Blinn College

Annual Financial Report

For the Fiscal Year

Ended August 31, 2017

Blinn College
Annual Financial Report

For the Fiscal Year Ended August 31, 2017

BLINN COLLEGE
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INTRODUCTORY SECTION

BLINN COLLEGE

November 28, 2017

To the Board of Trustees and Citizens of Blinn College,

This Annual Financial Report for the fiscal year ended August 31, 2017, has been developed to provide the public a complete financial picture of Blinn College. This document plays an important role in meeting the College's strategic objective to promote inclusive and transparent financial and budgeting processes. By sharing clear financial information and data, we provide stakeholders a clear vision of the College's priorities and its vision for the future.

As this report demonstrates, Blinn has utilized a variety of funding strategies to minimize debt while developing the first-class facilities necessary to meet the growing and changing needs of the communities it serves. With the development of the RELLIS Campus in partnership with The Texas A&M University System, renovations to improve student spaces at Blinn College-Bryan, and the construction of a privately funded 465-bed student housing facility at Blinn College-Brenham that immediately will address the local demand for student housing, Blinn College is positioned to carry out its mission in an efficient and effective manner, and to continue to meet the needs of citizens throughout its service area.

Sincerely,

Mary Hensley

Mary Hensley, Ed.D.
Chancellor of Blinn College

OFFICE OF THE CHANCELLOR

902 College Avenue ♦ Brenham, Texas 77833 ♦ 979 830-4112 ♦ Fax 979-830-4116 ♦ chancellor@blinn.edu

BLINN
COLLEGE

November 28, 2017

To the Board of Trustees, Chancellor, and Citizens of the Blinn College,

The following Annual Financial Report of Blinn College for the fiscal year ended August 31, 2017, is hereby submitted. Responsibility for the preparation and integrity of the financial information, and the completeness and fairness of the presentation, rests with the College. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The Notes to the Basic Financial Statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the Summary of Significant Accounting Policies for the College and other necessary disclosures of important matters relating to the financial position of the College. The notes are treated as an integral part of the financial statements and should be read in conjunction with those statements. The Management's Discussion and Analysis (MD&A) is provided to supplement the basic financial statements, related notes, and this transmittal letter. The purpose of the MD&A is to provide an objective and readable analysis of the College's financial activities.

To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

The College is required to undergo an annual federal single audit in conformity with the provisions of the Federal Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and an annual state single audit in conformity with the Texas Governor's Office of Budget and Planning *Uniform Grant Management Standards Single Audit Circular*. Information related to these Single Audits, including the schedule of expenditures of federal awards, schedule of expenditures of state awards, and auditor's reports on compliance and on internal controls, is included in this report.

Historical Statement

Blinn College, the Junior College of Washington County, is located in Brenham, Texas, and serves a 13-county service area with campuses in Bryan, Sealy and Schulenburg. The school was founded in 1883 by the Southern German Conference of the Methodist denomination under the name of Mission Institution. In 1889, the name was changed to Blinn Memorial College in honor of the Reverend Christian Blinn of New York, who had donated a considerable sum of money to make the school possible. The institution was originally founded for the purpose of training young men for the ministry, but to meet the demands of the public, academic courses were added. After operating for five years as an institution for men only, Blinn College was made coeducational in 1888. In 1927, the Board of Trustees, under leadership of President Philip Deschner, organized a junior college, and in 1930 the school was merged with Southwestern University (Georgetown, Texas). In 1934, a new charter was procured by the citizens of Brenham, and a private nonsectarian junior college, under the name of Blinn College, was organized with nine regents as the board of control. In February 1937, all connection with Southwestern University and the Methodist denominations were severed. An election held in Washington County on June 8, 1937, for the purposes of creating a public junior College and for levying a small tax, was successful. Blinn thus became the first county-owned junior College in Texas. The college continues to operate as one of the largest of the state's 50 public junior/community Colleges.

Service Area

The service area of Blinn College includes the territory within Brazos, Burleson, Grimes, Madison, Waller, and Washington counties; the Mumford, Hearne, and Franklin Independent School Districts located in Robertson County; Austin County, other than the territory within the Wallis-Orchard Independent School District; the Milano and Gause Independent School Districts located in Milam County; the area of the Richards Independent School District located in Walker and Montgomery counties; the area of the Bryan Independent School District located in Robertson County; Fayette County, other than the territory within the Smithville Independent School District; Lee County, other than the territory within the Elgin Independent School District; and the area of the Lexington Independent School District located in Bastrop, Milam, and Williamson counties.

Mission, Vision, and Values

Mission Statement: Blinn College is building stronger communities by providing quality, comprehensive education, and empowering students to achieve excellence in their educational careers and personal goals.

Vision Statement: Shaping future academic, workforce, cultural, and economic leaders by providing excellent instruction, resources, services, and innovative partnerships, for students and the community.

Core Values:

- Access
- Collaboration
- Diversity

- Excellence
- Innovation
- Respect
- Service

Economic Condition and Outlook

Blinn College continues to build on its financial strength despite a slight decrease in enrollment in the Fall 2017 semester and state appropriations that have lessened over the previous ten years. Unlike most Texas community colleges, Blinn College has not replaced decreasing state revenues with increases in local tax revenue, as residents of Washington County and the surrounding counties continue to support Blinn with very generous personal donations.

The outlook for the College is very positive, with increases in enrollment expected with the completion of the RELLIS Campus and the powerful alliance with Texas A&M University. In addition, the new dorm under construction in Brenham will allow the College to satisfy growing demand for student housing and likely increase enrollment at the Brenham Campus. Auxiliary revenue from housing and food services is expected to grow.

As Blinn's grant infrastructure continues to develop, it is likely to create more funding opportunities for the institution. Workforce development needs are being addressed and not only will satisfy the demand for specific skills among local employers, but will bring revenue growth to the College.

Blinn's administration maintains its fiscal responsibility to the College's community and its students to research and implement best practices that will lessen cost, increase efficiency, and maximize the use of its resources.

Financial Planning and Budgeting

The Division of Business and Finance oversees the development and preparation of the College's budget. It is responsible for coordinating all efforts relating to the compilation of information used to develop the fiscal year budget, and collaborates with each member of the Executive Council to ensure that all budget requests are properly evaluated.

All necessary budget forms and information are made available to budget managers beginning in early spring. Budget managers review their unit's objectives for the current year and develop their unit objectives for the coming year, including any budget needed to accomplish those objectives. Unit managers then review their proposed objectives with their next-level manager. The goal of the review is to prioritize objectives and to produce an integrated planning model that strengthens the connection between the strategic plan, related action plans, and the budget, which is approved annually by the Board of Trustees. The budget is developed with broad-based staff involvement and guided by budgetary, debt, and financial policies approved by the Board.

The budget is the major component of the College's financial plan. It includes an assessment of enrollment and a forecast of state appropriations and property tax revenues. The budget also incorporates proposed increases for operational and strategic needs, short- and long-term capital projects, preventive maintenance, debt management, and a reserve for contingency.

Major Initiatives

Blinn College has devoted significant time and resources to expanding its community partnerships and planning for the future. At The Texas A&M University System's RELLIS Campus, Blinn will open a new 83,000-square-foot facility that will allow students to learn cutting-edge, high-demand skills in an environment that encourages collaboration between public institutions and private companies. This new location establishes a new educational community combining a major university system and a community college at a single physical location, and will allow Blinn students to complete their freshman and sophomore-level coursework prior to their seamless transfer to Texas A&M System universities located at the RELLIS Campus. The RELLIS Campus also serves as the home of career and technical education programs offered in partnership with the Texas A&M Engineering Extension Service (TEEX). These programs are designed with community input to meet the local workforce's job-training needs, particularly in skilled construction trades.

Blinn also is positioning itself for growth at Blinn College-Brenham with the development of a new student housing facility that will accommodate 465 additional students and address the need for additional student housing in the Brenham area. This project is funded by National Campus and Community Development-Blinn College Properties, LLC, a 501(c)3 nonprofit organization established to provide tax-exempt financing specifically for this project. The College and NCCD-Blinn College Properties will enter into a 40-year ground lease, and upon loan repayment by NCCD, the facility will revert to Blinn. Other projects include the development of a student recreation and activities center at Blinn-Brenham, made possible through a generous private donation, and construction of the Technical Education Annex at the A.W. Hodde, Jr. Technical Education Center, a project funded primarily through a grant obtained through the U.S. Economic Development Administration's Economic Development Assistance Program.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The College's Board of Trustees selected the accounting firm of Lott, Vernon & Company, P.C. In addition to meeting the requirements set forth in State statutes, their audit was designed to meet the requirements of the Federal Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* and the State of Texas *Single Audit Circular*.

Acknowledgements

Blinn College would like to extend its appreciation to the Board of Trustees and Administration for their continuous commitment to the responsible financial management and planning of Blinn College. We especially would like to acknowledge the College's Financial Services personnel as

well as those throughout the College whose efforts helped compile this report. Thanks also are extended to Lott, Vernon & Company, P.C., for completing a timely and productive audit.

Sincerely,

Richard Cervantes, CPA
Vice Chancellor for Business and Finance / CFO
Blinn College

BLINN COLLEGE

Organizational Data
Year Ended August 31, 2017

Board of Trustees

Officers

Charles Moser, President
Richard Powell, Vice President
David Sommer, Secretary

Members		Term Expires
Charles Moser	Brenham, Texas	5/2019
Richard Powell	Brenham, Texas	5/2021
David Sommer	Brenham, Texas	5/2019
Stacy Aschenbeck	Brenham, Texas	5/2021
Theodora (“Teddy”) V. Boehm	Brenham, Texas	5/2023
Douglas R. Borchardt	Brenham, Texas	5/2023
Atwood C. Kenjura	Brenham, Texas	5/2019
Ann Horton	Bryan, Texas	11/2017
Tammy Spohn	Bryan, Texas	11/2017

Key Administrators

Mary Hensley, Ed.D., Chancellor
Melvin E. Waxler, JD., M.P.Aff.,M.Ed., Executive Vice Chancellor and General Counsel
Richard Cervantes, CPA, Vice Chancellor for Business and Finance/CFO
Dennis Crowson, Ph.D., Vice Chancellor for Student Services
Crystal Lee, Ph.D., Vice Chancellor for Instruction
Karen Buck, M.Ed., Vice Chancellor for College Administration & Operations

FINANCIAL SECTION

LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET
POST OFFICE BOX 160
TEMPLE, TEXAS 76503

254/778/4783
800/460/4783
FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Blinn College
Brenham, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Blinn College, (the College) as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blinn College as of August 31, 2017 and 2016, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The introductory section, supplementary schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the State of Texas Single Audit Circular, and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pattillo, Brown & Hill?

Temple, Texas
November 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Blinn College's (the College) annual financial statements provides an overview of the College's financial performance for the fiscal years ended August 31, 2017 and August 31, 2016. Management's discussion and analysis is based on management's knowledge of current activities, resultant changes and known facts; therefore, it should be read in conjunction with the accompanying basic financial statements and associated notes. The basic financial statements, notes and this discussion are the responsibility of management.

Financial Highlights and Significant Activities for 2017

The College's net position increased approximately $16.9 million, or 15%.

Total operating expenses decreased $0.9 million, or 0.8%. This decrease is primarily attributable to a decrease in operation and maintenance of plant of $2.9 million, and a decrease in depreciation expense of $0.4 million offset by increases in scholarships and fellowships of $1.2 million, auxiliary enterprises of $0.4 million, instruction of $0.4 million and academic support of $0.4 million.

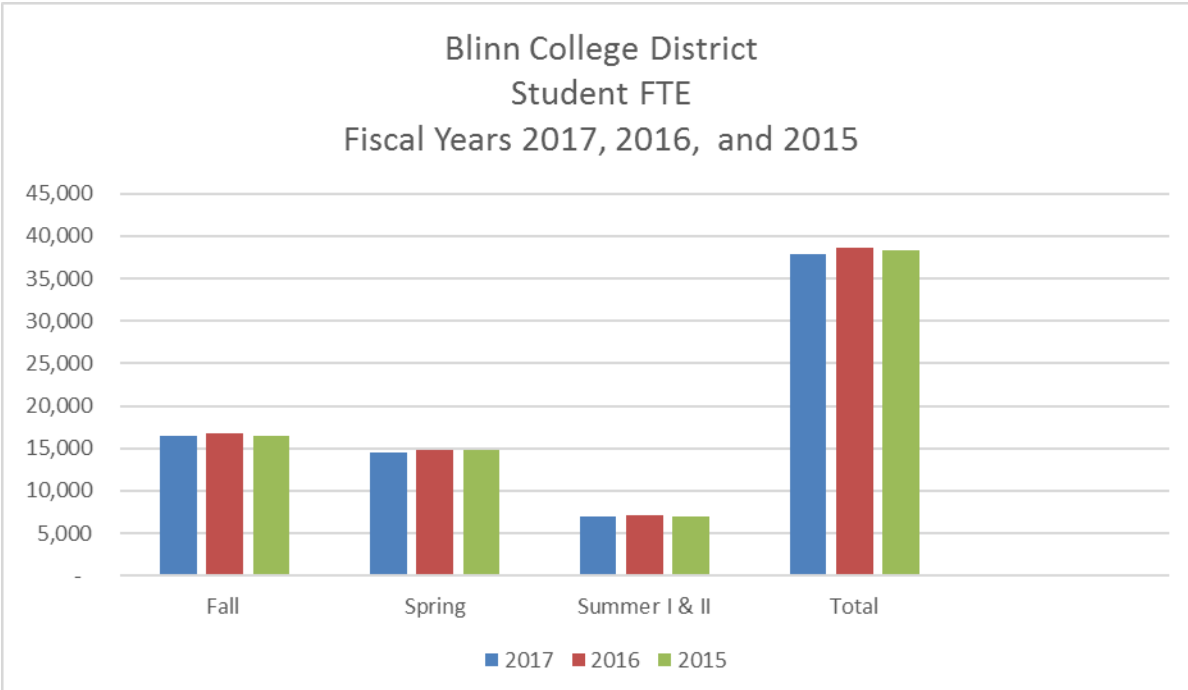
Financial Highlights and Significant Activities for 2016

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

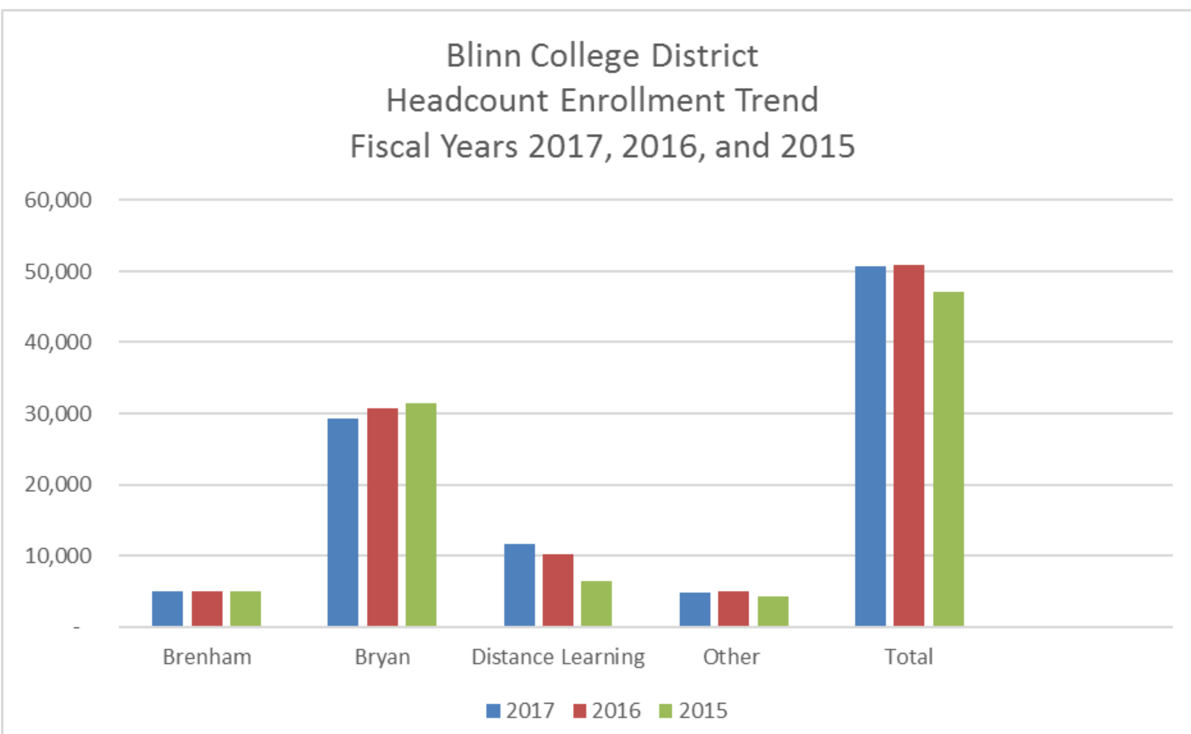
The College's net position increased approximately $17.4 million, or 19%. An increase in tuition and fee rates led to an increase in total tuition and fee revenue (before allowances and discounts) of approximately $8.5 million, or 14%.

Total operating revenues increased approximately $10.9 million. This increase primarily is attributable to increases in tuition and fees and auxiliary enterprise revenues, offset by a $1.1 million increase in allowances and discounts. Operating expenses increased $5.4 million, or 5%, due primarily to increases in personnel costs and payments for goods and services.

Below is a breakdown of the College's full time equivalency (FTE) enrollment by term for fiscal years 2017, 2016, and 2015:



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



Overview of the Basic Financial Statements

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

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

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

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

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

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

Statement of Net Position

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

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Assets:					
Current Assets	$ 126.6	$ 123.3	$ 3.3	$ 68.4	$ 54.9
Capital Assets, Net of Depreciation	126.2	114.9	11.3	110.4	4.5
Noncurrent Assets	16.9	17.4	(0.5)	14.1	3.3
Total Assets	269.7	255.6	14.1	192.9	62.7
Deferred Outflows of Resources:					
Deferred outflows related to pensions	3.9	6.0	(2.1)	2.3	3.7
Total Deferred Outflow of Resources	3.9	6.0	(2.1)	2.3	3.7
Liabilities:					
Current Liabilities	49.9	48.7	1.2	48.6	0.1
Noncurrent Liabilities	89.9	98.3	(8.4)	50.0	48.3
Total Liabilities	139.8	147.0	(7.2)	98.6	48.4
Deferred Inflows of Resources:					
Deferred inflows related to pensions	6.7	4.4	2.3	3.8	0.6
Total Deferred Inflows of Resources	6.7	4.4	2.3	3.8	0.6
Net Position:					
Investment in Capital Assets, Net of Related Debt	83.3	74.5	8.8	74.1	0.4
Restricted	17.0	17.1	(0.1)	15.5	1.6
Unrestricted	26.8	18.6	8.2	3.2	15.4
Total Net Position	$ 127.1	$ 110.2	$ 16.9	$ 92.8	$ 17.4

At August 31, 2017, current assets included $104.7 million of cash and cash equivalents and investments, and $19.3 million in student receivables related primarily to the Fall 2017 semester. The increase in current assets is due primarily to a $4.5 million increase in cash and cash equivalents and investments offset by a decrease of $1.2 million in accounts receivables. The cash and investment increase was attributable to increased receipts from grants of $2.0 million, a decrease in payments to suppliers of $4.4 million, and an increase in cash from investing activities; receivables decreased $1.2 million due to a 2.5% decline in fall student enrollment as of August 31, 2017.

Statement of Net Position (continued)

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

In Fiscal Year 2017, the College had capital asset additions of approximately $15.5 million offset by disposals of $0.2 million and the annual depreciation charge of $4.2 million. There was a net increase of $11.0 million in construction in progress. The construction in progress includes the construction of a student recreation center, funded partially by donations, on the Brenham Campus, and a new classroom center on the Texas A&M University System RELLIS Campus. The recreation center will open in December 2017 and the classroom center at the RELLIS Campus will open for Fall 2018. The increase of $1.1 million in buildings is primarily from the completion of an indoor batting facility with classrooms. The net increase in computer equipment, furniture, and other equipment totaled $2.4 million. In Fiscal Year 2016, the College had capital asset additions of approximately $9.1 million offset by the annual depreciation charge of $4.6 million. The College saw a net decrease of $0.4 million in depreciation expense in Fiscal Year 2017. This decrease is the net result of the student management software being fully depreciated at the end of 2016 offset by the addition of new capital assets during 2017 to be depreciated.

The College's noncurrent assets include funds restricted for endowments, debt service, and other investments. Noncurrent assets decreased $0.5 million in Fiscal Year 2017 due primarily to a decrease in required debt service investments. In Fiscal Year 2016, noncurrent assets increased $3.3 million due primarily to an increase in debt service investments as required by bonds issued in Fiscal Year 2016 and an increase in the market value of the investments in 2016 as compared to 2015.

Current liabilities increased $1.2 million in Fiscal Year 2017. Retainage payable on construction projects in progress at August 31, 2017, increased accounts payable by $1.5 million. Funds held for others also increased $0.3 million. These increases are offset by a decrease in deferred revenues of $0.5 million related to the Fall 2017 semester enrollment, and a $0.1 million decrease in the current portion of bonds payable. Current liabilities remained flat in Fiscal Year 2016 compared to Fiscal Year 2015.

Noncurrent liabilities decreased $8.4 million in Fiscal Year 2017. The bonds payable decrease of $3.5 million is a result of scheduled principal payment of existing bonds. The adjustment for the net pension liability during Fiscal Year 2017 was a decrease of $4.8 million. Fiscal Year 2016 had an increase of $48.4 million in noncurrent liabilities because of a $44.9 million increase in bonds payable and a $3.5 million increase in net pension liability. The bonds payable increase is due to the issuance of the Series 2015 bonds ($9.6 million) and the Series 2016 bonds ($37 million) offset by scheduled debt service amortization of existing bonds.

In Fiscal Year 2015, the College implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The College has reported a liability of $11 million and $16 million at August 31, 2017, and 2016, respectively, for its proportionate share of the Teacher Retirement System of Texas (TRS) net pension liability.

Statement of Revenues, Expenses and Changes in Net Position

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

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Operating Revenues:					
Student Tuition and Fees, Net	$ 55.7	$ 55.1	$ 0.6	$ 47.6	$ 7.5
Federal Grants and Contracts	0.7	0.6	0.1	0.6	-
State Grants and Contracts	2.0	2.0	-	2.0	-
Auxiliary Enterprises, Net	11.9	11.9	-	9.2	2.7
Other	1.0	1.3	(0.3)	0.6	0.7
Total Operating Revenues	71.3	70.9	0.4	60.0	10.9
Less Operating Expenses	105.0	105.9	(0.9)	100.5	5.4
Operating Loss	(33.7)	(35.0)	1.3	(40.5)	5.5
Nonoperating Revenues(Expenses)					
State Appropriations	30.8	30.2	0.6	27.9	2.3
Property Taxes	1.8	1.8	-	1.7	0.1
Federal Revenue, Nonoperating	18.9	18.6	0.3	19.8	(1.2)
Gifts	1.0	2.4	(1.4)	0.2	2.2
Investment Income	1.1	0.6	0.5	0.3	0.3
Unrealized Gain(Loss) Investments	(0.2)	0.2	(0.4)	(0.3)	0.5
Interest on Capital Related Debt	(2.9)	(1.1)	(1.8)	(1.2)	0.1
Other	-	(0.3)	0.3	(0.1)	(0.2)
Total Nonoperating Revenues	50.5	52.4	(1.9)	48.3	4.1
Income Before Other Revenue	16.8	17.4	(0.6)	7.8	9.6
Additions (Deductions) to Endowments	0.1	-	0.1	-	-
Total Increase in Net Position	16.9	17.4	(0.5)	7.8	9.6
Net Position, Beginning of Year	110.2	92.8	17.4	99.1	(6.3)
Cumulative Effect of Change in Accounting Principle	-	-	-	(14.1)	14.1
Net Position, Beginning of Year, as restated	110.2	92.8	17.4	85.0	7.8
Net Position, End of Year	$ 127.1	$ 110.2	$ 16.9	$ 92.8	$ 17.4

Total operating revenues increased $0.4 million from 2016. Auxiliary enterprises revenues for 2017 remained flat compared to 2016. Net student tuition and fees increased $0.6 million. Enrollment for the 2016-2017 academic year was down 1.8% when compared to 2015-2016 academic year, however, tuition and fee rates were changed in 2017 which allowed a slight increase in revenue. The in-district and non-resident tuition rates increased 4.2% and 30% respectively, while the out-of-district tuition rate decreased 3%. The net effect of these rate changes was a reduction in tuition revenue of $1.6 million.

Statement of Revenues, Expenses and Changes in Net Position (continued)

This reduction in tuition revenue was offset by an increase in the general fee revenue. The general fee rate increased 10.8%, going from $46 to $51 per semester credit hour. The general fee revenue increase totaled $1.8 million. There was also a $0.1 million increase in incidental fees in 2017. In addition to the changes in revenue, discounts for Fiscal Year 2017 decreased $0.3 million when compared to Fiscal Year 2016.

During Fiscal Year 2016, the total operating revenues increased $10.9 million from 2015. This increase was due to an $8.5 million increase in tuition and fees and increased auxiliary enterprises revenues of $2.7 million because of the increase in tuition and fees rates and housing, food service, and vehicle registration charges, offset by an increase in allowances and discounts of $1 million.

Below is a table of Operating Expenses and Non-Operating Revenue (Expense) for the fiscal years ended August 31: (in millions)

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Instructional and General	$ 56.2	$ 55.5	$ 0.7	$ 55.1	$ 0.4
Institutional Support	14.5	14.5	-	11.3	3.2
Operation and Maintenance of Plant	8.6	11.4	(2.8)	8.2	3.2
Auxiliary Enterprises	9.1	8.7	0.4	8.6	0.1
Depreciation	4.2	4.6	(0.4)	4.3	0.3
Scholarships and Fellowships	12.4	11.2	1.2	13.0	(1.8)
Total Operating Expenses	$ 105.0	$ 105.9	$ (0.9)	$ 100.5	$ 5.4
Non-Operating Revenues (Expenses):					
State Appropriations	30.8	30.2	$ 0.6	$ 27.9	$ 2.3
Property Taxes	1.8	1.8	-	1.7	0.1
Federal Revenue, Non-Operating	18.9	18.6	0.3	19.8	(1.2)
Gifts	1.0	2.4	(1.4)	0.2	2.2
Unrealized Gain (Loss) on Investments	(0.2)	0.2	(0.4)	(0.3)	0.5
Investment Income	1.1	0.6	0.5	0.3	0.3
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-
Interest on Capital Related Debt	(2.9)	(1.1)	(1.8)	(1.2)	0.1
Other Non-Operating Expenses	-	(0.3)	0.3	(0.1)	(0.2)
Net Non-Operating Revenues (Expenses)	$ 50.5	$ 52.4	$ (1.9)	$ 48.3	$ 4.1

In Fiscal Year 2017, total operating expenses decreased $0.9 million from Fiscal Year 2016 due to a reduction in the operation and maintenance of plant of $2.8 million, and a reduction in depreciation expenses of $0.4 million being offset by increased auxiliary enterprises of $0.4 million, a $0.7 million increase in instructional and general, and a $1.2 million increase in scholarships and fellowships. In Fiscal Year 2016, the College had an additional $3.2 million expense in operations and maintenance of plant due to the expensing of architectural design and construction costs at the Bryan Harvey Mitchell Parkway site that were not transferable to the new RELLIS construction site. This caused the expenses in Fiscal Year 2016 to be high when compared to Fiscal Year 2017. The $0.4 million decrease in depreciation expense in Fiscal Year 2017 is the net result of the student management software being fully depreciated at the end of 2016 offset by the addition of new capital assets during 2017 to be depreciated.

Table of Operating Expense and Non-Operating Revenue (continued)

All staff and full-time faculty received a 3.5% salary increase for the 2017 Fiscal Year, and there was an increase in health insurance and other benefit costs. These increases totaled approximately $1.1 million. Total operating expenses increased $5.4 million from 2015 to 2016 due to increased personnel costs resulting from pay rate and benefit cost increases (including GASB 68 pension-related adjustments), increased technology software expenditures, and $3.2 million of architectural design and construction costs at the Bryan Harvey Mitchell Parkway site (see Capital Assets and Debt Administration), offset by decreased scholarships and fellowships.

Fiscal Year 2017 net non-operating revenues (expenses) decreased $1.9 million from 2016 due primarily to a $1.8 million increase in interest on capital related debt. There was a $0.6 million increase in state appropriations (increased State group insurance appropriation and State retirement contribution), a $0.3 million increase in non-operating federal revenue (Title IV funds), and a $0.5 million increase in investment income. These increases were offset by a $1.4 million decrease in gifts, and $0.4 million decrease in unrealized loss on investments. Gifts for Fiscal Year 2016 included $2.2 million contributed toward the building of a student recreation center. This one-time gift in Fiscal Year 2016 inflated the gift revenue when compared to Fiscal Year 2017. Fiscal Year 2016 non-operating revenues increased $4.1 million from 2015. This increase is primarily the net of $2.3 million increase in state appropriations, $2.2 million increase in gifts from the Blinn College Foundation, Inc. offset by a $1.2 million decrease in non-operating federal revenue (Title IV funds).

Statement of Cash Flow

The following chart summarizes the statements of cash flows for the fiscal years ended August 31: (in millions)

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Cash Provided by (Used in):					
Operating Activities	$ (20.6)	$ (25.0)	$ 4.4	$ (30.3)	$ 5.3
Non-Capital Financing Activities	46.3	47.3	(1.0)	44.8	2.5
Capital and Related Financing Activities	(22.1)	34.7	(56.8)	(6.9)	41.6
Investing Activities	6.3	(41.9)	48.2	0.2	(42.1)
Net Increase (Decrease) in Cash and Cash Equivalents	9.9	15.1	(5.2)	7.8	7.3
Cash and Cash Equivalents - Beginning of Year	61.5	46.4	15.1	38.6	7.8
Cash and Cash Equivalents - End of Year	$ 71.4	$ 61.5	$ 9.9	$ 46.4	$ 15.1

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

Cash used in operations in Fiscal Year 2017 decreased $4.4 million from 2016 due to a decrease in payment to suppliers for goods and services. Other changes in cash used in operations include the receipts from grants and contracts increasing by $2.0 million, which was offset by an increase in payments to or on behalf of employees by $0.8 million and an increase in payments for scholarships of $1.2 million.

Statement of Cash Flow (continued)

Cash used in operations in 2016 decreased $5.3 million from 2015 due to an increase in receipts from students and other customers of $8.5 million and a decrease in scholarship payments of $1.9 million. These increases were offset by an increase of $2.6 million in payments to suppliers for goods and services, an increase of $2.3 million in payments to or on behalf of employees and a decrease of $0.6 million in receipts from grants and contracts.

In addition to State appropriations, non-capital financing activities include property tax receipts, non-operating Federal revenue (Title IV funds) and additions to permanent endowments. The decrease of $0.1 million in non-capital financing activities from 2016 is due primarily to a decrease of $1.4 million in gifts from the Blinn Foundation Inc. This decrease is offset by a $0.3 million increase in non-operating federal revenue. Variations in cash used for capital and related financing activities are dependent on the College's issuance and payment of long-term debt and capital acquisitions. The increase in cash used for capital and related financing activities in 2017 was due to payments for the construction of the new classroom center on the RELLIS Campus as well as the payment of scheduled principal and interest amounts on existing bonds. The decrease in cash used for capital and related financing activities in 2016 was due to the proceeds from the Series 2015 bond ($9.6 million) and the Series 2016 bond ($36 million) issued in 2016.

The variance in cash provided by investing activities in 2016 and 2015 is due primarily to the purchase, sales, and maturities of investments.

Capital Assets and Debt Administration

In Fiscal Year 2017, the College had capital additions of approximately $15.5 million, including $5.4 million for the Kruse Center on the Brenham Campus, $1.1 million for a new indoor batting and classroom facility on the Brenham Campus, $5.9 million for the Bryan RELLIS Campus, $1.5 million for landscaping, irrigation, and access improvement on the Bryan Villa Maria Campus, $.8 million for technology equipment college wide and $.8 million in other college wide capital asset additions.

In Fiscal Year 2016, the College had capital additions of approximately $9.1 million, including $2.9 million for the Kruse recreation facility on the Brenham Campus, $2.4 million for building renovations on the Villa Maria Road Bryan Campus, $1.5 million for a new finance and human resource accounting software package, $1.3 million for the Bryan RELLIS Campus and $527,000 for technology equipment.

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

Future Considerations

With a new campus slated to open in August 2018, Blinn College remains well positioned for future enrollment growth.

With an academic transfer rate that ranks second among Texas community colleges and close partnerships with Texas A&M, Baylor, Sam Houston State and Texas State universities, and the universities of Texas and Houston, Blinn is an established destination for Texas students seeking an affordable pathway to a bachelor's degree. Unique co-enrollment partnerships such as the TEAM (Transfer Enrollment at A&M) and Texas A&M Engineering Academies at Blinn provide seamless transfer opportunities for students seeking degrees at Texas A&M University.

Blinn continues to invest in strategic capital projects to encourage and accommodate enrollment growth. The College recently completed a $10 million renovation of its Bryan Campus to add student study and lounge space, classroom and meeting space, and improved campus traffic and parking.

In 2016, Blinn announced a Memorandum of Understanding with The Texas A&M University System to build a facility at Texas A&M's former Riverside Campus, now called the RELLIS Campus. This new campus establishes a new educational community combining a major university system and a community college at a single physical location. Construction is underway, and Blinn will begin hosting courses at its new RELLIS academic facility beginning in the Fall 2018 semester. This unique educational environment will allow seamless pathways for students seeking degrees from institutions across The Texas A&M System.

On the Brenham Campus, the College has engaged in a public-private partnership to develop a 465-bed student housing facility that will reduce the annual wait list for student housing on that campus. With the support of a generous donor, Blinn also is developing a student recreation center that will open in December 2017, a feature that will encourage student recruitment and retention on the Brenham Campus.

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

Contacting the College's Financial Management

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

Exhibit 1

BLINN COLLEGE
Statements of Net Position
August 31, 2017 and 2016

	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	$ 57,194,268	$ 46,990,047
Restricted cash and cash equivalents	8,043,969	8,465,521
Investments	7,672,284	7,576,276
Restricted investments	31,817,377	37,151,922
Accounts receivable (net)	21,555,260	22,706,644
Interest and dividends receivable	178,825	166,205
Inventories	7,319	13,732
Other assets	169,840	184,375
Total Current Assets	126,639,142	123,254,722
Noncurrent Assets:		
Restricted endowment cash and cash equivalents	6,139,254	6,089,973
Restricted investments	10,665,969	11,296,946
Capital Assets (net) (See Note 6)	126,247,360	114,948,952
Total Noncurrent Assets	143,052,583	132,335,871
Total Assets	269,691,725	255,590,593
Deferred Outflows of Resources		
Deferred outflows related to pensions	3,930,573	6,007,330
Total Deferred Outflows of Resources	3,930,573	6,007,330
Liabilities		
Current Liabilities:		
Accounts payable	6,075,988	4,520,444
Funds held for others	1,529,042	1,260,893
Deferred revenues	38,595,280	39,020,350
Deposits	185,009	175,674
Bonds payable - current portion	3,505,000	3,665,000
Total Current Liabilities	49,890,319	48,642,361
Noncurrent Liabilities:		
Bonds payable	78,809,156	82,356,002
Net pension liability	11,108,069	15,979,437
Total Noncurrent Liabilities	89,917,225	98,335,439
Total Liabilities	139,807,544	146,977,800
Deferred Inflows of Resources		
Deferred inflows related to pensions	6,707,896	4,395,833
Total Deferred Inflow of Resources	6,707,896	4,395,833
Net Position		
Invested in capital assets, net of related debt	83,337,379	74,486,420
Restricted for:		
Nonexpendable - endowments	9,737,449	9,617,891
Expendable		
Endowments	604,356	650,230
Student aid	978,632	783,273
Debt service	6,425,879	6,832,393
Star of the Republic Museum	(725,827)	(725,428)
Unrestricted	26,748,990	18,579,511
Total Net Position (Schedule D)	$ 127,106,858	$ 110,224,290

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

Exhibit 1-A

BLINN COLLEGE FOUNDATION, INC.
Statements of Financial Position
August 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash	$ 565,437	$ 1,222,875
Unconditional promises to give	352,677	878,886
Total Current Assets	918,114	2,101,761
Restricted Assets:		
Cash	109,830	260,709
Investments	7,518,810	6,711,309
Total Restricted Assets	7,628,640	6,972,018
Long-term Unconditional Promises to Give:		
Total face-value of promises	386,769	1,064,557
Less amount classified as current	(352,677)	(878,886)
Net long-term unconditional promises to give	34,092	185,671
Other Assets:		
Oil/Gas royalty interest	10,000	10,000
Total Assets	8,590,846	9,269,450
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	175,124	840,383
Total Liabilities	175,124	840,383
Net Assets:		
Unrestricted	148,502	126,459
Temporarily restricted net assets	2,302,482	2,621,142
Permanently restricted net assets	5,964,738	5,681,466
Total Net Assets	8,415,722	8,429,067
Total Liabilities and Net Assets	$ 8,590,846	$ 9,269,450

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

Exhibit 2

BLINN COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2017 and August 31, 2016

	2017	2016
Operating Revenues		
Tuition and Fees (net of discounts of $14,016,370 and $14,348,700, respectively)	$ 55,653,177	$ 55,048,041
Federal Grants and Contracts	654,945	633,039
State Grants and Contracts	2,034,738	2,024,479
Sales and Services of Educational Activities	565,153	691,798
Auxiliary Enterprises (net of discounts of $955,480 and $1,044,280, respectively)	11,924,979	11,908,361
Other Operating Revenues	459,198	581,432
Total Operating Revenues (Schedule A)	71,292,190	70,887,150
Operating Expenses		
Instruction	41,674,914	41,287,966
Public Service	1,701,692	1,652,930
Academic Support	6,500,249	6,229,943
Student Services	6,368,013	6,327,883
Institutional Support	14,472,581	14,459,186
Operation and Maintenance of Plant	8,552,614	11,420,179
Scholarships and Fellowships	12,412,119	11,171,784
Auxiliary Enterprises	9,130,531	8,740,983
Depreciation	4,162,023	4,568,636
Total Operating Expenses (Schedule B)	104,974,736	105,859,490
Operating Loss	(33,682,546)	(34,972,340)
Non-Operating Revenues (Expenses)		
State Appropriations	30,814,918	30,198,162
Property Taxes	1,831,612	1,823,314
Federal Revenue, Non Operating	18,907,187	18,594,062
Gifts	1,015,671	2,401,100
Unrealized Gain (Loss) on Investments	(172,845)	204,342
Investment Income	1,052,057	618,916
Loss on Disposal of Capital Assets	(15,201)	(1,857)
Interest on Capital Related Debt	(2,924,556)	(1,101,962)
Other Non-Operating Expenses	21,713	(322,313)
Net Non-Operating Revenues (Schedule C)	50,530,556	52,413,764
Income Before Other Revenue	16,848,010	17,441,424
Other Revenue - Additions to Permanent Endowments	34,558	(3,854)
Increase in Net Position	16,882,568	17,437,570
Net Position		
Net Position, Beginning of Year	110,224,290	92,786,720
Net Position, End of Year	$ 127,106,858	$ 110,224,290

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

Exhibit 2-A

BLINN COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues				
Donations	$ 39,754	$ 306,192	$ 249,185	$ 595,131
Fundraising	-	2,960	-	2,960
Investment income	19,612	616,690	-	636,302
Oil/Gas royalty	575	-	-	575
Endowment of temporarily restricted net assets	-	(34,087)	34,087	-
Net assets released from purpose restrictions	1,210,415	(1,210,415)	-	-
Total Public Support and Revenues	1,270,356	(318,660)	283,272	1,234,968
Expenses				
Program sevices:				
Expenditures for the benefit of Blinn College	913,916	-	-	913,916
Scholarships	306,868	-	-	306,868
Support sevices:				
Administrative expenses	25,646	-	-	25,646
Fundraising	1,883	-	-	1,883
Total Expenses	1,248,313	-	-	1,248,313
Change in Net Assets	22,043	(318,660)	283,272	(13,345)
Net Assets - Beginning of Year	126,459	2,621,142	5,681,466	8,429,067
Net Assets - End of Year	$ 148,502	$ 2,302,482	$ 5,964,738	$ 8,415,722

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

Exhibit 2-A

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

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

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

BLINN COLLEGE
Statements of Cash Flows
Years Ended August 31, 2017 and August 31, 2016

	2017	2016
Cash Flows From Operating Activities:		
Receipts from students and other customers	$ 67,972,031	$ 67,732,212
Receipts from grants and contracts	3,875,170	1,871,598
Payments to suppliers for goods and services	(20,653,384)	(25,042,746)
Payments to or on behalf of employees	(59,872,134)	(59,001,215)
Payments for scholarships	(12,412,119)	(11,171,784)
Other receipts	459,198	581,432
Net cash used by operating activities	(20,631,238)	(25,030,503)
Cash Flows From Non-Capital Financing Activities:		
Receipts from state appropriations	24,516,332	24,477,925
Receipts from property taxes	1,821,200	1,815,949
Receipts from non operating federal revenue	18,907,187	18,594,062
Increase (decrease) in permanent endowments	34,558	(3,856)
Other receipts	1,015,671	2,401,100
Net cash provided by non-capital financing activities	46,294,948	47,285,180
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(15,475,633)	(9,141,227)
Proceeds from issuance of capital debt	-	48,913,919
Bond issue costs paid on capital debt issue	21,713	(322,313)
Payments on capital debt - principal	(3,706,846)	(3,601,316)
Payments on capital debt - interest	(2,924,556)	(1,101,962)
Net cash used by capital and related financing activities	(22,085,322)	34,747,101
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	37,678,367	5,064,333
Interest on investments	1,039,438	531,659
Purchases of investments	(32,464,243)	(47,478,892)
Net cash (used) by investing activities	6,253,562	(41,882,900)
Increase (Decrease) in Cash and Cash Equivalents	9,831,950	15,118,878
Cash and Cash Equivalents, Beginning of Year	61,545,541	46,426,663
Cash and Cash Equivalents, End of Year	$ 71,377,491	$ 61,545,541
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	$ (33,682,546)	$ (34,972,340)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	4,162,023	4,568,636
Noncash state appropriations for employee benefits	6,298,586	5,720,237
Changes in assets and liabilities:		
Receivables (net)	1,161,795	(313,551)
Inventories	6,413	26,315
Other assets	14,533	46,464
Accounts payable	1,555,544	282,093
Funds held for others	268,149	10
Deferred revenues	(425,070)	(376,271)
Deposits	9,335	(12,096)
Net cash used by operating activities	$ (20,631,238)	$ (25,030,503)

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

1. Reporting Entity

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

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts must 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 student uses the award for tuition and fees, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

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

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

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

Deferred Inflows

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

Deferred Outflows

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

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

Investments

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

Inventories

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

Capital Assets

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

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

Museum Collections

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

Deferred Revenue

Tuition, fees, housing and meal charges of $37,719,243 and $38,330,828 and federal, state and local grants of $848,439 and $409,872 have been reported as deferred revenue at August 31, 2017 and 2016, respectively.

Pensions

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

Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities*, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The College had no unrelated business income tax liability for the year ended August 31, 2017 and 2016.

Reclassifications

Certain 2016 amounts have been reclassified to conform to current year presentation.

3. Authorized Investments

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

4. Deposits and Investments

Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the College's deposits may not be returned. The College's investment policy requires pledging of collateral for all bank balances in excess of Federal Depository Insurance Corporation (FDIC) limits at a minimum of 102% of market value. As of August 31, 2017 and 2016, the College's entire bank balances of $5,071,455 and $6,499,265 respectively, were insured, collateralized and not exposed to custodial credit risk.

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

	2017	2016
Cash and Deposits:		
Petty cash	$ 5,239	$ 7,374
Demand deposits	3,906,515	6,930,770
Money market accounts	25,681,015	22,484,625
Investment pools:		
Lone Star Investment Pool	24,778,229	11,444,985
TexPool	14,133,707	17,823,649
TexSTAR	2,872,786	2,854,138
Cash and deposits	$ 71,377,491	$ 61,545,541
Cash and Deposits	$ 71,377,491	$ 61,545,541

Investments

The College had the following investments as of August 31:

		Fair Value	
Investments	Maturities	2017	2016
U.S. Government Securities	12/2017 - 5/2018	$ 22,892,377	$ 37,151,922
Federal Home Loan Mortgage Corp.	5/2020	1,792,818	1,818,846
Federal Home Loan Bank	3/2019 - 3/2023	8,630,151	8,790,237
Federal National Mortgage Assoc.	1/2017	-	500,363
Certificate of deposit	9/2018	16,597,284	7,576,276
Equities		243,000	187,500
Total Investments		$ 50,155,630	$ 56,025,144
Total Investments		$ 50,155,630	$ 56,025,144

Reconciliation of Cash, Deposits and Investments to the Statement of Net Position (Exhibit 1)

	Market Value August 31, 2017	Market Value August 31, 2016
Total Investments (footnote 4)	$ 50,155,630	$ 56,025,144
Total Cash and Deposits (footnote 4)	71,377,491	61,545,541
Total Deposits and Investments	$ 121,533,121	$ 117,570,685

Statement of Net Position

Cash and cash equivalents	$ 57,194,268	$ 46,990,047
Restricted cash and cash equivalents	8,043,969	8,465,521
Restricted endowment cash and cash equivalents	6,139,254	6,089,973
Total Cash and Deposits (Exhibit 1)	71,377,491	61,545,541
Investments	7,672,284	7,576,276
Restricted Investments	31,817,377	37,151,922
Restricted Investments Noncurrent	10,665,969	11,296,946
Total Investments (Exhibit 1)	50,155,630	56,025,144
Total Deposits and Investments (Exhibit 1)	$ 121,533,121	$ 117,570,685

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

Credit risks are the risk that the insurer of the debt security will not pay its par value upon maturity. The College's investment policy limits credit risk based on meeting requirements of State law. 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 as well. U.S. Government obligations are not considered to have credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College places no limit on the amount the College may invest in any one issuer. At August 31, 2017 and 2016, the College had approximately $33.3 and $48.3 million of its investment portfolio in U.S. Government and Federal Agency securities, which mature through March 2023.

During fiscal year 2006, a donor remitted shares in a Company to the College to establish an endowment scholarship. The shares had a fair market value of $243,000 at August 31, 2017. Securities donated to an investing entity for a particular purpose or under terms of use specified by the donor, are not subject to the requirements of the Public Funds Investment Act. The College amended its investment policy to allow, at the Board of Trustees discretion, the College to hold donated equities for endowed scholarships.

5. Disaggregation of Receivables and Payables Balances

Receivables consist of the following at August 31:

	2017	2016
Student tuition and fees	$ 25,330,671	$ 24,836,531
Ad valorem taxes	117,023	106,612
Federal grants	124,631	173,708
State grants	43,020	49,102
Other receivables	545,424	1,675,753
	26,160,769	26,841,706
Allowance for doubtful accounts	(4,605,509)	(4,135,062)
Total	$ 21,555,260	$ 22,706,644

Payables consist of the following at August 31:

	2017	2016
Vendors payable	$ 4,086,497	$ 2,453,296
Other payables	1,989,491	2,067,148
Total	$ 6,075,988	$ 4,520,444

6. Capital Assets

Capital assets' activities for the years ended August 31:

2017

	Balance September 1, 2016	Increases	Decreases	Reclasses	Balance August 31, 2017
Capital assets not subject to depreciation:					
Land	$ 10,610,094	$ 9,240	$ -	$ (101,501)	$ 10,517,833
Collections	691,579	-	-	-	691,579
Construction in Progress	6,427,906	12,603,264	(1,624,260)	-	17,406,910
Total not depreciated	17,729,579	12,612,504	(1,624,260)	(101,501)	28,616,322
Capital assets subject to depreciation:					
Buildings	125,625,238	1,082,268	-	(464,307)	126,243,199
Land improvements	6,690,057	823,053	-	101,501	7,614,611
Furniture, equipment		-			-
and vehicles	7,105,512	221,564	(159,557)	(481,099)	6,686,420
Computer equipment	7,028,982	2,219,401	(29,516)	945,406	10,164,273
Library books	4,632,845	166,212	(29,044)	-	4,770,013
Total depreciated	151,082,634	4,512,498	(218,117)	101,501	155,478,516
Less accumulated depreciation					
Buildings	35,342,706	2,874,759	-	(11,570)	38,205,895
Land improvements	4,048,056	194,581	-	(70,189)	4,172,448
Furniture, equipment and vehicles	5,346,915	540,122	(119,246)	(1,112,021)	4,655,770
Computer equipment	5,894,392	421,798	(29,515)	1,193,780	7,480,455
Library books	3,231,192	130,763	(29,045)	-	3,332,910
Total accumulated depreciation	53,863,261	4,162,023	(177,806)	-	57,847,478
Net Capital Assets	$ 114,948,952	$ 12,962,979	$ (1,664,571)	$ -	$ 126,247,360

2016

	Balance September 1, 2015	Increases	Decreases	Balance August 31, 2016
Capital assets not subject to depreciation:				
Land	$ 10,557,256	$ 52,837	$ -	$ 10,610,093
Collections	691,273	306	-	691,579
Construction in Progress	3,699,347	5,835,262	(3,106,703)	6,427,906
Total not depreciated	14,947,877	5,888,405	(3,106,703)	17,729,579
Capital assets subject to depreciation:				
Buildings	120,134,257	5,490,981	-	125,625,238
Land improvements	6,690,057	-	-	6,690,057
Furniture, equipment and vehicles	6,813,049	359,269	(66,806)	7,105,512
Computer equipment	6,709,245	347,243	(27,506)	7,028,982
Library books	4,552,093	170,746	(89,994)	4,632,845
Total depreciated	144,898,702	6,368,239	(184,306)	151,082,634
Less accumulated depreciation				
Buildings	32,704,754	2,637,952	-	35,342,706
Land improvements	3,842,164	205,893	-	4,048,057
Furniture, equipment and vehicles	4,858,913	544,239	(56,237)	5,346,915
Computer equipment	4,876,499	1,045,398	(27,506)	5,894,391
Library books	3,186,031	135,154	(89,993)	3,231,192
Total accumulated depreciation	49,468,361	4,568,636	(173,736)	53,863,261
Net Capital Assets	$ 110,378,217	$ 7,688,008	$ (3,117,273)	$ 114,948,952

7. Long-Term Liabilities

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

			2017		
	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
Bonds payable	$ 83,805,000	$ -	$ (3,665,000)	$ 80,140,000	$ 3,505,000
Unamortized bond premium	2,216,002	-	(41,846)	2,174,156	-
	86,021,002	-	(3,706,846) -	82,314,156	3,505,000
Net pension liability	15,979,437	-	(4,871,368)	11,108,069	-
Total	$102,000,439	$ -	$ (8,578,214)	$ 93,422,225	$ 3,505,000

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

8. Bonds Payable

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

Combined Fee Revenue Bonds, Series 2016

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2016
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories, related facilities and administration facilities; (ii) fund a Reserve Fund; and (iii) pay the costs of issuance of the Bonds
- Issued March 23, 2016
- $36,975,000, all authorized bonds have been issued
- Interest rates range from 2.125% to 5.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2017 and 2016 of $36,975,000
- A premium of $1,905,100 is being amortized over the life of the bonds

Combined Fee Revenue Bonds, Series 2015

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2015
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories, related facilities and administration facilities; (ii) fund a Reserve Fund; and (iii) pay the costs of issuance of the Bonds
- Issued December 15, 2015
- $9,625,000, all authorized bonds have been issued
- Interest rates range from 3.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2017 and 2016 of $9,625,000
- A premium of $94,033 is being amortized over the life of the bonds

Combined Fee Revenue Bonds, Series 2014

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2014
- Proceeds will be used to (i) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories and related facilities, administration facilities and the acquisition of sites therefor and (ii) pay the costs of issuance of the Bonds
- Issued December 18, 2014
- $9,820,000, all authorized bonds have been issued
- Interest rates range from 2.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2017 and 2016 of $9,820,000
- A premium of $25,897 is being amortized over the life of the bonds

Combined Fee Revenue Refunding Bonds, Series 2011

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2011
- To refund a portion of the College's Combination Fee Revenue Bonds, Series 2002 for a debt service savings and pay the costs of issuance of the Bonds
- Issued May 17, 2011
- $6,925,000, all authorized bonds have been issued
- Interest rates range from 2.00% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2017 and 2016 of $4,285,000 and $4,925,000 respectively
- A premium of $181,438 is being amortized over the life of the bonds

Combined Fee Revenue Bonds, Series 2010

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2010
- To pay for (i) various campus renovation projects (ii) a dormitory (iii) teaching equipment for the Allied Health Center and (iv) the costs of issuance of the Bonds
- Issued March 15, 2010
- $20,155,000, all authorized bonds have been issued
- Interest rates range from 3.000% to 4.375%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2017 and 2016 of $16,550,000 and $17,340,000 respectively

Combined Fee Revenue Refunding Bonds, Series 2009

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2009
- To refund a portion of the College's Combination Fee Revenue Bonds, Series 1998, Combination Fee Revenue Bonds, Series 1999 and pay the costs of issuance of the Bonds
- Issued April 15, 2009
- $8,925,000, all authorized bonds have been issued
- Interest rates range from 1.10% to 4.00%
- Source of revenue for debt service - designated portion of tuition and fees and designated auxiliary revenues
- Outstanding bonds payable at August 31, 2017 and 2016 of $2,715,000 and $3,565,000, respectively
- A premium of $244,401 is being amortized over the life of the bonds

Combined Fee Revenue Refunding Bonds, Series 2005

- Washington County Junior College District Combined Fee Revenue Bonds, Series 2005
- To pay the costs of acquisition, construction, improvement and equipment of College facilities and the acquisition of sites therefore, including payment of the College's obligation created by the College's exercise of its purchase option under the lease agreement between the College and the City of Bryan, Texas in connection with the City of Bryan Lease Revenue Bonds Series 1995; to fund the reserve funds and to pay the related costs of issuance
- Issued July 6, 2005
- $11,815,000, all authorized bonds have been issued
- Interest rates range from 3.5% to 5.125%
- Source of revenue for debt service - designated portion of tuition and fees
- Outstanding bonds payable at August 31, 2017 and 2016 of $0 and $1,220,000, respectively
- A premium of $416,775 is being amortized over the life of the bonds
- The College received $1,268,465 from the City of Bryan, Texas. These funds represent the difference between the monthly capital lease payments made by College for the lease of the Bryan Campus and the debt service payments made by the City of Bryan, Texas.

Combined Fee Revenue Refunding Bonds, Series 2003

- Washington County Junior College District Combined Fee Revenue Refunding Bonds, Series 2003
- To refund $4,300,000 of Combined Fee and Revenue Bonds, Series 1993
- Issued January 1, 2003
- $4,475,000, all authorized bonds have been issued
- Interest rates range from 3% to 4.3%
- Source of revenue for debt service - designated portion of tuition and registration charges, other fee charges and designated revenues
- Outstanding bonds payable at August 31, 2017 and 2016 of $170,000 and $335,000 respectively
- Net proceeds from refunding bonds $4,406,739; after payment of $94,344 in underwriting fees, insurance, and other issuance costs
- The 1993 Series bond are considered fully defeased and the liability for those bonds has been removed from the financial statements
- Advanced refunding of the 1993 Series bonds reduced the Colleges debt service payments over the next 15 years by approximately $230,000
- Economic gain of approximately $170,000 is difference between the net present value of the old and new debt service payments

Under each bond issue, the College is to maintain a reserve account equal to the maximum annual principal and interest requirements on all bonds. The reserve account balance at August 31, 2017 is $6,425,879. The Series 2003 bonds require the College to maintain adequate insurance coverage. All premiums have been paid.

Combined Bond Debt Service Requirements

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

Fiscal Year	Principal	Interest	Total
2018	3,505,000	2,920,879	6,425,879
2019	3,460,000	2,801,156	6,261,156
2020	3,545,000	2,679,231	6,224,231
2021	3,375,000	2,550,169	5,925,169
2022	3,480,000	2,412,856	5,892,856
2023-2027	15,850,000	10,044,772	25,894,772
2028-2032	18,360,000	6,844,175	25,204,175
2033-2037	13,930,000	3,835,253	17,765,253
2038-2042	14,635,000	1,273,472	15,908,472
Total	$ 80,140,000	$ 35,361,963	$ 115,501,963

9. Defined Benefit Pension Plans

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates	2016	2017
Member	7.20%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

2016 Member Contributions	$ 2,302,789
2016 State of Texas On-behalf Contributions	1,298,497
2016 Employer Contributions	1,236,765

The College's contributions to the TRS pension plan in 2017 were $1,277,307 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for FY 2017 were $1,298,497.

- 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.

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

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected investment Rate of Returm*	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 Projection period (100 years)	2115
Inflation	2.50%
Salary increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**if a municipal bond rate was to be used, the rate would be 2.84 percent as of August 2016 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal reserve Statistical Release H.15, citing the bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating*

Actuarial methods and assumptions were updated based on a study of actual experience for the four-year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

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

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 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

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

Source: TRS 2016 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 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	$17,191,549	$11,108,069	$5,948,048

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

At August 31, 2017, the College reported a liability of $11,108,069 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction of State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's Proportionate share of the collective net pension liability	$11,108,069
State's proportionate share that is associated with College	15,412,959
Total	$26,521,028

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At the measurement date of August 31, 2016, the College's proportion of the net pension liability was 0.02939%, which was a decrease of 0.0158% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the College recognized pension expense of $1,599,498 and revenue of $1,599,498 for support provided by the State.

At August 31, 2017, 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	$ 174,172	$ 331,680
Changes in actuarial assumptions	338,554	307,901
Difference between projected and actual investment earnings	2,140,540	1,199,932
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	4,868,383
Contributions paid to TRS subsequent to the measurement date	1,277,307	-
Total	$ 3,930,573	$ 6,707,896

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

Year ended August 31	Pension Expense Amount
2018	$ (765,205)
2019	(765,205)
2020	(165,239)
2021	(811,282)
2022	(947,733)
Thereafter	(599,966)

10. Optional Retirement Plan

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

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

The retirement expense to the State for the College was $353,153 and $352,264 for the fiscal years ended August 31, 2017 and 2016, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll of employees covered by the Optional Retirement Program was $10,757,318 and $10,755,415 for fiscal years 2017 and 2016, respectively.

11. Deferred Compensation Program

The College's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. This plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2017 and 2016, the College had no employees electing to defer compensation.

12. Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was $610 to $1,208 and $573 to $1,128 per month for the years ended August 31, 2017 and 2016, depending on the coverage elected. The State's contribution totaled $3,676,323 and $3,430,679, for the years ended August 31, 2017 and 2016, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

13. Compensated Absences

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

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

14. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities.* Revenues are recognized on Exhibit 2 and Schedule A. Contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the college has not yet performed services are not included in the financial statements. State contract and grant award funds already committed, e.g., multi-year awards or funds awarded for which monies have not been received nor funds expended for 2017 and 2016 totaled $759,275 and $0 respectively.

15. Property Tax

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

	2017	2016
Assessed valuation of the College	$ 3,231,516,568	$ 3,192,657,965
Less exemptions	(581,744,603)	(530,208,635)
Net assessed valuation of the College	$ 2,649,771,965	$ 2,662,449,330

2017	Current Operations	Debt Service	Total
Tax rate per $100 valuation for authorized	$ 0.0601	$ -	$ 0.0601
Tax rate per $100 valuation assessed	0.0601	-	0.0601

2016	Current Operations	Debt Service	Total
Tax rate per $100 valuation for authorized	$ 0.0601	$ -	$ 0.0601
Tax rate per $100 valuation assessed	0.0601	-	0.0601

Tax levied for the years ended August 31, 2017 and 2016 is $1,812,702 and $1,803,317 respectively (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed.

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

Taxes Collected at August 31,	2017	2016
Current	$ 1,775,179	$ 1,767,777
Delinquent	27,305	25,916
Penalties and Interest	20,487	22,256
Total Gross Collections	1,822,971	1,815,949
Total Appraisal & Collection Fees	(42,372)	(39,930)
Total Net Collections	$ 1,780,599	$ 1,776,019

Tax collections for the year ended August 31, 2017 and 2016 were both 98% of the respective tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or general obligation debt service.

16. Operating Leases

The College leases facilities related to the Bryan and Sealy Campuses under non-cancelable leases expiring through January 2020, with future minimum payments as of August 31, 2017 as follows:

Fiscal Year	
2018	2,406,266
2019	2,267,209
2020	2,206,819

Rental expense was approximately $2,559,147 and $2,487,312 for the years ended August 31, 2017 and 2016, respectively.

17. Contingent Liabilities

State and Federal Grants

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

18. Self Insurance

Effective September 1, 2003, the College began participating in a public entity risk pool for worker’s compensation. The participants of the pool include several other public junior and community colleges. The plan provides coverage to each participant with the College's individual loss fund maximum of $400,487 and $455,037 at August 31, 2017 and 2016, respectively, which is based on estimated payroll.

The liability for claims incurred but not reported under the self-insured plan is $59,553 and $105,037 as of August 31, 2017 and 2016, respectively, and is included in the accompanying statement of net position. Future payments for the claims will be paid from the accrued liability.

Self-insurance activity for the years ended August 31, 2017 and 2016 was as follows:

Accrued Liability for the Year Ended August 31	Balance of Liability at Beginning of Fiscal Year	Additions	Reductions for Claims Paid	Cumulative Balance of Liability at End of Fiscal Year
2017	$ 433,813	$ 72,468	$ (105,794)	$ 400,487
2016	447,386	69,680	(83,253)	433,813

19. Postemployment Benefits Other than Pensions

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

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

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

The College's contributions to SRHP for State retirees for the years ended August 31, 2017, 2016 and 2015 were $1,784,430, $1,574,956 and $1,393,168, respectively, which amounts were funded 50% from the College's State group insurance appropriation. The College's contributions to SRHP for local retirees for the years ended August 31, 2017, 2016 and 2015 were $282,272, $263,817, and $252,748 respectively, which amounts were paid directly by the College.

20. Component Units

Blinn College Foundation, Inc. – Discrete Component Unit

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

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). As of the date the College's audit was released, the Foundation's 2017 audit was completed. Complete financial statements of Blinn College Foundation, Inc. can be obtained from the administrative office of the Foundation.

BLINN COLLEGE
Schedule of College's Proportionate Share of Net Pension Liability
Last Three Fiscal Years **

Fiscal year ending August 31*,	2017	2016	2015
College's proportionate share of collective net pension liability (%)	0.0293954%	0.0452052%	0.0467225%
College's proportionate share of collective net pension liability ($)	$ 11,108,069	$ 15,979,437	$ 12,480,226
State's proportionate share of net pension liability associated with College	15,412,959	9,193,423	7,104,883
Total	$ 26,521,028	$ 25,172,860	$ 19,585,109
College's covered payroll	$ 31,983,195	$ 30,173,253	$ 26,828,534
College's proportionate share of collective net pension liability as a percentage of covered payroll	34.73%	52.96%	46.51%
Plan Fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.
**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

BLINN COLLEGE DISTRICT
Schedule of College's Contributions
Last Three Fiscal Years**

Fiscal year ending August 31*,	2017	2016	2015
Legally required contributions	$1,277,307	$1,236,765	$1,338,546
Actual contributions	1,277,307	1,236,765	1,338,546
Contributions deficiency (excess)	-	-	
College's covered-employee payroll amount	$33,157,834	$31,983,195	$ 30,173,253
Contributions as a percentage of covered-employee payroll	3.85%	3.87%	4.44%

*The amounts presented above are as of the College's respective fiscal year-end.
**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

BLINN COLLEGE
Notes to Required Supplementary Information
Year Ended August 31, 2017

1. Changes of Benefit Terms

The College implemented a 3.5 percent salary and wage increase effective September 1, 2016 for full time faculty/administrators and all staff.

2. Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2017.

BLINN COLLEGE
Schedule of Operating Revenues
Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Educational Activities		Total			
	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises	2017 Total	2016 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	$ 531,712	$ -	$ 531,712	$ -	$ 531,712	$ 316,223
Out-of-district resident tuition	40,721,770	-	40,721,770	-	40,721,770	43,204,055
Non-resident tuition	3,491,129	-	3,491,129	-	3,491,129	3,104,062
TPEG - credit (set aside) *	1,280,156	-	1,280,156	-	1,280,156	1,235,050
State funded continuing education	676,046	-	676,046	-	676,046	475,276
Non-State funded continuing education	66,200	-	66,200	-	66,200	15,900
Total Tuition	46,767,013	-	46,767,013	-	46,767,013	48,350,566
Fees:						
General fee	17,364,947	-	17,364,947	3,064,402	20,429,349	18,657,234
Laboratory and course fees	1,848,768	-	1,848,768	-	1,848,768	1,918,708
Incidental fees	278,697	-	278,697	-	278,697	179,453
Other fees	-	-	-	345,720	345,720	290,780
Total fees	19,492,412	-	19,492,412	3,410,122	22,902,534	21,046,175
Allowances and discounts:						
Bad debt allowance	(502,853)	-	(502,853)	-	(502,853)	(350,000)
Scholarship allowances	(747,764)	-	(747,764)	-	(747,764)	(744,877)
Remissions and exemptions	(3,133,125)	-	(3,133,125)	-	(3,133,125)	(2,766,726)
TPEG allowances	(460,967)	-	(460,967)	-	(460,967)	(519,043)
Federal and State grants to students	(8,967,657)	-	(8,967,657)	-	(8,967,657)	(9,789,254)
Other	(204,004)	-	(204,004)	-	(204,004)	(178,800)
Total allowances and discounts	(14,016,370)	-	(14,016,370)	-	(14,016,370)	(14,348,700)
Total net tuition and fees	52,243,055	-	52,243,055	3,410,122	55,653,177	55,048,041
Additional operating revenues:						
Federal grants and contracts	-	654,945	654,945	-	654,945	633,039
State grants and contracts	-	2,034,738	2,034,738	-	2,034,738	2,024,479
Sales and services of educational activities	565,153	-	565,153	-	565,153	691,798
Other operating revenues	459,198	-	459,198	-	459,198	581,432
Total additional operating revenues	1,024,351	2,689,683	3,714,034	-	3,714,034	3,930,748
Auxiliary enterprises:						
Residential life	-	-	-	5,099,517	5,099,517	4,977,895
Scholarships allowances and discounts	-	-	-	(533,813)	(533,813)	(627,677)
Net residential life	-	-	-	4,565,704	4,565,704	4,350,218
Cafeteria	-	-	-	3,758,889	3,758,889	3,502,797
Scholarship allowances and discounts	-	-	-	(283,618)	(283,618)	(265,670)
Net cafeteria	-	-	-	3,475,271	3,475,271	3,237,127
Bookstore	-	-	-	1,170,655	1,170,655	1,393,680
Scholarship allowances and discounts	-	-	-	(138,049)	(138,049)	(150,933)
Net bookstore	-	-	-	1,032,606	1,032,606	1,242,747
Parking	-	-	-	2,356,344	2,356,344	2,550,370
Other auxiliary	-	-	-	495,054	495,054	527,899
Total net auxiliary enterprises	-	-	-	11,924,979	11,924,979	11,908,361
Total Operating Revenues	$ 53,267,406	$ 2,689,683	$ 55,957,089	$ 15,335,101	$ 71,292,190	$ 70,887,150
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code §56.033, $1,280,156 and $1,235,050 for the years ended August 31, 2017 and 2016, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

BLINN COLLEGE
Schedule of Operating Expenses By Object
Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Operating Expenses					
	Salaries and Wages	Benefits State	Benefits Local	Other Expenses	2017 Total	2016 Total
Unrestricted - Educational Activities:						
Instruction	$ 29,073,629	$ -	$ 5,326,770	$ 4,414,637	$ 38,815,036	$ 38,078,354
Public Service	325,566	-	65,837	193,328	584,731	622,071
Academic Support	4,455,405	-	851,537	774,016	6,080,958	5,817,141
Student Services	4,313,909	-	895,895	633,618	5,843,422	5,812,296
Institutional Support	6,123,408	-	2,104,683	3,832,346	12,060,437	11,990,832
Operation and Maintenance of Plant	1,299,940	-	473,353	6,779,321	8,552,614	11,420,179
Scholarships and Fellowships	-	-	-	893,509	893,509	665,628
Total Unrestricted - Educational Activities	45,591,857	-	9,718,075	17,520,775	72,830,707	74,406,501
Restricted - Educational Activities:						
Instruction	130,375	2,541,681	36,146	151,676	2,859,878	3,209,612
Public Service	297,306	29,177	75,004	715,474	1,116,961	1,030,859
Academic Support	-	419,291	-	-	419,291	412,802
Student Services	-	524,591	-	-	524,591	515,587
Institutional Support	7,912	2,399,523	1,848	2,861	2,412,144	2,468,354
Scholarships and Fellowships	-	-	-	11,518,610	11,518,610	10,506,156
Total Restricted - Educational Activities	435,593	5,914,263	112,998	12,388,621	18,851,475	18,143,370
Total Educational Activities	46,027,450	5,914,263	9,831,073	29,909,396	91,682,182	92,549,871
Auxiliary Enterprises	3,011,405	-	1,386,529	4,732,597	9,130,531	8,740,983
Depreciation Expense - Buildings and other real estate improvements	-	-	-	3,069,340	3,069,340	2,843,846
Depreciation Expense - Equipment, furniture and library books	-	-	-	1,092,683	1,092,683	1,724,790
Total Operating Expenses	$ 49,038,855	$ 5,914,263	$ 11,217,602	$ 38,804,016	$ 104,974,736	$ 105,859,490
					(Exhibit 2)	(Exhibit 2)

Schedule C

BLINN COLLEGE
Schedule of Nonoperating Revenues and Expenses
Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	2017 Total	2016 Total
Non-Operating Revenues:				
State appropriations:				
Education and General state support	$ 24,163,179	$ -	$ 24,163,179	$ 24,125,661
State group insurance	-	3,676,323	3,676,323	3,430,679
State retirement matching	-	2,975,416	2,975,416	2,641,822
Total state appropriations	24,163,179	6,651,739	30,814,918	30,198,162
Property taxes	1,831,612	-	1,831,612	1,823,314
Federal revenue, non operating	-	18,907,187	18,907,187	18,594,062
Gifts	-	1,015,671	1,015,671	2,401,100
Investment income	1,052,057	-	1,052,057	618,916
Gain on disposal of capital assets	(15,201)	-	(15,201)	-
Unrealized gain (loss) on investments	(172,845)	-	(172,845)	204,342
Total non-operating revenues	26,858,802	26,574,597	53,433,399	53,839,896
Non-Operating Expenses:				
Interest on capital related debt	2,924,556	-	2,924,556	1,101,962
Loss on disposal of capital assets	-	-	-	1,857
Other expenses	(21,713)	-	(21,713)	322,313
Total non-operating expenses	2,902,843	-	2,902,843	1,426,132
Net non-operating revenues	$ 23,955,959	$ 26,574,597	$ 50,530,556	$ 52,413,764
			(Exhibit 2)	(Exhibit 2)

BLINN COLLEGE
Schedule of Net Position by Source and Availability
Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets Net of Depreciation and Related Debt			
	Unrestricted	Expendable	Non-Expendable		Total	Yes	No
Current:							
Unrestricted	$ 14,904,147	$ -	$ -	$ -	$ 14,904,147	$ 14,904,147	$ -
Student aid	-	978,632	-	-	978,632	-	978,632
Star of Republic Museum	-	(725,827)	-	-	(725,827)	-	(725,827)
Auxiliary enterprises	11,844,843	-	-	-	11,844,843	11,844,843	-
Endowment:							
Expendable	-	604,356	-	-	604,356	-	604,356
Non-expendable	-	-	9,737,449	-	9,737,449	-	9,737,449
Plant:							
Debt service	-	6,425,879	-	-	6,425,879	-	6,425,879
Investment in plant	-	-	-	83,337,379	83,337,379	-	83,337,379
Total Net Position, August 31, 2017	26,748,990	7,283,040	9,737,449	83,337,379	127,106,858 (Exhibit 1)	26,748,990	100,357,868
Total Net Position, August 31, 2016	18,579,511	7,540,468	9,617,891	74,486,420	110,224,290 (Exhibit 1)	18,579,511	91,644,779
Net Increase (Decrease) in Net Position	$ 8,169,479	$ (257,428)	$ 119,558	$ 8,850,959	$ 16,882,568 (Exhibit 2)	$ 8,169,479	$ 8,713,089

BLINN COLLEGE
Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2017

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grant	84.007	P007A163969	$ 279,702
Federal Work Study Program	84.033	P033A153969	31,167
Federal Work Study Program	84.033	P033A163969	131,794
			162,961
Federal Pell Grant	84.063	P063P162262	18,627,485
Federal Direct Student Loan Program	84.268	P268K162262	111,808
Federal Direct Student Loan Program	84.268	P268K172262	31,749,785
			31,861,593
Total Student Financial Assistance Cluster			50,931,741
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	164218	276,421
Total U.S. Department of Education			51,208,162
U.S. Department of Labor			
Pass-Through from:			
Texas Workforce Commission:			
Building Construction Trades	17.258	AA-28345-16-55-A-48	42,968
National Science Foundation			
Direct Programs:			
Education and Human Resources	47.076		41,777
U.S. Small Business Administration			
Pass-Through from:			
University of Houston:			
Small Business Development Center	59.037	R-16-0045-53803	13,815
Small Business Development Center	59.037	R-17-0027-53803	117,003
Total U.S. Small Business Administration			130,818
Total Expenditures of Federal Awards			$ 51,423,725

Federal Direct Student Loan Program, CFDA 84.268, includes the following:	
Direct Subsidized Loans	$ 14,470,854
Direct Unsubsidized Loans	14,857,108
Direct PLUS Loans	2,533,631
	$ 31,861,593

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

BLINN COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2017

Grantor Agency Program Title	Grant Contract Number	Expenditures and Pass Through Disbursements
Texas Comptroller of Public Accounts -		
Law Enforcement Officer Standards & Education (LEOSE)	9P160538	1,586
Law Enforcement Officer Standards & Education (LEOSE)	9P170528	687
Texas Higher Education Coordinating Board:		
Texas Science, Technology, Engineering and Math Challenge	16895	179,140
Texas Educational Opportunity Grant Program (TEOG)		941,700
Nursing Shortage Reduction Program FY 14 Regular	NSRPFY14REG	1,707
Texas Workforce Commission		
Skills Development-Sealy Texas Management, Inc.	1615SDF000	56,270
Skills Development-Igloo Products Corporation	2816SDF001	197,440
Skills for Small Business-16	1615SSD001	101,115
Skills for Small Business-17	1617SSD000	19,845
Skills Development- Grant Prideco, LP	1616SDF000	381,680
Skills Development- Kaemark, Inc.	1516SDF000	153,568
Total Expenditures of State Awards		$ 2,034,738

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

BLINN COLLEGE
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended August 31, 2017

1. Relationship to Financial Statements

	Federal	State
Federal Grants and Contracts Revenue - Per Schedule A	$ 654,945	$ 2,034,738
Add Financial Aid Loans	31,861,593	-
Add Non-operating Federal Revenue from Schedule C	18,907,187	-
Total per Schedule of Expenditures of Federal and State Awards	$ 51,423,725	$ 2,034,738

2. Significant Accounting Policies Used in Preparing the Schedules

The schedules present the activity of all Federal and State programs of the College for the year ended August 31, 2017. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

3. Relationship to Federal and State Financial Reports

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

AUDITOR'S REPORTS ON CONTROLS AND COMPLIANCE AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Board of Trustees
Blinn College
Brenham, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blinn College (the College), as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Pattillo, Brown & Hill? — Lott, Vernon & Co., P.C.

Temple, Texas
November 28, 2017

LOTT, VERNON & COMPANY, P.C.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Trustees
Blinn College
Brenham, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Blinn College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and The State of Texas Single Audit Circular that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas Single Audit Circular.

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, Blinn College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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

Jett, Vernon & Co., P.C.

Temple, Texas
November 28, 2017

BLINN COLLEGE
Schedule of Findings and Questioned Costs
August 31, 2017

I. Summary of Audit Results

Financial Statements

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

2. Internal control over financial reporting:
   - Material weakness(es) identified? ____ yes __X__ no
   - Significant deficiencies identified that are not considered to be material weakness(es)? ____ yes __X__ none reported

3. Noncompliance material to financial statements noted? ____ yes __X__ no

Federal and State Awards

4. Internal control over major programs:
   - Material weakness(es) identified? ____ yes __X__ no
   - Significant deficiencies identified that are not considered to be material weakness(es)? ____ yes __X__ none reported

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

6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance or the State of Texas Single Audit Circular and Uniform Grant Management Standards? ____ yes __X__ no

7. Identification of major programs:

Name of Federal Programs	Federal CFDA Number
U.S. Department of Education	
Student Financial Aid Cluster	
Supplemental Educational Opportunity Grant	84.007
Federal Work Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Texas Higher Education Coordinating Board	
Career and Technical Education – Basic Grants to States	84.048

Name of State Program
Texas Higher Education Coordinating Board
Texas Educational Opportunity Grant Program (TEOG)

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

9. Dollar threshold used to distinguish between type A and type B state programs: $300,000

10. Auditee qualified as low-risk auditee for federal single audit? __X__ yes _____ no

11. Auditee qualified as low-risk auditee for state single audit? __X__ yes _____ no

II. Financial Statement Findings

\- None.

III. Federal and State Awards Findings and Questioned Costs

\- None.