

**COASTAL BEND COLLEGE**

**ANNUAL FINANCIAL REPORT**

**AUGUST 31, 2016 AND 2015**

**COASTAL BEND COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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**COASTAL BEND COLLEGE  
ORGANIZATIONAL DATA  
FOR THE FISCAL YEAR 2016**

**BOARD OF TRUSTEES**

		Term Expires
Mrs. Laura Fisher	President	<u>31-May</u> 2018
Mr. Carroll Wayne Lohse	Vice-President	2018
Mr. Victor Gomez	Secretary	2022
Mrs. Dee Dee Bernal	Trustee	2020
Mr. George P. "Trace" Morrill III	Trustee	2022
Mr. Jeff Massengill	Trustee	2020
Mrs. Martha Warner	Trustee	2022

**PRINCIPAL ADMINISTRATIVE OFFICERS**

Dr. Beatriz T. Espinoza	President
Ms. Guadalupe Ganceres	Executive Dean of Student Services
Dr. Todd Ecklund	Vice President of Instruction and Economic Development
Ms. Dela Castillo	Executive Director of Business Services

## **FINANCIAL SECTION**

*Independent Auditors' Report*

To the Board of Trustees  
Coastal Bend College  
Beeville, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of Coastal Bend College, as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Coastal Bend College's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Bend College as of August 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 14 and the pension schedules on pages 42-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Coastal Bend College's basic financial statements. Schedules A through D and Schedule F of the Supplemental Information and Financial Assistance Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental Information and Financial Assistance Section schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information and Financial Assistance Section schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of Coastal Bend College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coastal Bend College's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, C.P.A.*

Brownsville, Texas  
December 1, 2016

### *Overview of Discussion and Analysis*

Coastal Bend College is pleased to present its financial statements for 2016 which are in conformance with Governmental Accounting Standards Board (GASB) standards. There are three financial statements presented: (a) the Statement of Net Position, (b) the Statement of Revenues, Expenses, and Changes in Net Position, and (c) the Statement of Cash Flows. These financial statements are intended to provide both long-term and short-term financial information on the College as a whole and should be read in conjunction with the Notes to the Financial Statements. Specifically,

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

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

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

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

The following discussion and analysis provides an overview of the College's financial activities for the years ending August 31, 2016, 2015, and 2014.

### *Financial Highlights*

#### **Discussion of the Statement of Net Position**

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

The College's financial position as a whole changed during the year ending August 31, 2016, when compared to the snapshot from August 31, 2015.

Current assets are assets that can be accessed to operate the College. Overall, current assets, which include cash and cash equivalents, short-term investments, accounts receivable, inventories and prepaid expenses, decreased by \$328,718. This decrease is largely due to a reduction in restricted cash on hand at August 31, 2015. Proceeds totaling \$385,189 were received in August 2015 from an insurance claim related to the roof at the Alice site facility. These proceeds went toward the replacement of the roof at the facility and were fully expended during fiscal year 2016. The additional reduction in restricted cash is related to final remaining maintenance tax note funds utilized for the renovations and improvements to Joe Hunter Field at the Beeville campus. These remaining funds at August 31, 2015 totaled \$136,947 and were used in fiscal year 2016 to finish the outstanding items related to the project.

Noncurrent assets, which include restricted cash and cash equivalents, endowment investments, other long-term investments, deferred charges, and capital assets, increased by \$1,281,608. The most significant factor to the increase in noncurrent assets was the contribution of \$1 million to the long-term investment as well as the transfer in of an additional \$97,707 from the short-term sweep account. For the second consecutive year, the financial activities of the College have enabled the institution and its leadership to continue on the path toward reestablishing reserves in accordance with the guidance set forth by the Board of Trustees. The remaining increase was due to the acquisition of capital assets for use by the College. The Board of Trustees and College leadership continue to commit the necessary funds for the improvement and maintenance of physical facilities and equipment to improve student learning experiences and outcomes, campus safety, and prolong the life of existing buildings and plant equipment.

Meanwhile, current liabilities, which include accounts payable, funds held for others, deferred revenues, and bonds payable (current portion), increased by \$289,325. The category of accounts payable increased by \$118,814. A significant portion of this increase is attributable to payables associated with the HSI-STEM Project Oasis grant. A renovation project neared completion at August 31, 2016 and the related invoices were booked, however payment was withheld until the final punch list was reviewed and approved by program staff. The payment was made in September 2016. Also responsible for the increase in current liabilities are unearned revenues. Unearned revenues are typically revenues generated prior to August 31 of a given year that are considered to be earned in the subsequent fiscal year. Unearned revenue increased by \$197,412 in fiscal year 2016. The increase in unearned revenues is directly related to the increase in head count for the fall 2016 semester.

Non-current liabilities, which include accrued compensable absences, notes payable, bonds payable, and net pension liability, decreased \$336,913 when compared to the August 31, 2015 snapshot. The net decrease comes as a result of the retirement of long-term debt totaling



## Coastal Bend College

### Management's Discussion and Analysis

Fiscal Year Ended August 31, 2016

UNAUDITED

\$976,908 offset by an increase of \$642,819 in net pension liability related to the ongoing effects of GASB Statement No. 68, as amended by GASB Statement No. 71. In FY15, the College implemented GASB Statement No. 68, which required the College to recognize its proportionate share of the overall pension liability of the Teacher Retirement System of Texas (TRS). At 0.0119473% of the total TRS net position and pension liability, the proportionate share of the liability recognized by the College amounted to \$4,223,212.

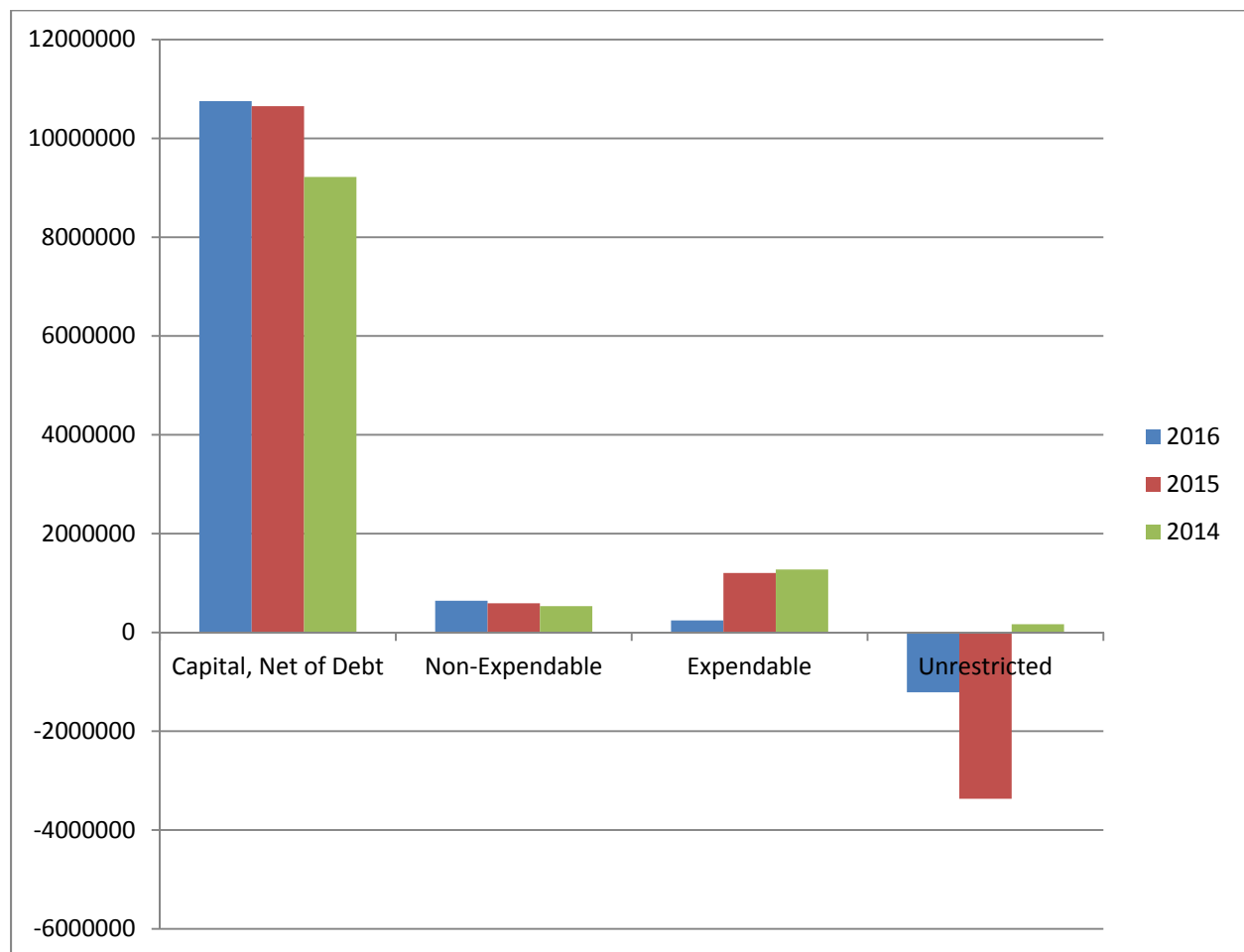
The net change in deferred outflows and inflows of resources related to pension was \$201,930 for fiscal year 2016. Deferred outflows on the pensions plan are related to changes in actuarial assumptions that occur at the plan level, differences in expected and actual economic experience at the plan level, contributions made to the Teacher Retirement System (TRS) after the measurement date, and the difference between the employer's contributions and their proportionate share of contributions. Deferred inflows for the pension plan are related to the difference between projected and actual investment earnings and the difference between the employer's contributions and their proportionate share of contributions. Information regarding the recording of the deferred outflows related to pensions, deferred inflows related to pensions, and the net pension liability can be found in note 9 in the accompanying Notes of the Financial Statements.

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

	2016	2015	2014
Total Current Assets	7,641,402	7,909,120	8,521,209
Total Noncurrent Assets	20,987,654	20,102,337	19,294,831
Total Assets	28,629,056	28,011,457	27,816,040
Deferred Outflows	848,717	619,046	69,053
Total Current Liabilities	7,516,820	7,227,495	8,340,061
Total Noncurrent Liabilities	10,888,454	11,225,367	8,352,069
Total Liabilities	18,405,274	18,452,862	16,692,130
Deferred Inflows	646,787	1,095,254	0
Total Net Position	10,425,712	9,082,387	11,192,963

Thus, the total net position as of August 31, 2016 indicates an increase of \$1,382,839 as compared to the institution’s net position as of August 31, 2015. Of this amount, the increase in long-term investments and positive net effect of deferred outflows and inflows are most prominent.

The portion of net position considered to be unrestricted increased significantly compared to the prior year, and illustrates the positive results of operations for the fiscal year ending August 31, 2016:



Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from a deficit of \$2,528,657 at August 31, 2015 to a deficit of

\$1,210,723 at August 31, 2016. This increase of \$1,317,934 is the cumulative effect of the increase in net position coming as a result of operations plus the positive impact of the net change in deferred inflows and outflows of resources related to pension plans.

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

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

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

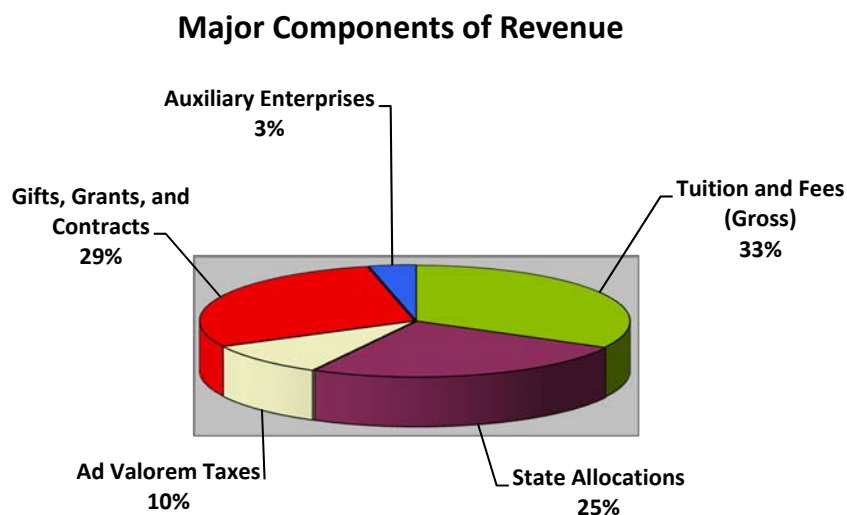
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating Revenues	9,430,920	10,347,024	10,201,339
Operating Expenses	(25,807,468)	(25,608,651)	(24,414,453)
Operating Loss	(16,376,548)	(15,261,627)	(14,213,114)
Non-operating Revenues	17,759,387	17,207,652	15,920,205
Increase/(Decrease) in Net Position	1,382,839	1,946,025	1,707,091

**Revenue**

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

<b>Major Revenue Components</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Tuition and Fees (Gross)	10,535,763	10,147,497	9,524,195
State Allocations	8,008,893	7,584,915	7,654,073
Ad Valorem Taxes	3,057,743	2,839,872	2,319,813
Gifts, Grants, and Contracts			
Federal	8,785,013	9,665,236	8,961,272
State	239,327	1,115,788	714,664
Local	0	0	0
Private (Operating and Non-Operating)	283,332	168,517	158,688
Total Gifts, Grants, and Contracts	9,307,672	10,949,541	9,834,624
Auxiliary Enterprises (Gross)	1,131,129	1,686,946	2,450,250

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



For the fiscal year ending August 31, 2016, gross tuition and fee revenue was \$10,535,763, or \$388,266 higher than in fiscal year 2015. Factors contributing to the 2016 increase relate to an upward trend in student enrollments, particularly the dual enrollment segment. Legislation introduced by the State of Texas has eliminated existing district boundaries that previously

## Coastal Bend College

### Management's Discussion and Analysis

Fiscal Year Ended August 31, 2016

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limited partnerships between the College and high schools outside its service area. College administration has taken an aggressive approach in developing relationships with new and existing partner high schools to provide instruction to high school students. All tuition and fees for registrations for fall 2016 are shown in fiscal year 2017, not in fiscal year 2016.

Ad Valorem tax revenue for fiscal year 2016 increased from the prior year by \$217,871. The College used a rollback tax rate in 2016, and this coupled with higher taxable assessed values throughout the district led to higher tax revenue.

#### Operating Expenses by Functional Classification

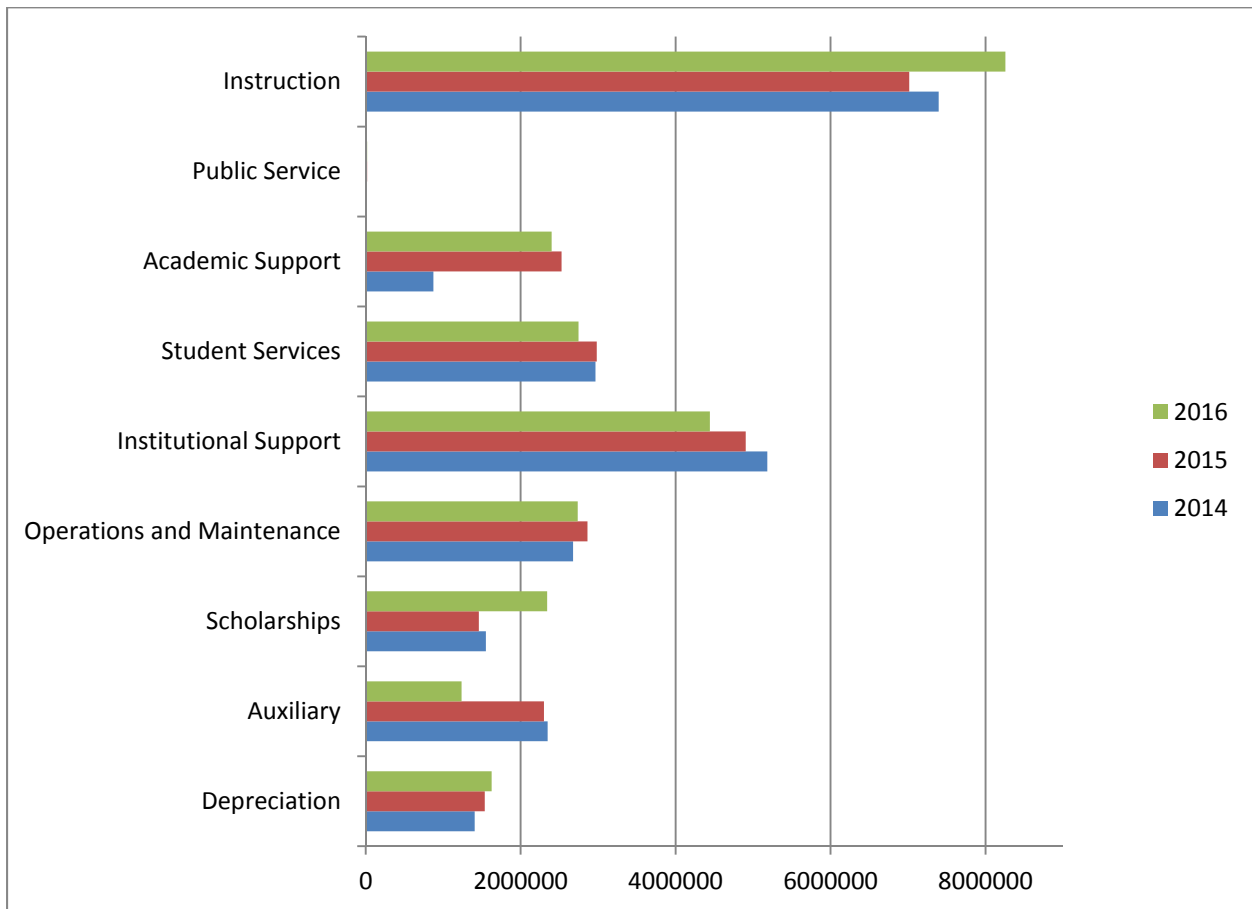
Functional classifications, representing programs and services provided, are the traditional categories that have been used to show expenses.

The chart below shows the 2016 expenses compared to the 2015 and 2014 expenses.

Functional Classifications	2016	2015	2014
Instruction	8,246,327	7,015,739	7,395,754
Public Service	18,907	17,486	16,482
Academic Support	2,400,522	2,528,016	873,841
Student Services	2,745,872	2,981,465	2,964,708
Institutional Support	4,442,002	4,904,513	5,183,787
Operation and Maintenance of Plant	2,736,894	2,862,563	2,676,293
Scholarships and Fellowships	2,353,074	1,460,315	1,551,145
Auxiliary Enterprises	1,237,918	2,301,422	2,347,113
Depreciation	1,625,952	1,537,132	1,406,330
Total Operating Expenses	25,807,468	25,608,651	24,414,453

As the chart below visually demonstrates, differences existed in functional totals between 2016, 2015, and 2014. The majority of the College operating expenses continue to be dedicated to instruction and institutional support. The increase in instructional spending is related to the implementation of a new faculty salary scale, the goal of which is to position the College to better attract and retain experienced, qualified faculty. Expenditures for institutional support and auxiliary enterprises decreased by \$462,511 and \$1,063,504, respectively, in fiscal year 2016. For institutional support, these decreases come on the heels of attempts to improve operational efficiencies as well as negotiation of existing rates for contract services and utilities. The

decrease in auxiliary enterprises is directly related to the partnership with Texas Book Company as a third-party operator of campus bookstores. Expenditures for scholarships and fellowships appear to have increased significantly in 2016, but this is related to the flow of student financial aid to Texas Book Company for the purchase of student textbooks and classroom materials.



The increase in operating expenses between fiscal year 2016 and fiscal year 2015 was \$198,817. This flat year over year increase is the culmination of continued attempts to improve efficiencies and rein in costs across the College district while also investing in faculty and classroom technology.

**Discussion of the Statement of Cash Flows**

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

A summary of the Statement of Cash Flows follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating Activities	(12,983,878)	(13,756,906)	(12,470,068)
Noncapital Financing Activities	16,597,504	21,551,967	15,876,481
Capital and Related Financing Activities	(2,945,175)	(5,210,295)	(2,591,250)
Investing Activities	(1,160,946)	(5,153,574)	3,781
Changes in Cash and Cash Equivalents	(492,495)	(2,568,808)	818,944

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

State appropriations and ad valorem taxes were the primary sources of non-capital financing. Accounting standards require that we reflect this source of revenue as non-operating even though these resources are classified as operating revenues in the College budget. Cash flows from Capital Financing Activities include payments of capital assets, and the principal and interest on capital debt. The significant amounts for investing activities and the change in cash and cash equivalent are due to the effect of the implementation of GASB Statement No. 68 and THECB's guidance on its effect on the Statement of Cash Flows.

***Economic Factors that Will Affect the Future*****Local Economy Impact**

The local economy of South Texas and Coastal Bend College's nine county service area are still recovering from the impact of the oil boom in the last five years. Coastal Bend College has seen an influx of students since the oil and gas industry has slowed down in our service areas and students are returning to college for formal education. Throughout our region we are still faced with a lower than average educated community that we strive to help train and educate to join our Texas workforce.

CBC is on its third year of increased enrollment. In fall 2015 CBC surpassed our target headcount of 3,810 with 4,436 students. CBC has recruited extensively by having Cougar Days at each site to increase awareness of mandatory student orientation, advisement, and enrollment. In addition, with the new Texas Higher Education strategic plan, 60x30TX, CBC has taken the state goals seriously and implemented night orientation to benefit our 25-34 year olds. Dedicated advising, recruitment, and our fully integrated workforce trailers have allowed us to bring education to our students. We have seen enthusiasm and interest in CBC grow in the last year and our plan is to continue on that path.

Dual enrollment continues to be a large part of the CBC student enrollment. Dual enrollment has increased from twelve high school partnerships in 2012 to seven Early College High School partners and a total of 42 ISD dual credit memoranda of understanding in 2016. In addition, CBC saw an addition of three new ISD's in 2016 assuming 48% of the college fall term enrollment.

Over the last four years CBC has been focused on increasing marketable skills achievements, dual enrollment expansion, developing block schedules, and most recently added a targeted outreach campaign to recruit the 25-34 year-old student. For example, fifteen of the eighteen workforce associate degree programs at CBC have the occupational skills award as the entry level achievement for the applied degree. CBC offers five programs in the block schedule format and has plans to increase that to all workforce programs and the core requirements by 2017-2018. Lastly, the college faculty are carrying out an intensive outreach plan with Workforce Solutions of Alamo and Coastal Bend, Housing Authority offices in four counties, Community Action Center of South Texas and related agencies.

Coastal Bend College is focused on providing the services necessary to help the state meet the goals of the 60x30TX higher education strategic plan. The college is committed to providing current and relevant workforce programs to meet local industry workforce needs; increase participation of industry advisories, and ensure that our graduates have jobs that are in high demand, high wage areas in the region. CBC is focused on attending local fairs, exhibits, and having strategic marketing to increase recruitment of 25-34 year olds entering college.

In 2012 CBC began an aggressive program review process and further developed the process of college-wide institutional effectiveness. As in previous years, in 2016 the program review reports/data were used in developing the FY17 budget. The program review process cycle changed from its initial four-year rotation to an annual comprehensive review for reporting total cost of ownership (TCO) and return on investment (ROI) for each instructional program and administrative educational service area. During 2016 a cost feasibility study was conducted for the prison programs that CBC partnered with. It was found in the study that the federal contract agreement and contact hour funding did not adequately provide for the partnership. It was



agreed by both parties that this partnership would expire at the end of the program completion that varied between May and September 2016.

CBC was re-affirmed in 2015 as a Leader College with Achieving the Dream (ATD). Achieving the Dream is a network of community colleges across the nation that is committed to closing the student achievement gaps by removing the barriers and promoting equity for all students. CBC has been a member since 2004 and a Leader College since 2009. The goal of ATD and CBC is to help our students become successful and in turn help our communities and our state become prosperous with effective leaders and an educated workforce. CBC remains committed to educating our Texas workforce and is a leader amongst community colleges with 55% of our students in technical programs.

#### **Local Governance Impact**

Coastal Bend College has seven board members from the local taxing district of Bee County that govern the college. The trustees review the performance of the college annually based on specific goals that are directed to the college President. In FY16 CBC was tasked to continue the work of better student access and opportunities for better student success. During the year the college changed student service's office hours to help with this effort. In addition, during the year the Deans and Directors provided extensive monthly reports to the board that varied from student success objectives, student achievements, student undergraduate research, and athletic achievements. The goals for FY16 were met and new goals for FY17 were established. These goals included: 1) Execute comprehensive articulation agreements with all regional universities; 2) Focus on increasing the full-time 3, 4, and 6 year graduation rates and maintain a rate above the state and peer group averages; 3) Increase dual credit and Early College partnerships that support completion of a certificate/degree; 4) Achieve state/national recognition in at least one program; 5) Develop an alumni connection/association; and, 6) Conduct a feasibility study in the type of allied health programs needed in our region.

#### **State Legislative Impact**

The outcome of the 83<sup>rd</sup> Legislative Session, ending May 2013 led to a new formula funding for community colleges in Texas. For CBC this new funding required a revision of data evaluation and analysis as 10% of the budget is based on student success points; these points are earned at various stages of meeting college achievement milestones. The 84<sup>th</sup> Legislative Session set the biennium state appropriation for CBC for FY16 and FY17. The budget development process for FY17 was based on the second year biennium state appropriation funding set in FY16. The CBC FY16 and FY17 appropriation was adjusted by a decrease of \$11,400 in December 2015; however overall the appropriation for CBC increased 2% for the biennium. The Legislative Budget Board and the Texas Association of Community Colleges met in 2016 and discussions were started for the Legislation Appropriation Request for the 85<sup>th</sup> Legislative Session.

CBC continues to remain committed to our reserve contribution annually. CBC has contributed \$1,500,000 and \$1,200,000 in FY14 and FY15 respectfully to the reserve fund. The FY16 reserve commitment is \$1,200,000.

**Regional Accreditation Impact**

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

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

Beatriz T. Espinoza, Ph.D.  
President

# **BASIC FINANCIAL STATEMENTS**

**COASTAL BEND COLLEGE**  
**Statement of Net Position**  
**August 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,426,426	\$ 1,372,825
Restricted cash and cash equivalents	101,975	611,813
Short-term investments	2,046	103,590
Accounts receivable (net)	5,889,995	5,807,700
Prepaid expenses	220,960	369,969
Total Current Assets	7,641,402	8,265,897
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	-	36,258
Endowment investments	642,354	590,614
Other long-term investments	2,221,412	1,110,508
Capital assets (net) (See note 5)	18,123,888	17,968,666
Total Noncurrent Assets	20,987,654	19,706,046
Total Assets	28,629,056	27,971,943
<b>DEFERRED OUTFLOWS</b>		
Deferred outflows related to pensions	848,717	619,046
Total Deferred Outflows	848,717	619,046
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	1,431,178	1,312,364
Funds held for others	136,233	155,189
Unearned revenues	5,008,352	4,810,940
Notes payable - current portion	575,057	589,002
Bonds payable - current portion	366,000	360,000
Total Current Liabilities	7,516,820	7,227,495
<b>Noncurrent Liabilities</b>		
Accrued compensable absences	234,909	274,399
Notes payable	3,973,333	4,547,575
Bonds payable	2,457,000	2,823,000
Net pension liability	4,223,212	3,580,393
Total Noncurrent Liabilities	10,888,454	11,225,367
Total Liabilities	18,405,274	18,452,862
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	646,787	1,095,254
Total Deferred Inflows of Resources	646,787	1,095,254
<b>NET POSITION</b>		
Net investment in capital assets	10,752,498	10,689,582
Restricted for:		
Non-expendable		
Endowments	640,614	590,614
Expendable		
Scholarships	242,938	255,076
Debt service	385	36,258
Unrestricted	(1,210,723)	(2,528,657)
Total Net Position (Schedule D)	\$ 10,425,712	\$ 9,042,873

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

**COASTAL BEND COLLEGE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For The Years Ended August 31, 2016 and 2015**

	2016	2015
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$5,408,995 & \$5,415,495, respectively)	\$ 5,126,769	\$ 4,732,002
Federal grants and contracts	2,538,125	3,256,650
State grants and contracts	239,327	1,115,788
Sales and services of educational activities	186,938	157,888
Miscellaneous governmental receipts	32,997	-
Auxiliary enterprises (net of discounts of \$106,155 & \$736,802, respectively)	1,024,974	950,144
General operating revenues	281,790	134,552
Total Operating Revenues (Schedule A)	9,430,920	10,347,024
<b>OPERATING EXPENSES</b>		
Instruction	8,246,327	7,015,739
Public service	18,907	17,486
Academic support	2,400,522	2,528,016
Student services	2,745,872	2,981,465
Institutional support	4,442,002	4,904,513
Operation and maintenance of plant	2,736,894	2,862,563
Scholarships and fellowships	2,353,074	1,460,315
Auxiliary enterprises	1,237,918	2,301,422
Depreciation	1,625,952	1,537,132
Total Operating Expenses (Schedule B)	25,807,468	25,608,651
Operating (Loss)	(16,376,548)	(15,261,627)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	8,008,893	7,584,915
Federal revenue, non-operating	6,246,888	6,408,586
Ad valorem taxes		
Taxes for maintenance and operations	2,257,865	2,207,151
Taxes for debt service	799,878	632,721
Gifts	283,332	168,517
Investment income (net of investment expenses)	18,402	(7,202)
Other income (expense)	404,675	490,548
Interest on capital related debt	(260,546)	(277,584)
Total Non-Operating Revenues (Expenses) (Schedule C)	17,759,387	17,207,652
Increase in Net Position	1,382,839	1,946,025
<b>NET POSITION</b>		
Net Position - Beginning of Year, as Restated (Note 22)	9,042,873	7,096,848
Net Position - End of Year	\$ 10,425,712	\$ 9,042,873

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

**COASTAL BEND COLLEGE**  
**Statement of Cash Flows**  
**For The Years Ended August 31, 2016 and 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 6,256,386	\$ 5,974,584
Receipts from grants and contracts	3,007,861	4,372,438
Payments to suppliers for goods or services	(5,767,691)	(10,063,818)
Payments to or on behalf of employees	(14,433,584)	(12,758,581)
Payments of scholarships and fellowships	(2,328,640)	(1,460,315)
Other receipts	281,790	178,786
Net cash provided (used) by operating activities	(12,983,878)	(13,756,906)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	6,718,877	7,584,915
Receipts from ad valorem taxes	3,057,743	2,868,655
Receipts from Non Operating Federal Revenue	6,246,888	6,408,586
Gifts	283,332	168,517
Payments for collection of taxes	(30,574)	(28,783)
Receipts from student organizations and other agency transactions	-	2,927
Payments to student organizations and other agency transactions	(18,956)	-
Other receipts	340,194	491,401
Other payments	-	(852)
Net cash provided by non-capital financing activities	16,597,504	17,495,366
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(1,746,174)	(4,136,711)
Payments on capital debt - principal	(948,032)	(796,000)
Payments on capital debt - interest	(250,969)	(277,584)
Net cash provided (used) by capital and related financing activities	(2,945,175)	(5,210,295)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,179,348)	(1,089,772)
Interest on investments	18,402	19,862
Loss on investments	-	(27,063)
Net cash provided (used) by investing activities	(1,160,946)	(1,096,973)
Increase (decrease) in cash and cash equivalents	(492,495)	(2,568,808)
Cash and cash equivalents - September 1	2,020,896	4,589,704
Cash and cash equivalents - August 31	\$ 1,528,401	\$ 2,020,896
Cash and cash equivalents	\$ 1,426,426	\$ 1,372,825
Restricted cash and cash equivalents	101,975	648,071
Total cash and cash equivalents	\$ 1,528,401	\$ 2,020,896

**COASTAL BEND COLLEGE**  
**Statement of Cash Flows**  
**For The Years Ended August 31, 2016 and 2015**  
(Continued)

	2016	2015
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (16,376,548)	\$ (15,261,627)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	1,625,952	1,537,132
Bad debt expense	187,527	
Payments made directly by state for benefits	1,290,016	1,278,513
Changes in assets and liabilities:		
Receivables (net)	(82,295)	(635,086)
Inventories	-	(239,503)
Prepaid expenses	149,009	43,278
Accounts payable	118,814	333,832
Funds held for others	(18,956)	2,927
Compensated absences	(39,490)	(8,670)
Net pension liability	(35,319)	
Unearned revenue	197,412	(807,702)
Net cash provided (used) by operating activities	\$ (12,983,878)	\$ (13,756,906)

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

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

**1. Reporting Entity**

Coastal Bend College (the “College”) was established in 1965, in accordance with the laws of the state of Texas, to serve the educational needs of Bee County and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

**Component Unit**

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

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

**2. Summary of Significant Accounting Policies**

**Report Guidelines**

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

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

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



**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

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

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

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated public funds investment pools comprised of MBIA Government Pool, Logic and TexPool to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of bookstore stock and are valued at cost under the “first-in, first-out” method and are charged to expense as consumed. As of August 31, 2016, the College did not have any bookstore inventory.

Capital Assets

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

The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

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

Unearned Revenues

Tuition and fees of \$5,008,352 and \$4,810,940 have been reported as unearned revenues at August 31, 2016 and 2015, respectively.

Tuition Discounting

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

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

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

***Other tuition discounts***– The College awards tuition and fee scholarships from institutional funds to students who qualify when these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount as recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations, Federal Pell grants, all Title IV student financial aid grants, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

**3. Authorized Investments**

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

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

**4. Deposits and Investments**

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

**Cash and Deposits**

	August 31,	
	2016	2015
Bank Deposits		
Demand Deposits	\$ 1,525,369	\$ 2,608,527
Cash and Cash Equivalents		
Petty Cash on Hand	3,032	2,982
Total Cash and Deposits	\$ 1,528,401	\$ 2,611,509

During the year ended August 31, 2016 and 2015, deposits were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

**Reconciliation of Deposits and Investments to Exhibit 1**

Type of Security	Market Value 8/31/2016	Market Value 8/31/2015
<b>Investments</b>		
U.S. Agencies	\$ 2,221,412	\$ 1,108,926
Money Market Fund	-	100,952
Investment Pools	644,400	4,220
Total Investments	2,865,812	1,214,098
Total Cash and Deposits	1,528,401	2,611,510
Total Deposits and Investments	\$ 4,394,213	\$ 3,825,608
Cash and Cash Equivalents	\$ 1,426,426	\$ 1,372,825
Short Term Investments	2,046	103,590
Restricted Cash and Cash Equivalents	101,975	648,071
Endowment Investments	642,354	590,614
Other Long Term Investments	2,221,412	1,110,508
Total Deposits and Investments	\$ 4,394,213	\$ 3,825,608

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

As of August 31, 2016, the College had the following investment and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	4 to 5
U.S. Agencies	\$ 2,221,412	\$ -	\$ 2,221,412	\$ -
Investment Pools:				
Investment in TexPool	1,132	1,132	-	-
Investment in Texas Class	642,354	642,354	-	-
Investment in LOGIC Pool	914	914	-	-
Money Market Fund	-	-	-	-
Total Fair Value	<u>\$ 2,865,812</u>	<u>\$ 644,400</u>	<u>\$ 2,221,412</u>	<u>\$ -</u>

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

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

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

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

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

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

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

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

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

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

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

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

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

**5. Capital Assets**

Capital asset activity for the year ended August 31, 2016 is as follows:

	Balance August 31, 2015	Increases	Decreases/ Reclassifications	Balance August 31, 2016
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Subtotal	<u>476,889</u>	<u>-</u>	<u>-</u>	<u>476,889</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	<u>26,467,467</u>	<u>1,445,011</u>	<u>-</u>	<u>27,912,478</u>
Total Buildings and Other Capital Assets	<u>26,467,467</u>	<u>1,445,011</u>	<u>-</u>	<u>27,912,478</u>
Library Books	1,329,740	-	-	1,329,740
Telecommunications and Peripheral Equipment	4,734,964	93,955	391,398	5,220,317
Furniture, Machinery, and Equipment	<u>4,978,111</u>	<u>242,207</u>	<u>(391,398)</u>	<u>4,828,920</u>
Subtotal	<u>11,042,815</u>	<u>336,162</u>	<u>-</u>	<u>11,378,977</u>
Total Buildings and Other Capital Assets	<u>37,510,282</u>	<u>1,781,173</u>	<u>-</u>	<u>39,291,455</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	<u>(12,537,836)</u>	<u>(850,215)</u>	<u>-</u>	<u>(13,388,051)</u>
Total Buildings and Other Capital Assets	<u>(12,537,836)</u>	<u>(850,215)</u>	<u>-</u>	<u>(13,388,051)</u>
Library Books	(1,159,293)	(32,813)	-	(1,192,106)
Telecommunications and Peripheral Equipment	(3,781,761)	(410,828)	-	(4,192,589)
Furniture, Machinery and Equipment	<u>(2,539,614)</u>	<u>(332,096)</u>	<u>-</u>	<u>(2,871,710)</u>
Subtotal	<u>(7,480,668)</u>	<u>(775,737)</u>	<u>-</u>	<u>(8,256,405)</u>
Total Accumulated Depreciation	<u>(20,018,504)</u>	<u>(1,625,952)</u>	<u>-</u>	<u>(21,644,456)</u>
Net Other Capital Assets	<u>17,491,778</u>	<u>155,221</u>	<u>-</u>	<u>17,646,999</u>
Net Capital Assets	<u>\$ 17,968,666</u>	<u>\$ 155,221</u>	<u>\$ -</u>	<u>\$ 18,123,888</u>

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

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

	Balance August 31, 2014	Increases	Decreases/ Reclassifications	Balance August 31, 2015
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Subtotal	<u>476,889</u>	<u>-</u>	<u>-</u>	<u>476,889</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	23,499,917	2,967,550	-	26,467,467
Total Buildings and Other Capital Assets	<u>23,499,917</u>	<u>2,967,550</u>	<u>-</u>	<u>26,467,467</u>
Library Books	1,329,740	-	-	1,329,740
Telecommunications and Peripheral Equipment	4,734,964	-	-	4,734,964
Furniture, Machinery, and Equipment	3,808,949	1,169,162	-	4,978,111
Subtotal	<u>9,873,653</u>	<u>1,169,162</u>	<u>-</u>	<u>11,042,815</u>
Total Buildings and Other Capital Assets	<u>33,373,570</u>	<u>4,136,712</u>	<u>-</u>	<u>37,510,282</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	(11,817,912)	(719,924)	-	(12,537,836)
Total Buildings and Other Capital Assets	<u>(11,817,912)</u>	<u>(719,924)</u>	<u>-</u>	<u>(12,537,836)</u>
Library Books	(1,122,575)	(36,718)	-	(1,159,293)
Telecommunications and Peripheral Equipment	(3,344,660)	(437,101)	-	(3,781,761)
Furniture, Machinery and Equipment	(2,196,225)	(343,389)	-	(2,539,614)
Subtotal	<u>(6,663,460)</u>	<u>(817,208)</u>	<u>-</u>	<u>(7,480,668)</u>
Total Accumulated Depreciation	<u>(18,481,372)</u>	<u>(1,537,132)</u>	<u>-</u>	<u>(20,018,504)</u>
Net Other Capital Assets	<u>14,892,198</u>	<u>2,599,579</u>	<u>-</u>	<u>17,491,778</u>
Net Capital Assets	<u>\$ 15,369,087</u>	<u>\$ 2,599,579</u>	<u>\$ -</u>	<u>\$ 17,968,666</u>

**6. Long-Term Liabilities**

Loan No 8845893210 – First National Bank of Beeville

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



**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

Loan No 8845893279 – First National Bank of Beeville

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

Long-term liability activity for the year ended August 31, 2016 is as follows:

	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016	Current Portion
<u>Bonds, Leases and Notes</u>					
Revenue Bonds	\$ 3,183,000	\$ -	\$ 360,000	\$ 2,823,000	\$ 366,000
Maintenance Tax Notes	4,886,000	-	460,000	4,426,000	473,000
Campus Signage Note	191,000	-	108,328	82,672	82,198
Heavy Duty Truck Note	59,577	-	19,859	39,718	19,859
Deferred amount on Refunding bonds	-	-	-	-	-
Capital Leases	-	-	-	-	-
Subtotal	<u>8,319,577</u>	<u>-</u>	<u>948,187</u>	<u>7,371,390</u>	<u>941,057</u>
<u>Other Liabilities</u>					
Net Pension Liability	3,580,393	642,819	-	4,223,212	-
Compensated Absences	274,399	61,000	100,490	234,909	-
Subtotal	<u>3,854,792</u>	<u>703,819</u>	<u>100,490</u>	<u>4,458,121</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 12,174,369</u>	<u>\$ 703,819</u>	<u>\$ 1,048,677</u>	<u>\$ 11,829,511</u>	<u>\$ 941,057</u>

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

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

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

**7. Debt Obligations**

Debt service requirements at August 31, 2016 for bonds and notes are as follows:

For the year Ended August 31,	<u>Maintenance Tax Notes</u>			<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 473,000	\$ 141,484	\$ 614,484	\$ 366,000	\$ 88,360	\$ 454,360
2018	485,000	128,750	613,750	379,000	76,904	455,904
2019	499,000	114,975	613,975	391,000	65,041	456,041
2020	515,000	99,908	614,908	401,000	52,803	453,803
2021	529,000	83,696	612,696	418,000	40,252	458,252
2022-2026	<u>1,925,000</u>	<u>168,081</u>	<u>2,093,081</u>	<u>868,000</u>	<u>40,909</u>	<u>908,909</u>
	<u>\$ 4,426,000</u>	<u>\$ 736,894</u>	<u>\$ 5,162,894</u>	<u>\$ 2,823,000</u>	<u>\$ 364,269</u>	<u>\$ 3,187,269</u>

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

For the year Ended August 31,	<u>Maintenance Tax Notes</u>			<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 460,000	\$ 153,330	\$ 613,330	\$ 360,000	\$ 99,628	\$ 459,628
2017	473,000	141,484	614,484	366,000	88,360	454,360
2018	485,000	128,750	613,750	379,000	76,904	455,904
2019	499,000	114,975	613,975	391,000	65,041	456,041
2020	515,000	99,908	614,908	401,000	52,803	453,803
2021-2025	2,231,000	243,348	2,474,348	1,286,000	81,161	1,367,161
2026-2030	<u>223,000</u>	<u>8,429</u>	<u>231,429</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,886,000</u>	<u>\$ 890,224</u>	<u>\$ 5,776,224</u>	<u>\$ 3,183,000</u>	<u>\$ 463,897</u>	<u>\$ 3,646,897</u>

Defeased bonds outstanding

Defeased bonds outstanding at August 31, 2016 totaled \$2,630,000.

Capital Leases

The College has no capital leases outstanding as of August 31, 2016.

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
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**8. Bonds Payable**

General information related to bonds payable is summarized below:

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

**9. Employees' Retirement Plan**

Defined Benefit Pension Plan

*Plan Description*

The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

*Benefits Provided*

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

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

*Contributions*

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

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

Contribution Rate

	2015	2014
Member	7.20%	6.70%
Non-Employer contribution Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
FY 2015 Employer Contributions	\$ 389,765	
FY 2015 Member Contributions	\$ 626,630	
FY 2015 State of Texas On-behalf Contributions	\$ 174,335	

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

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

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

*Actuarial Assumptions*

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market
Investment Rate of Return*	4.75%
Discount Rate	4.75%
Payroll Growth Rate	2.50%
Projected Salary Increases*	3.50% to 9.50%
Healthcare Trend Rates*	4.20% to 9.50%**
Ad hoc post-employment benefit changes	None

*\*Includes Inflation of 2.5%*

*\*\*Initial rates are 7.25% for medical and 9.50% for prescriptions.*

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
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The following assumptions which are specific to OPEB were updated from the prior year's report:

1. The discount rate for the current funding policy scenario was changed from 5.25% to 4.75%.
2. The savings from the Medicare Advantage plans and the Medicare Part D plan are expected to last longer than previously assumed. The impact of these changes, which are related to the Medicare Advantage premiums and drug rebates, were measured in with the liability experience.
3. The ultimate trend assumption for the Cadillac Tax was increased from 4.00% to 4.20% to reflect the anticipated impact of the high-cost employer health plans effective January 1, 2020.

The results of the actuarial valuation reflect a long-term perspective, are dependent on the actuarial assumptions used, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actual results can differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. The actuarial assumptions used are designed to reduce short-term volatility in the liabilities and assets.

The plan provisions used in the actuarial valuation are based on the expectations of cost sharing between the employer and plan members. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of the benefits for financial reporting does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

*Discount Rate*

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

**COASTAL BEND COLLEGE**  
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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, 2014, as amended October 1, 2014, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100.0%</b>		<b>8.7%</b>

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

Source: Teacher Retirement System of Texas 2015 Comprehensive Annual Financial Report

*Discount Rate Sensitivity Analysis.*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District proportionate share of the net pension liability:	<u>\$ 6,616,976</u>	<u>\$ 4,223,212</u>	<u>\$ 2,229,354</u>

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
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*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 \$4,223,212 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

District's Proportionate share of the collective net pension liability	\$4,223,212
State's proportionate share that is associated with District	<u>2,080,573</u>
Total	<u><u>\$6,303,785</u></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 the measurement date of August 31, 2015 the employer's proportion of the collective net pension liability was 0.0119473% which was a decrease of 0.0014567% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2015, the College recognized pension expense of \$296,448 and revenue of \$296,448 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 46,051	\$ 162,302
Changes in actuarial assumptions	193,554	150,666
Differences between projected and actual investment earnings	219,347	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	-	333,819
Total as of August 31, 2015 measurement date	<u>\$ 458,952</u>	<u>\$ 646,787</u>
Contributions paid to TRS subsequent to the measurement date	<u>389,765</u>	<u>-</u>
Total as of fiscal year-end	<u><u>\$ 848,717</u></u>	<u><u>\$ 646,787</u></u>



**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
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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:

For the year ended August 31:	Pension Expense Amount
2017	\$ (74,657)
2018	(74,657)
2019	(74,656)
2020	198,921
2021	(63,970)
Thereafter	(98,816)

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

Optional Retirement Plan

*Plan Description*

Participation in the Optional Retirement Program is in lieu of participation in the Teachers Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec 67, and Texas Government Code, Title 8, Subtitle C.

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The percentages of participant salaries contributed by the state, the college, and each participant are 3.3%, 3.3% and 6.65%, respectively. Because these are individual annuity contracts, the state nor the District has no additional or unfunded liability for this program. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$49,007 and \$49,270 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 for all College employees was \$11,247,742 and \$10,414,302 for fiscal years 2016 and 2015, respectively. The total payroll of employees covered by the Optional Retirement Program was \$1,485,049 and \$1,493,556 for fiscal years 2016 and 2015, respectively.

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
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**10. Deferred Compensation Program**

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2016 and 2015, the District had no employees electing to defer compensation.

**11. Compensable Absences**

Full-time employees earn annual leave of 10 days per year. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum carryover of 20 days. Employees with at least three months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized an accrued liability of \$30,000 and \$26,699 for the unpaid annual leave for 2016 and 2015. Sick leave, which can be accumulated to a maximum of 45 days, is earned at the rate of one day per month. It is paid to an employee who misses work because of illness. The College District shall honor the reimbursement for leave upon separation and the reimbursement of leave upon retirement programs for eligible employees who were employed by the College District before September 1, 2010. Reimbursements shall be made in accordance with administrative regulations and determined based on the pay rate set for each employee as of June 30, 2016. Annual sick leave of \$31,000 was recognized for 2016 and \$54,620 for 2015.

**12. Operating Lease Commitments and Rental Agreement**

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

**13. Funds Held in Trust by Others**

No funds are held in trust by others on behalf of the District.

**14. Contract and Grant Award**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the Institution has not yet performed services are not included in the financial statements. Contract and grant awards already committed, e.g. multi-year awards, or funds awarded during fiscal years 2016 and 2015 for which monies have not been received nor funds expended totaled \$497,366 and \$2,304,562.

**COASTAL BEND COLLEGE**  
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**15. Post-Retirement Health Care and Life Insurance Benefits**

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for these benefits if they reach normal retirement age while working for the State. These and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per eligible full-time employee was \$576.54 per month for the year ended August 31, 2016 (\$537.66 per month for 2015) and totaled \$573,012 for 2016 (\$627,865 for the year ended 2015). The cost of providing those benefits for 128 retirees in the year ended 2016 was \$1,002,220 (retiree benefits for 144 retirees cost \$958,429 in 2015). For 214 active employees, the cost of providing benefits was \$1,561,167 for the year ended 2016 (active employee benefits for 221 employees cost \$1,417,910 for the year ended 2015).

**16. Property Tax**

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

As of August 31:

	2016	2015	
Assessed valuation of the District	\$ 2,954,507,160	\$ 2,819,624,760	
Less: Exemptions	1,141,821,158	1,101,791,310	
Less: Abatements	11,146,930	17,128,290	
Net assessed valuation of the District	\$ 1,801,539,072	\$ 1,700,705,160	
	2016		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.500000	\$ 0.500000	\$ 1.000000
Assessed tax rate per \$100 valuation	\$ 0.129640	\$ 0.047740	\$ 0.177380
	2015		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.500000	\$ 0.500000	\$ 1.000000
Assessed tax rate per \$100 valuation	\$ 0.137390	\$ 0.039990	\$ 0.177380

Taxes levied for the years ended August 31, 2016 and 2015 amounted to \$3,116,912 and \$2,943,547, 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.

**COASTAL BEND COLLEGE**  
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<u>Taxes Collected</u>	2016		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,212,550	\$ 814,774	\$ 3,027,324
Delinquent taxes collected	43,624	-	43,624
Penalties and interest collected	42,143	-	42,143
Less discounts and commissions	<u>(40,452)</u>	<u>(14,896)</u>	<u>(55,348)</u>
Total Collections	<u>\$ 2,257,865</u>	<u>\$ 799,878</u>	<u>\$ 3,057,743</u>

<u>Taxes Collected</u>	2015		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,203,231	\$ 644,197	\$ 2,847,428
Delinquent taxes collected	35,391	-	35,391
Penalties and interest collected	36,763	-	36,763
Less discounts and commissions	<u>(68,235)</u>	<u>(11,476)</u>	<u>(79,711)</u>
Total Collections	<u>\$ 2,207,151</u>	<u>\$ 632,721</u>	<u>\$ 2,839,872</u>

Tax collections for the years ended August 31, 2016 and 2015 were 97.12% and 96.48%, respectively of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

**17. Income Taxes**

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

**18. Commitments and Contingencies**

*Contingencies*

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

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
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*Pending Lawsuits and Claims*

On August 31, 2016, various lawsuits and claims involving Coastal Bend College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

**19. Disaggregation of Receivable and Payable Balances**

*Receivables*

Receivables at August 31 are as follows:

	2016	2015
Student receivables	\$ 3,347,399	\$ 2,345,284
Taxes receivable	98,446	114,653
Tuition sponsor receivables	175,858	141,407
Contract and grant receivables	2,583,135	3,303,303
Other receivables	43,589	11,485
Subtotal	6,248,427	5,916,132
Allowance for doubtful accounts	(358,432)	(108,432)
<b>Total Receivables</b>	<b>\$ 5,889,995</b>	<b>\$ 5,807,700</b>

*Payables*

Payables at August 31 are as follows:

	2016	2015
Vendors payable	\$ 1,144,107	\$ 1,158,000
Interest payable	9,577	10,539
Other payables	277,494	143,825
<b>Total Payables</b>	<b>\$ 1,431,178</b>	<b>\$ 1,312,364</b>

**20. Risk Management**

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**COASTAL BEND COLLEGE**  
**Notes to the Financial Statements**  
**August 31, 2016 and 2015**

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

*Plan Description*

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

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

*Funding Policy*

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

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

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

The College's contributions to SRHP for the years ended August 31, 2016 and 2015 were \$106,995 and \$99,995, respectively, which equaled the required contributions each year.

**22. Prior Period Adjustment**

Beginning net position of the year ended August 31, 2015, was restated 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.

Net Position as of August 31, 2014, as originally reported	\$11,192,963
Adjustment to restate Net Position	<u>(4,096,115)</u>
Net Position as of September 1, 2014	<u><u>\$7,096,848</u></u>

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

COASTAL BEND COLLEGE  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0119473%	0.0134040%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,223,212	\$ 3,580,393
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>2,080,573</u>	<u>1,877,347</u>
Total	<u>\$ 6,303,785</u>	<u>\$ 5,457,740</u>
District's Covered Employee Payroll	\$ 7,750,856	\$ 7,571,265
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	54.49%	47.29%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

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



COASTAL BEND COLLEGE  
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
Contractually Required Contribution	\$ 389,765	\$ 353,750
Contribution in Relation to the Contractually Required Contribution	<u>(389,765)</u>	<u>(353,750)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 8,703,191	\$ 7,750,856
Contributions as a percentage of Covered Employee Payroll	4.48%	4.56%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

**SUPPLEMENTAL INFORMATION  
AND  
FINANCIAL ASSISTANCE SECTION**

**COASTAL BEND COLLEGE**  
**Schedule of Operating Revenues**  
**For the Years Ended August 31, 2016 and 2015**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2016 Total	2015 Total
<b>Tuition:</b>						
State funded credit courses						
In-district resident tuition	\$ 1,355,931	\$ -	\$ 1,355,931	\$ -	\$ 1,355,931	\$ 1,429,789
Out-of-district resident tuition	2,238,052	-	2,238,052	-	2,238,052	2,253,235
Non-resident tuition	24,613	-	24,613	-	24,613	28,319
TPEG set aside (set aside)*	344,676	-	344,676	-	344,676	303,055
State funded continuing education	189,705	-	189,705	-	189,705	200,471
TPEG - non-credit (set aside) *	-	-	-	-	-	-
Non-state funded continuing education	3,961	-	3,961	-	3,961	3,308
Total Tuition	<u>4,156,938</u>	<u>-</u>	<u>4,156,938</u>	<u>-</u>	<u>4,156,938</u>	<u>4,218,177</u>
<b>Fees:</b>						
Out of district fee	2,759,185	-	2,759,185	-	2,759,185	2,826,634
Distance learning fee	593,278	-	593,278	-	593,278	480,046
Installment plan fees	34,202	-	34,202	-	34,202	30,872
Dual credit fees	732,827	-	732,827	-	732,827	503,316
Individual course fees	912,727	-	912,727	-	912,727	800,810
General use fees	844,619	-	844,619	-	844,619	853,958
Registration fee	501,987	-	501,987	-	501,987	433,684
Total Fees	<u>6,378,825</u>	<u>-</u>	<u>6,378,825</u>	<u>-</u>	<u>6,378,825</u>	<u>5,929,320</u>
<b>Scholarship Allowances and Discounts:</b>						
Remissions and exemptions - state	(383,104)	-	(383,104)	-	(383,104)	(282,101)
Remissions and exemptions - local	(179,273)	-	(179,273)	-	(179,273)	(71,836)
Title IV federal grants	(4,259,861)	-	(4,259,861)	-	(4,259,861)	(4,461,455)
Other federal grants	-	-	-	-	-	(486)
TPEG awards	(244,380)	-	(244,380)	-	(244,380)	(166,212)
Other state grants	(150,281)	-	(150,281)	-	(150,281)	(260,023)
Other local grants	(192,095)	-	(192,095)	-	(192,095)	(173,382)
Total Scholarship Allowances	<u>(5,408,994)</u>	<u>-</u>	<u>(5,408,994)</u>	<u>-</u>	<u>(5,408,994)</u>	<u>(5,415,495)</u>
Total Net Tuition and Fees	<u>5,126,769</u>	<u>-</u>	<u>5,126,769</u>	<u>-</u>	<u>5,126,769</u>	<u>4,732,002</u>
<b>Additional Operating Revenues:</b>						
Federal grants and contracts	-	2,538,125	2,538,125	-	2,538,125	3,256,650
State grants and contracts	-	239,327	239,327	-	239,327	1,115,788
Sales and services of educational activities	186,938	-	186,938	-	186,938	157,888
Miscellaneous governmental receipts	32,997	-	32,997	-	32,997	-
General operating revenues	281,790	-	281,790	-	281,790	134,552
Total Additional Operating Revenues	<u>501,725</u>	<u>2,777,452</u>	<u>3,279,177</u>	<u>-</u>	<u>3,279,177</u>	<u>4,664,878</u>
<b>Auxiliary Enterprises:</b>						
Bookstore	-	-	-	112,967	112,967	808,642
Less Discounts	-	-	-	-	-	(437,030)
Housing	-	-	-	667,283	667,283	728,757
Less Discounts	-	-	-	(106,155)	(106,155)	(273,019)
Child Care Center	-	-	-	153,889	153,889	142,201
Less Discounts	-	-	-	(25,430)	(25,430)	(26,753)
Facilities Rental	-	-	-	178,472	178,472	-
Student Programs	-	-	-	43,948	43,948	7,346
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,974</u>	<u>1,024,974</u>	<u>950,144</u>
Total Operating Revenues	<u>\$ 5,628,494</u>	<u>\$ 2,777,452</u>	<u>\$ 8,405,946</u>	<u>\$ 1,024,974</u>	<u>\$ 9,430,920</u>	<u>\$ 10,347,024</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.003, \$344,676 and \$303,055 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2016 and 2015, respectively.

**COASTAL BEND COLLEGE**  
**Schedule of Operating Expenses by Object**  
**For the Years Ended August 31, 2016 and 2015**

	Operating Expenses			2016 Total	2015 Total	
	Salaries and Wages	Benefits	Other Expenses			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 5,499,833	\$ -	\$ 1,144,862	\$ 606,716	\$ 7,251,411	\$ 6,010,206
Public service	4,960	-	169	13,778	18,907	17,486
Academic support	1,120,796	-	224,414	431,893	1,777,103	1,545,221
Student services	742,359	-	183,578	196,779	1,122,716	1,010,651
Institutional support	1,635,178	-	495,566	2,076,907	4,207,651	4,646,925
Operation and maintenance of plant	1,142,201	-	281,039	754,473	2,177,713	2,160,555
Scholarships and fellowships	-	-	472	146,210	146,682	84,799
Total Unrestricted Educational Activities	<u>10,145,327</u>	<u>-</u>	<u>2,330,100</u>	<u>4,226,756</u>	<u>16,702,183</u>	<u>15,475,843</u>
<b>Restricted - Educational Activities</b>						
Instruction	98,203	788,723	17,327	90,663	994,916	1,005,533
Academic support	258,773	160,631	64,816	139,199	623,419	982,795
Student services	721,972	106,311	144,430	650,443	1,623,156	1,970,814
Institutional support	-	234,351	-	-	234,351	257,588
Operation and maintenance of plant	-	-	-	559,181	559,181	702,008
Scholarships and fellowships	23,467	-	495	2,182,430	2,206,392	1,375,516
Total Restricted Educational Activities	<u>1,102,415</u>	<u>1,290,016</u>	<u>227,068</u>	<u>3,621,916</u>	<u>6,241,415</u>	<u>6,294,254</u>
Total Educational Activities	11,247,742	1,290,016	2,557,168	7,848,672	22,943,598	21,770,097
<b>Auxiliary Enterprises</b>	457,458	-	96,407	684,053	1,237,918	2,301,422
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	850,215	850,215	719,924
Equipment and furniture	-	-	-	775,737	775,737	817,208
Total Operating Expenses	<u>\$ 11,705,200</u>	<u>\$ 1,290,016</u>	<u>\$ 2,653,575</u>	<u>\$ 10,158,677</u>	<u>\$ 25,807,468</u>	<u>\$ 25,608,651</u>
				(Exhibit 2)	(Exhibit 2)	

**COASTAL BEND COLLEGE**  
**Schedule of Non-Operating Revenues and Expenses**  
**For the Years Ended August 31, 2016 and 2015**

	Unrestricted	Restricted	Auxiliary Enterprises	2016 Total	2015 Total
<b>Non-Operating Revenues</b>					
<b>State Allocations:</b>					
Education and general state support	\$ 6,440,023	\$ -	\$ -	\$ 6,440,023	\$ 6,311,499
State group insurance	-	1,017,354	-	1,017,354	1,052,933
State retirement matching	-	551,516	-	551,516	220,483
Total State Allocations	<u>6,440,023</u>	<u>1,568,870</u>	<u>-</u>	<u>8,008,893</u>	<u>7,584,915</u>
Ad valorem taxes:					
Taxes for maintenance and operations	2,257,865	-	-	2,257,865	2,207,151
Taxes for debt service	-	799,878	-	799,878	632,721
Federal revenue, non-operating	-	6,246,888	-	6,246,888	6,408,586
Gifts	283,332	-	-	283,332	168,517
Investment income/(loss)	18,402	-	-	18,402	(7,200)
Other non-operating revenues	404,675	-	-	404,675	491,401
Total Non-Operating Revenues	<u>9,404,297</u>	<u>8,615,636</u>	<u>-</u>	<u>18,019,933</u>	<u>17,486,091</u>
<b>Non-Operating Expenses</b>					
Interest on capital related debt	-	260,546	-	260,546	277,584
Other non-operating expense	-	-	-	-	853
Total Non-Operating Expenses	<u>-</u>	<u>260,546</u>	<u>-</u>	<u>260,546</u>	<u>278,437</u>
Net Non-Operating Revenues	<u>\$ 9,404,297</u>	<u>\$ 8,355,090</u>	<u>\$ -</u>	<u>\$ 17,759,387</u> (Exhibit 2)	<u>\$ 17,207,652</u> (Exhibit 2)

**COASTAL BEND COLLEGE**  
**Schedule of Net Position by Source and Availability**  
**For the Year Ended August 31, 2016**

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ (1,210,723)	\$ -	\$ -	\$ -	\$ (1,210,723)	\$ (1,210,723)	\$ -
Restricted for:							
Nonexpendable:							
Student aid	-	-	640,614	-	640,614	-	640,614
Expendable:							
Student aid	-	242,938	-	-	242,938	242,938	-
Unexpended bond proceeds	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Auxiliary enterprises	-	-	-	-	-	-	-
Plant							
Debt service	-	385	-	-	385	-	385
Investment in plant	-	-	-	10,752,498	10,752,498	-	10,752,498
Total Net Position, August 31, 2016	(1,210,723)	243,323	640,614	10,752,498	10,425,712	(967,785)	11,393,497
Total Net Position, August 31, 2015	(2,528,657)	291,334	590,614	10,689,582	9,042,873	(2,237,323)	11,280,196
Net Increase (Decrease) in Net Position	<u>\$ 1,317,934</u>	<u>\$ (48,011)</u>	<u>\$ 50,000</u>	<u>\$ 62,916</u>	<u>\$ 1,382,839</u>	<u>\$ 1,269,538</u>	<u>\$ 113,301</u>
					(Exhibit 1)		
					(Exhibit 2)		

**SCHEDULE E**

**COASTAL BEND COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through Disbursements and Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Direct Programs:</i>			
TRIO Cluster			
TRIO Student Support Services	84.042		\$ 21,559
TRIO Upward Bound	84.044		369,990
TRIO Educational Talent Search	84.047		464,767
TRIO Upward Bound GOST	84.047M		<u>255,570</u>
Total TRIO Cluster:			<u>1,111,886</u>
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grants	84.007		73,687
Work-Study Program	84.033		61,018
Pell Grant Program	84.063		6,173,201
Direct Student Loans	84.268		<u>3,564,059</u>
Total Student Financial Assistance Cluster:			<u>9,871,965</u>
STEM Program	84.120		<u>716,868</u>
Total Direct Programs			<u>11,700,719</u>
<i>Pass Through From Del Mar College:</i>			
Title V - Celebrando Educacion	84.031s		<u>324,153</u>
Total Del Mar College			<u>324,153</u>
<i>Pass Through From Texas State University:</i>			
REENERGIZE Texas	84.120		<u>10,551</u>
Total Texas State University			<u>10,551</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Carl Perkins Vocational	84.048		<u>256,686</u>
Total Texas Higher Education Coordinating Board			<u>256,686</u>
Total U.S. Department of Education			<u>12,292,109</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Pass Through From Federal Correctional Institutions:</i>			
Prison Program	16.000		<u>56,963</u>
Total Federal Correctional Institutions			<u>56,963</u>
Total U.S. Department of Justice			<u>56,963</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 12,349,072</u>

**COASTAL BEND COLLEGE**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2016**

**Note 1: Federal Assistance Reconciliation**

**Federal Assistance Reconciliation**

Federal Grants and Contracts revenue - per Schedule A	\$ 2,538,125
Add: Non-Operating Revenue from Schedule C	6,246,888
Add: Direct Student Loans	<u>3,564,059</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 12,349,072</u>

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

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



**SCHEDULE F**

**COASTAL BEND COLLEGE**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2016**

<b>Grantor Agency/ Program Title</b>	<b>Grant Contract Number</b>	<b>Expenditures</b>
<b>TEXAS HIGHER EDUCATION COORDINATING BOARD</b>		
<i>Direct funding:</i>		
College Work-study Program	9920050M	\$ 18,569
Work-Study Mentorship Program	15554	4,898
Texas Educational Opportunity Grant Program	PCA13399	<u>215,860</u>
Total Direct Funding		<u>239,327</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u><u>\$ 239,327</u></u>

Notes to the Schedule on the following page.

**COASTAL BEND COLLEGE**  
**Notes to Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2016**

**Note 1: State Assistance Reconciliation**

**State Assistance Reconciliation**

per Schedule of Expenditures of State Awards	\$ <u>239,327</u>
Total State Revenues per Schedule A	\$ <u>239,327</u>

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

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

**OVERALL COMPLIANCE AND  
INTERNAL CONTROLS SECTION**

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

To the Board of Trustees  
Coastal Bend College  
Beeville, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coastal Bend College as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Coastal Bend College's basic financial statements, and have issued our report thereon dated December 1, 2016.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Coastal Bend 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Public Funds Investment Act**

We have performed test designed to verify the Coastal Bend College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2016, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

**Purpose of this Report**

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



Brownsville, Texas  
December 1, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Trustees  
Coastal Bend College  
Beeville, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Coastal Bend College's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Coastal Bend College's major federal programs for the year ended August 31, 2016. Coastal Bend College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Coastal Bend College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coastal Bend College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control over Compliance

Management of Coastal Bend College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Coastal Bend College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Coastal Bend College's internal control over compliance.

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

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

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

*Pattillo, Brown & Hill, C.P.*

Brownsville, Texas  
December 1, 2016

COASTAL BEND COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2016

**I. Summary of the Auditors' Results:**

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Internal control over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	The Student Financial Aid Cluster CFDA 84.007/84.033/84.063/84.268  Carl Perkins Vocational CFDA 84.048
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

None

**III. Findings and Questioned Costs for Federal Awards.**

None



**COASTAL BEND COLLEGE**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**FOR THE YEAR ENDED AUGUST 30, 2016**

*Finding 2015-01*

*Accounting System and Financial Statements*

*Condition:*

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

*Recommendation:*

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

*Current Year Status:*

The college has recorded all transactions into their accounting system. Item corrected.

**COASTAL BEND COLLEGE**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

Not applicable.

**(Last page.)**