2016</u>			Balance August 31, 2016
	Balance September 1, 2015	Increases	Decreases	
	<hr/>			
Capital assets not subject to depreciation:				
Land	\$ 10,557,257	\$ 52,837	\$ -	\$ 10,610,094
Collections	691,273	306	-	691,579
Construction in Progress	3,699,347	5,835,262	(3,106,703)	6,427,906
Total not depreciated	<u>14,947,877</u>	<u>5,888,405</u>	<u>(3,106,703)</u>	<u>17,729,579</u>
Capital assets subject to depreciation:				
Buildings	120,134,257	5,490,981	-	125,625,238
Land improvements	6,690,057	-	-	6,690,057
Furniture, equipment and vehicles	6,813,049	359,269	(66,806)	7,105,512
Computer equipment	6,709,245	347,243	(27,506)	7,028,982
Library books	4,552,093	170,746	(89,994)	4,632,845
Total depreciated	<u>144,898,701</u>	<u>6,368,239</u>	<u>(184,306)</u>	<u>151,082,634</u>
Less accumulated depreciation				
Buildings	32,704,754	2,637,952	-	35,342,706
Land improvements	3,842,163	205,893	-	4,048,056
Furniture, equipment and vehicles	4,858,913	544,239	(56,237)	5,346,915
Computer equipment	4,876,500	1,045,398	(27,506)	5,894,392
Library books	3,186,031	135,154	(89,993)	3,231,192
Total accumulated depreciation	<u>49,468,361</u>	<u>4,568,636</u>	<u>(173,736)</u>	<u>53,863,261</u>
Net Capital Assets	<u>\$ 110,378,217</u>	<u>\$ 7,688,008</u>	<u>\$ (3,117,273)</u>	<u>\$ 114,948,952</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

	<u>2015</u>			
	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	<u>7,448,426</u>	<u>7,499,451</u>	<u>-</u>	<u>14,947,877</u>
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	<u>141,289,930</u>	<u>4,514,839</u>	<u>(906,068)</u>	<u>144,898,701</u>
Less accumulated depreciation				
Buildings	30,356,446	2,348,308	-	32,704,754
Land improvements	3,651,734	190,429	-	3,842,163
Furniture, equipment and vehicles	-	-	-	-
Computer equipment	4,363,698	557,667	(62,452)	4,858,913
Library books	4,627,503	1,022,374	(773,377)	4,876,500
Total accumulated depreciation	<u>46,085,471</u>	<u>4,254,166</u>	<u>(871,276)</u>	<u>49,468,361</u>
Net Capital Assets	<u>\$ 102,652,885</u>	<u>\$ 7,760,124</u>	<u>\$ (34,792)</u>	<u>\$ 110,378,217</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

7. Long-Term Liabilities

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

			<u>2016</u>		Current Portion
	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	
Bonds payable	\$40,730,000	\$46,600,000	\$ (3,525,000)	\$ 83,805,000	\$ 3,665,000
Unamortized bond premium	293,186	1,999,132	(76,316)	2,216,002	-
	41,023,186	48,599,132	(3,601,316)	86,021,002	3,665,000
Net pension liability	12,480,226	6,629,177	(3,129,966)	15,979,437	-
Total	<u>\$53,503,412</u>	<u>\$55,228,309</u>	<u>\$ (6,731,282)</u>	<u>\$ 102,000,439</u>	<u>\$ 3,665,000</u>

			<u>2015</u>		Current Portion
	Balance September 1, 2014	Additions	Reductions	Balance August 31, 2015	
Bonds payable	\$34,315,000	\$ 9,820,000	\$ (3,405,000)	\$ 40,730,000	\$ 3,525,000
Unamortized bond premium	343,605	25,897	(76,316)	293,186	-
	34,658,605	9,845,897	(3,481,316)	41,023,186	3,525,000
Net pension liability	-	15,324,692	(2,844,466)	12,480,226	-
Total	<u>\$34,658,605</u>	<u>\$25,170,589</u>	<u>\$ (6,325,782)</u>	<u>\$ 53,503,412</u>	<u>\$ 3,525,000</u>

8. Bonds Payable

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

Combined Fee Revenue Bonds, Series 2016

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2016
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories, related facilities and administration facilities; (ii) fund a Reserve Fund; and (iii) pay the costs of issuance of the Bonds
- Issued March 23, 2016
- \$36,975,000, all authorized bonds have been issued
- Interest rates range from 2.125% to 5.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2016 of \$36,975,000
- A premium of \$1,905,100 is being amortized over the life of the bonds

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

Combined Fee Revenue Bonds, Series 2015

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2015
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories, related facilities and administration facilities; (ii) fund a Reserve Fund; and (iii) pay the costs of issuance of the Bonds
- Issued December 15, 2015
- \$9,625,000, all authorized bonds have been issued
- Interest rates range from 3.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2016 of \$9,625,000
- A premium of \$94,033 is being amortized over the life of the bonds

Combined Fee Revenue Bonds, Series 2014

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2014
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories and related facilities, administration facilities and the acquisition of sites therefor and (ii) pay the costs of issuance of the Bonds
- Issued December 18, 2014
- \$9,820,000, all authorized bonds have been issued
- Interest rates range from 2.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2016 and 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, 2016 and 2015 of \$4,925,000 and \$5,550,000, respectfully
- A premium of \$181,438 is being amortized over the life of the bonds

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Notes to Financial Statements
August 31, 2016

Combined Fee Revenue Bonds, Series 2010

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2010
- To pay for (i) various campus renovation projects (ii) a dormitory (iii) teaching equipment for the Allied Health Center and (iv) the costs of issuance of the Bonds
- Issued March 15, 2010
- \$20,155,000, all authorized bonds have been issued
- Interest rates range from 3.000% to 4.375%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2016 and 2015 of \$17,340,000 and \$18,095,000, 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, 2016 and 2015 of \$3,565,000 and \$4,385,000, 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, 2016 and 2015 of \$1,220,000 and \$2,390,000, 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.

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Notes to Financial Statements
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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, 2016 and 2015 of \$335,000 and \$490,000 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, 2016 is \$6,832,393. 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,665,000	\$ 3,167,393	\$ 6,832,393
2018	3,505,000	2,920,879	6,425,879
2019	3,460,000	2,801,156	6,261,156
2020	3,545,000	2,679,231	6,224,231
2021	3,375,000	2,550,169	5,925,169
2022-2026	16,085,000	10,697,919	26,782,919
2027-2031	17,600,000	7,544,934	25,144,934
2032-2036	14,960,000	4,315,863	19,275,863
2037-2041	15,330,000	1,806,213	17,136,213
2042	2,280,000	45,600	2,325,600
Total	<u>\$ 83,805,000</u>	<u>\$ 38,529,357</u>	<u>\$ 122,334,357</u>

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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 in (A) above.

BLINN COLLEGE
Notes to Financial Statements
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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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.70%	7.20%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2015 Member Contributions	\$2,021,609	
2015 State of Texas On-behalf Contributions	770,332	
2015 Employer Contributions	1,338,546	

The College's contributions to the TRS pension plan in 2016 were \$1,236,765 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for FY 2016 were \$770,332.

- 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.

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

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected investment Rate of Return*	8.00%
Inflation	2.50%
Salary increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**Includes Inflation of 2.5%*

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumptions and methods had a minor impact on the results of the actuarial valuation and the related pension liability.

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

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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.

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Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

Source: TRS 2015 Comprehensive Annual Financial Report

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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 2015 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	\$25,036,765	\$15,979,437	\$8,435,245

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

At August 31, 2016, the College reported a liability of \$15,979,437 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 collective net pension liability	\$15,979,437
State's proportionate share that is associated with College	9,193,423
Total	<u>\$25,172,860</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2016, the College's proportion of the net pension liability was 0.0452%, which was a decrease of 0.0015% from its proportion as of August 31, 2015.

For the year ended August 31, 2016, the College recognized pension expense of \$1,309,915 and revenue of \$1,309,915 for support provided by the State.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

At August 31, 2016, 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	\$ 4,095,900	\$ 570,077
Changes in actuarial assumptions	674,665	614,104
Difference between projected and actual investment earnings	-	2,860,850
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	350,802
Contributions paid to TRS subsequent to the measurement date	1,236,765	-
	\$ 6,007,330	\$ 4,395,833
Total	\$ 6,007,330	\$ 4,395,833

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
2017	\$ (219,607)
2018	(219,607)
2019	(219,608)
2020	734,009
2021	723,961
Thereafter	(424,416)

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.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

The retirement expense to the State for the College was \$352,264 and \$361,792 for the fiscal years ended August 31, 2016 and 2015, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll of employees covered by the Optional Retirement Program was \$10,755,415 and \$11,041,788 for fiscal years 2016 and 2015, 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, 2016 and 2015, 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 \$538 to \$1,060 per month for the years ended August 31, 2016 and 2015, depending on the coverage elected. The State's contribution totaled \$3,430,679 and \$3,121,358, for the years ended August 31, 2016 and 2015, 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.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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:

	<u>2016</u>	<u>2015</u>
Assessed valuation of the College	\$ 3,192,657,965	\$ 2,966,848,267
Less exemptions	<u>(530,208,635)</u>	<u>(471,185,896)</u>
Net assessed valuation of the College	<u>\$ 2,662,449,330</u>	<u>\$ 2,495,662,371</u>

	<u>2016</u>	<u>Debt</u>	
	<u>Current</u>	<u>Service</u>	<u>Total</u>
	<u>Operations</u>		
Tax rate per \$100 valuation for authorized	\$ 0.0601	\$ -	\$ 0.0601
Tax rate per \$100 valuation assessed	0.0601	-	0.0601

	<u>2015</u>	<u>Debt</u>	
	<u>Current</u>	<u>Service</u>	<u>Total</u>
	<u>Operations</u>		
Tax rate per \$100 valuation for authorized	\$ 0.0584	\$ -	\$ 0.0584
Tax rate per \$100 valuation assessed	0.0584	-	0.0584

Tax levied for the years ended August 31, 2016 and 2015 is \$1,803,317 and \$1,654,032, respectively (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed.

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

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

Taxes Collected at August 31	2016	2015
Current	\$ 1,767,777	\$ 1,621,330
Delinquent	25,916	29,302
Penalties and Interest	22,256	20,717
Total Collections	\$ 1,815,949	\$ 1,671,349

Tax collections for the year ended August 31, 2016 and 2015 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, 2016 as follows:

Fiscal Year	
2017	\$ 2,397,344
2018	2,288,028
2019	2,244,818
2020	2,286,832
2021	\$ 2,108,666

Rental expense was approximately \$51,000 and \$111,000 for the years ended August 31, 2016 and 2015, 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 worker's compensation. The participants of the pool include several other public junior and community colleges. The plan provides coverage to each participant with the College's individual loss fund maximum of \$455,037 and \$468,400 at August 31, 2016 and 2015, respectively, which is based on estimated payroll.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

The liability for claims incurred but not reported under the self-insured plan is \$105,037 and \$118,681 as of August 31, 2016 and 2015, 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, 2016 and 2015 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
2015	\$ 452,866	\$ 10,602	\$ (16,082)	\$ 447,386
2016	447,386	69,680	(83,253)	433,813

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 amended by the Texas Legislature.

ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45. The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The College's contributions to SRHP for State retirees for the years ended August 31, 2016, 2015 and 2014 were \$1,574,956 and \$1,393,168, and \$1,219,376 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, 2016, 2015 and 2014 were \$263,817, \$252,748 and \$239,359, respectively, which amounts were paid directly by the College.

BLINN COLLEGE
Notes to Financial Statements
August 31, 2016

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 2016 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 Proportionate Share of Net Pension Liability
Last Two Fiscal Years **

Fiscal year ending August 31*,	2016	2015
College's proportionate share of collective net pension liability (%)	0.0452052%	0.0467225%
College's proportionate share of collective net pension liability (\$)	\$ 15,979,437	\$ 12,480,226
State's proportionate share of net pension liability associated with College	9,193,423	7,104,883
Total	\$ 25,172,860	\$ 19,585,109
College's covered-employee payroll	\$ 31,983,195	\$ 30,173,253
College's proportionate share of collective net pension liability as a percentage of covered-employee payroll	49.96%	41.36%
Plan Fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

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

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

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

BLINN COLLEGE
Schedule of College Contributions
Last Two Fiscal Years**

Fiscal year ending August 31*,	2016	2015
Legally required contributions	\$1,236,765	\$1,338,546
Actual contributions	1,236,765	1,338,546
Contributions deficiency (excess)	-	-
College's covered-employee payroll amount	\$31,983,195	\$30,173,253
Contributions as a percentage of covered-employee payroll	3.87%	4.44%

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

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

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

BLINN COLLEGE
Notes to Required Supplementary Information
Year Ended August 31, 2016

1. Changes of Benefit Terms

The College implemented a 3 percent salary and wage increase effective September 1, 2015 for full time faculty/administrators and staff.

2. Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2016.

SUPPLEMENTARY SCHEDULES

BLINN COLLEGE
Schedule of Operating Revenues
Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Educational Activities		Total	Auxiliary Enterprises	2016 Total	2015 Total
	Unrestricted	Restricted	Educational Activities			
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 316,223	\$ -	\$ 316,223	\$ -	\$ 316,223	\$ 444,672
Out-of-district resident tuition	43,204,055	-	43,204,055	-	43,204,055	35,385,263
Non-resident tuition	3,104,062	-	3,104,062	-	3,104,062	2,781,435
TPEG - credit (set aside) *	1,235,050	-	1,235,050	-	1,235,050	1,150,134
State funded continuing education	475,276	-	475,276	-	475,276	487,194
Non-State funded continuing education	15,900	-	15,900	-	15,900	108,500
Total Tuition	<u>48,350,566</u>	<u>-</u>	<u>48,350,566</u>	<u>-</u>	<u>48,350,566</u>	<u>40,357,198</u>
Fees:						
General fee	15,858,649	-	15,858,649	2,798,585	18,657,234	18,156,991
Laboratory and course fees	1,918,708	-	1,918,708	-	1,918,708	1,893,482
Incidental fees	179,453	-	179,453	-	179,453	173,648
Other fees	-	-	-	290,780	290,780	278,717
Total fees	<u>17,956,810</u>	<u>-</u>	<u>17,956,810</u>	<u>3,089,365</u>	<u>21,046,175</u>	<u>20,502,838</u>
Allowances and discounts:						
Bad debt allowance	(350,000)	-	(350,000)	-	(350,000)	(413,663)
Scholarship allowances	(744,877)	-	(744,877)	-	(744,877)	(707,215)
Remissions and exemptions	(2,766,726)	-	(2,766,726)	-	(2,766,726)	(2,348,436)
TPEG allowances	(519,043)	-	(519,043)	-	(519,043)	(468,815)
Federal and State grants to students	(9,789,254)	-	(9,789,254)	-	(9,789,254)	(9,163,483)
Other	(178,800)	-	(178,800)	-	(178,800)	(207,700)
Total allowances and discounts	<u>(14,348,700)</u>	<u>-</u>	<u>(14,348,700)</u>	<u>-</u>	<u>(14,348,700)</u>	<u>(13,309,312)</u>
Total net tuition and fees	<u>51,958,676</u>	<u>-</u>	<u>51,958,676</u>	<u>3,089,365</u>	<u>55,048,041</u>	<u>47,550,724</u>
Additional operating revenues:						
Federal grants and contracts	-	633,039	633,039	-	633,039	574,125
State grants and contracts	-	2,024,479	2,024,479	-	2,024,479	1,993,458
Sales and services of educational activities	691,798	-	691,798	-	691,798	385,928
Other operating revenues	581,432	-	581,432	-	581,432	277,275
Total additional operating revenues	<u>1,273,230</u>	<u>2,657,518</u>	<u>3,930,748</u>	<u>-</u>	<u>3,930,748</u>	<u>3,230,786</u>
Auxiliary enterprises:						
Residential life	-	-	-	4,977,895	4,977,895	4,607,549
Scholarship allowances and discounts	-	-	-	(627,677)	(627,677)	(438,852)
Net residential life	-	-	-	<u>4,350,218</u>	<u>4,350,218</u>	<u>4,168,697</u>
Cafeteria	-	-	-	3,502,797	3,502,797	2,517,695
Scholarship allowances and discounts	-	-	-	(265,670)	(265,670)	(311,635)
Net cafeteria	-	-	-	<u>3,237,127</u>	<u>3,237,127</u>	<u>2,206,060</u>
Bookstore	-	-	-	1,393,680	1,393,680	1,300,814
Scholarship allowances and discounts	-	-	-	(150,933)	(150,933)	(181,031)
Net bookstore	-	-	-	<u>1,242,747</u>	<u>1,242,747</u>	<u>1,119,783</u>
Parking	-	-	-	2,550,370	2,550,370	1,255,905
Other auxiliary	-	-	-	527,899	527,899	491,906
Total net auxiliary enterprises	-	-	-	<u>11,908,361</u>	<u>11,908,361</u>	<u>9,242,351</u>
Total Operating Revenues	<u>\$ 53,231,906</u>	<u>\$ 2,657,518</u>	<u>\$ 55,889,424</u>	<u>\$ 14,997,726</u>	<u>\$ 70,887,150</u>	<u>\$ 60,023,861</u>
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code §56.033, \$1,235,050 and \$1,150,134 for the years ended August 31, 2016 and 2015, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

BLINN COLLEGE
Schedule of Operating Expenses By Object
Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Operating Expenses			2016 Total	2015 Total	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities:						
Instruction	\$ 29,252,613	\$ -	\$ 4,877,090	\$ 3,948,651	\$ 38,078,354	\$ 38,895,607
Public Service	306,988	-	63,924	251,159	622,071	554,475
Academic Support	4,329,717	-	832,800	654,624	5,817,141	5,566,938
Student Services	4,261,265	-	891,785	659,246	5,812,296	5,593,019
Institutional Support	5,282,589	-	2,110,163	4,598,080	11,990,832	9,263,990
Operation and Maintenance of Plant	1,298,766	-	493,364	9,628,049	11,420,179	8,193,192
Scholarships and Fellowships	-	-	-	665,628	665,628	757,952
Total Unrestricted - Educational Activities	<u>44,731,938</u>	<u>-</u>	<u>9,269,126</u>	<u>20,405,437</u>	<u>74,406,501</u>	<u>68,825,173</u>
Restricted - Educational Activities:						
Instruction	112,276	2,706,197	213,887	177,252	3,209,612	2,878,700
Public Service	214,899	28,458	64,240	723,262	1,030,859	760,692
Academic Support	-	412,802	-	-	412,802	382,631
Student Services	-	515,587	-	-	515,587	471,516
Institutional Support	6,900	2,409,458	1,752	50,244	2,468,354	2,067,562
Scholarships and Fellowships	-	-	-	10,506,156	10,506,156	12,266,702
Total Restricted - Educational Activities	<u>334,075</u>	<u>6,072,502</u>	<u>279,879</u>	<u>11,456,914</u>	<u>18,143,370</u>	<u>18,827,803</u>
Total Educational Activities	<u>45,066,013</u>	<u>6,072,502</u>	<u>9,549,005</u>	<u>31,862,351</u>	<u>92,549,871</u>	<u>87,652,976</u>
Auxiliary Enterprises	2,821,175	-	1,212,755	4,707,053	8,740,983	8,570,237
Depreciation Expense - Buildings and other real estate improvements	-	-	-	2,843,846	2,843,846	2,538,737
Depreciation Expense - Equipment, furniture and library books	-	-	-	1,724,790	1,724,790	1,715,429
Total Operating Expenses	<u>\$ 47,887,188</u>	<u>\$ 6,072,502</u>	<u>\$ 10,761,760</u>	<u>\$ 41,138,040</u>	<u>\$ 105,859,490</u>	<u>\$ 100,477,379</u>
				(Exhibit 2)	(Exhibit 2)	

BLINN COLLEGE
Schedule of Nonoperating Revenues and Expenses
Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Non-Operating Revenues:				
State appropriations:				
Education and General state support	\$ 24,125,661	\$ -	\$ 24,125,661	\$ 22,741,440
State group insurance	-	3,430,679	3,430,679	3,121,358
State retirement matching	-	2,641,822	2,641,822	2,009,772
Total state appropriations	<u>24,125,661</u>	<u>6,072,501</u>	<u>30,198,162</u>	<u>27,872,570</u>
Property taxes	1,823,314	-	1,823,314	1,671,349
Federal revenue, non operating	-	18,594,062	18,594,062	19,751,129
Gifts	-	2,401,100	2,401,100	221,724
Investment income	618,916	-	618,916	292,716
Gain on disposal of capital assets	-	-	-	4,180
Unrealized gain (loss) on investments	<u>204,342</u>	<u>-</u>	<u>204,342</u>	<u>(289,129)</u>
Total non-operating revenues	<u>26,772,233</u>	<u>27,067,663</u>	<u>53,839,896</u>	<u>49,524,539</u>
Non-Operating Expenses:				
Interest on capital related debt	1,101,962	-	1,101,962	1,148,219
Loss on disposal of capital assets	1,857	-	1,857	-
Other expenses	<u>322,313</u>	<u>-</u>	<u>322,313</u>	<u>113,937</u>
Total non-operating expenses	<u>1,426,132</u>	<u>-</u>	<u>1,426,132</u>	<u>1,262,156</u>
Net non-operating revenues	<u>\$ 25,346,101</u>	<u>\$ 27,067,663</u>	<u>\$ 52,413,764</u> (Exhibit 2)	<u>\$ 48,262,383</u> (Exhibit 2)

BLINN COLLEGE
Schedule of Net Position by Source and Availability
Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Detail by Source						Capital Assets		Available for Current	
	Unrestricted	Restricted		Non-Expendable	Net of Depreciation and Related Debt	Total	Yes	No	Operations	
		Expendable	Expendable						Total	Yes
Current:										
Unrestricted	\$ 11,572,775	\$ -	\$ -	\$ -	\$ -	\$ 11,572,775	\$ 11,572,775	\$ -		
Student aid	-	783,273	-	-	-	783,273	-	-	783,273	-
Star of Republic Museum	-	(725,428)	-	-	-	(725,428)	-	-	(725,428)	-
Auxiliary enterprises	7,006,736	-	-	-	-	7,006,736	7,006,736	-	-	-
Endowment:										
Expendable	-	650,230	-	-	-	650,230	-	-	650,230	-
Non-expendable	-	-	9,617,891	-	-	9,617,891	-	-	9,617,891	-
Plant:										
Debt service	-	6,832,393	-	-	-	6,832,393	-	-	6,832,393	-
Investment in plant	-	-	-	74,486,420	-	74,486,420	-	-	74,486,420	-
Total Net Position, August 31, 2016	18,579,511	7,540,468	9,617,891	74,486,420	(Exhibit 1)	110,224,290	18,579,511	91,644,779		
Total Net Position, August 31, 2015	3,159,675	5,835,657	9,622,247	74,169,141	(Exhibit 1)	92,786,720	3,159,675	89,627,045		
Net Increase (Decrease) in Net Position	\$ 15,419,836	\$ 1,704,811	\$ (4,356)	\$ 317,279	(Exhibit 2)	\$ 17,437,570	\$ 15,419,836	\$ 2,017,734		

BLINN COLLEGE
Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2016

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Pass Through Disbursements</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Assistance			
Federal Supplemental Education Opportunity Grant	84.007	P007A143969	\$ 3,540
Federal Supplemental Education Opportunity Grant	84.007	P007A153969	293,518
			<u>297,058</u>
Federal Work Study Program	84.033	P033A143969	25,490
Federal Work Study Program	84.033	P033A153969	180,787
			<u>206,277</u>
Federal Pell Grant	84.063	P063P152262	18,297,004
Federal Direct Student Loan Program	84.268	P268K152262	78,557
Federal Direct Student Loan Program	84.268	P268K162262	30,221,500
			<u>30,300,057</u>
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	164218	321,527
Total U.S. Department of Education			<u>49,421,923</u>
<u>U.S. Small Business Administration</u>			
Pass-Through from:			
University of Houston:			
Small Business Development Center	59.037	R-15-0017-53803	11,590
Small Business Development Center	59.037	R-16-0045-53803	93,645
Total U.S. Small Business Administration			<u>105,235</u>
Total Expenditures of Federal Awards			<u>\$ 49,527,158</u>
<u>Federal Direct Student Loan Program, CFDA 84.268, includes the following:</u>			
Direct Subsidized Loans			\$ 14,574,861
Direct Unsubsidized Loans			13,450,950
Direct PLUS Loans			2,274,246
			<u>\$ 30,300,057</u>

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, 2016

Grantor Agency Program Title	Grant Contract Number	Expenditures and Pass Through Disbursements
Texas Comptroller of Public Accounts -		
Law Enforcement Officer Standards & Education (LEOSE)	9P150548	\$ 690
Law Enforcement Officer Standards & Education (LEOSE)	9P160538	59
Texas Higher Education Coordinating Board:		
Accelerate Texas: Scaling & Sustaining Success	11519	23,746
Texas Science, Technology, Engineering and Math Challenge	15139	440,650
Texas Grant Program		14,850
Texas Educational Opportunity Grant Program (TEOG)		767,574
Texas Workforce Commission		
Skills Development-Axis Pipe and Tube	1614SDF000	20,827
Skills Development-Blue Bell Creameries, Inc.	1614SDF001	303,423
Skills Development-Sealy Texas Management, Inc.	1615SDF000	253,500
Skills Development-Igloo Products Corporation	2816SDF001	153,859
Skills for Small Business	1615SSD001	6,325
Governor's Summer Merit Program	1616SMP000	38,976
		<u>\$ 2,024,479</u>

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

BLINN COLLEGE
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended August 31, 2016

1. Relationship to Financial Statements

	Federal	State
Federal Grants and Contracts Revenue - Per Schedule A	\$ 633,039	\$ 2,024,479
Add Financial Aid Loans	30,300,057	-
Add Non-operating Federal Revenue from Schedule C	18,594,062	-
Total per Schedule of Expenditures of Federal and State Awards	\$ 49,527,158	\$ 2,024,479

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, 2016. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

3. Relationship to Federal and State Financial Reports

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

AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE



LOTT, VERNON & COMPANY, P.C.

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

Board of Trustees
Blinn College
Brenham, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blinn College (the College), as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Temple, Texas
November 22, 2016



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

Board of Trustees
Blinn College
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 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, 2016. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas Single Audit Circular.

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, Blinn College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2016.

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 The Uniform Guidance and The State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

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



Temple, Texas
November 22, 2016

BLINN COLLEGE
Schedule of Findings and Questioned Costs
August 31, 2016

I. Summary of Audit Results

Financial Statements

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

Federal and State Awards

4. Internal control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that
 are not considered to be material
 weakness(es)? _____ yes X 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 200.516a of the Uniform Guidance
 or the State of Texas Single Audit Circular
 and Uniform Grant Management Standards? _____ yes X no

7. Identification of major programs:

<u>Name of Federal Programs</u>	<u>Federal CFDA Number</u>	<u>Name of State Program</u>
U.S. Department of Education Student Financial Aid Cluster:		Texas Higher Education Coordinating Board
SEOG	84.007	Texas Science, Technology, Engineering, and Math Challenge
Federal College Work Study Program	84.033	
Federal Pell Grant Program	84.063	
William D Ford Direct Loans	84.268	
Career and Technical Education – Basic Grants to States	84.048	

BLINN COLLEGE
Schedule of Findings and Questioned Costs (Continued)
August 31, 2016

8. Dollar threshold used to distinguish between type A and type B federal programs: \$750,000
9. Dollar threshold used to distinguish between type A and type B state programs: \$750,000
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.