

*Changing Lives.  
We Are Houston's Community College.*

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT & SINGLE AUDIT REPORTS**

*August 31, 2018 and 2017*

Houston, Texas



HOUSTON COMMUNITY COLLEGE SYSTEM  
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# **INTRODUCTORY SECTION**

HOUSTON COMMUNITY COLLEGE SYSTEM  
ORGANIZATIONAL DATA  
FOR THE YEAR ENDED AUGUST 31, 2018

<u>BOARD OF TRUSTEES</u>		<u>Term Expires</u> <u>December 31,</u>
Dr. Carolyn Evans-Shabazz, <i>Chair</i>	District IV, Houston, Texas	2023
Dr. Pretta VanDible Stallworth, <i>Vice Chair</i>	District IX, Houston, Texas	2023
Zeph Capo, <i>Secretary</i>	District I, Houston, Texas	2019
David Wilson	District II, Houston, Texas	2019
Dr. Adriana Tamez	District III, Houston, Texas	2021
Robert Glaser	District V, Houston, Texas	2023
Dr. John P. Hansen	District VI, Houston, Texas	2021
Neeta Sane	District VII, Houston, Texas	2019
Eva L. Loredó	District VIII, Houston, Texas	2021

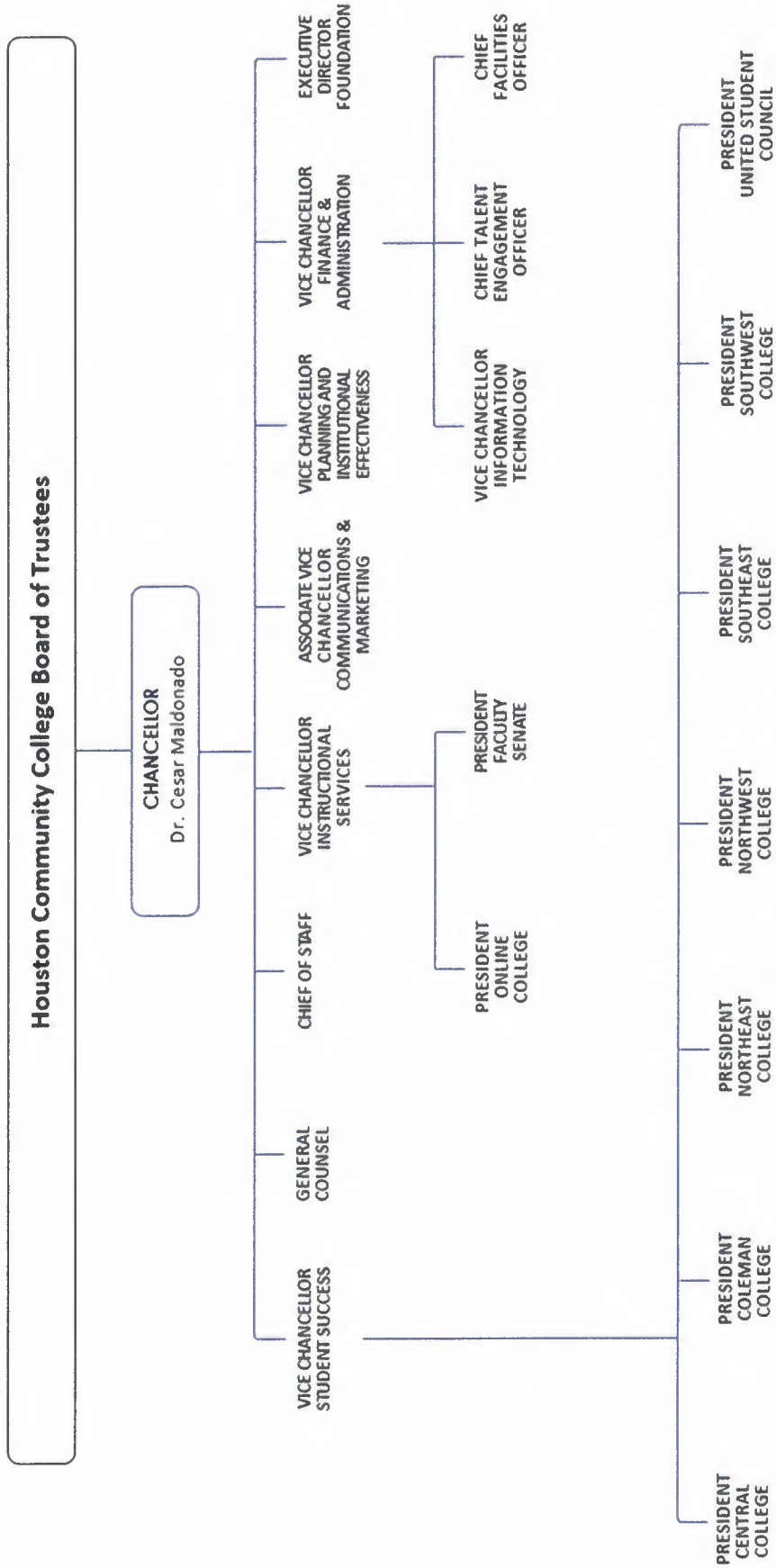
PRINCIPAL ADMINISTRATIVE OFFICERS

Cesar Maldonado, Ph.D., P.E.	Chancellor
Vacant	Chief of Staff
Janet Wormack, Ed.D.	Vice Chancellor, Finance & Administration and CFO
Norma Perez, Ed.D.	Vice Chancellor, Instructional Services & Chief Academic Officer
William Carter, Ph.D.	Vice Chancellor, Information Technology
Athos Brewer, Ph.D.	Vice Chancellor, Student Success
Kurt Ewen, Ph.D.	Vice Chancellor, Planning & Institutional Effectiveness
Muddassir Siddiqi, Ed.D.	President, Central College
Phillip Nicotera, MD	President, Coleman College
Destry Dokes, DBA	Interim President, Northeast College
Zachary Hodges, Ed.D.	President, Northwest College
Melissa N. Gonzalez, Ph.D.	Interim President, Southeast College
Madeline Burillo, Ed.D.	President, Southwest College
Margaret Ford Fisher, Ed.D.	President, Online College
Janet May, M.A.	Chief Talent Engagement Officer
Marshall Heins, MBA	Chief Facilities Officer
E. Ashley Smith, J.D.	General Counsel
Carin Hutchins, MBA, CPA	Associate Vice Chancellor, Finance & Accounting
Michael Edwards, J.D.	Interim Associate Vice Chancellor, Communications and Marketing
Darin Baskin, M.S.	Faculty Senate President
Karen Schmidt, MBA	Executive Director, HCC Foundation
Terrance Corrigan	Director, Internal Auditing
Jonathan Raj	President, United Student Council



# HOUSTON COMMUNITY COLLEGE

## Organizational Chart As of August 31, 2018





To the HCC Board of Trustees:

I have the privilege of submitting to the Houston Community College (HCC) Board of Trustees and to the citizens of our service area the HCC Comprehensive Annual Financial Report for the fiscal year beginning September 1, 2017 and ending August 31, 2018.

As the financial report exemplifies HCC is committed to student success in academic and workforce education. We continue to transform HCC through innovative programs and community outreach into a hallmark of educational and performance excellence. We are accomplishing this while also pursuing and achieving the fiscal responsibility expected of a publicly-funded institution.

HCC has successfully met its academic, student services and financial goals this past year. As reflected in our enrollment changes in fiscal year 2018, Hurricane Harvey presented us with challenges but more importantly provided the opportunity to fully appreciate the needs of the student population and initiate new support programs or expand existing ones.

Notwithstanding the impact of Hurricane Harvey, HCC sustained its commitment to students so they could remain on their educational pathways and to valued employees. Notable efforts included:

- Provided more than \$858,000 in financial aid to more than 790 students through the HCC Foundation, government grants and other private donations, and additional funding is anticipated
- Through the HCC Disaster Recovery Fund we provided approximately \$166,500 in aid to about 376 employees
- Established the Swoop to the Rescue and Eagles Helping Eagles programs which are now an integral part of our support system and thriving

As we dealt with the challenges posed from Hurricane Harvey, HCC continued making progress toward improving educational delivery models, student completion and success, persistence rates, and increasing the number of accredited workforce programs. HCC increased completers by 20 percent and made progress increasing graduation rates for first-time, full-time students and reducing excess course averages for graduates by nearly two courses. Financially, HCC improved its unrestricted cash position and delivered programmatic commitments related to the 2013 CIP program.

Significant highlights in fiscal year 2018 include:

- In partnership with several institutions, developed Houston Promise and Houston Connect which are poised to create additional pathways to the workforce and four-year institutions for Independent School District (ISD) - partner students in underperforming schools
- Established new workforce partnership with Spring Branch ISD and Trio Electric
- Established new academic partnerships with Stephen F. Austin State University and Fundación Universidad de las Américas Puebla
- Officially opened four new locations: West Houston Institute, Felix Fraga Campus, Central South Workforce Center and Northline Instructional Building
- Broke ground on the Central Campus Culinary Institute and made good progress on the North Forest Campus facilities
- Chosen as site for new NASA Challenger Learning Center
- Maintained tax rate at \$0.100263, the 4<sup>th</sup> lowest in the state among community colleges
- Held tuition to the same affordable level
- Earned the following recognition and awards: *Certificate for Excellence in Financial Reporting*, *Math Pathways Exemplar Award*, *Landmark Real Estate Award* for the new Coleman Tower and many more

At HCC we are committed to building sustainable programs, delivering high-quality and affordable education to our students, and adhering to prudent financial management practices. I want to thank the Board of Trustees, and the HCC faculty and staff for their continued dedication to changing the lives of students by providing a multitude of pathways to academic and workforce success.

Sincerely,

Cesar Maldonado, Ph.D., P.E.  
Chancellor





December 5, 2018

Honorable Chairman, Board of Trustees and Chancellor  
The Citizens of the Houston Community College System

Dear Board of Trustees and Chancellor,

Respectfully submitted for your review is the Comprehensive Annual Financial Report (CAFR) of Houston Community College (HCC) for the fiscal years ended August 31, 2018 and 2017. The purpose of this report is to provide detailed information about the financial condition and performance of HCC to the Board of Trustees, taxpayers, Texas Higher Education Coordinating Board (THECB), grantor agencies, employees and other interested parties. Management assumes responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control. The objective of internal control is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. The concept of reasonable assurance ensures that the costs of the controls do not exceed the benefits derived.

***Comprehensive Annual Financial Report***

HCC's CAFR is prepared by the HCC Division of Finance and Administration. 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 THECB. The notes to the financial statements are provided in the financial section and are considered essential for fair and adequate disclosure of all information presented in this report. The notes include the summary of significant accounting policies, authorized investments and other necessary disclosures of important matters relating to the financial position of HCC. Notes are meant to supplement the information in the financial statements and should be read in conjunction with them.

***Reporting Entity***

HCC is considered a special purpose government engaged solely in a business-type activity. Accordingly, the financial statement presentation combines all fund groups into a single column and resembles the format of a corporate presentation as defined by GASB.

In accordance with the criteria established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and 34* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - An Amendment of GASB Statement No. 14*, the Houston Community College Foundation (Foundation) and the Houston Community College System Public Facility Corporation (PFC) are reported as component units of the System using a discrete and blended presentation, respectively.

***College Profile***

As one of the largest community colleges in the nation, HCC has served the Greater Houston area for over four decades. We deliver instruction to nearly 68,000 students each semester in more than 250 associate



degree and certificate programs. We strive to provide superior academic and technical programs, and our Centers of Excellence focus on being leaders in their disciplines.

Since opening in 1971, students have improved their lives through education and training obtained from HCC. An open-admission public institution, HCC awards associate degrees and certificates in academic studies and career and technology programs. HCC is committed to meeting the needs of its diverse communities by providing academic courses for transfer to four-year institutions, terminal degrees and certificates in more than 70 fields of work. HCC also provides continuing education and corporate training, lifelong-learning and enrichment programs, and adult education.

HCC was created under the governance of the Houston Independent School District (HISD) as the result of a public referendum on May 18, 1971. In August of that year, more than 5,700 students enrolled in workforce education courses held at the Houston Technical Institute (housed in what was then HISD's San Jacinto High School). In the following semester, academic transfer classes were added and taught at six HISD locations. By 1977, HCC had an enrollment of more than 28,000 students and was accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). In 1989, HCC separated from HISD, establishing its own Board of Trustees and taxing authority. HCC restructured in 1991, creating five regional colleges, as well as the College Without Walls, and selected a president for each. The president of HCC then became the System Chancellor. The Coleman College for Health Sciences was established in 2004 replacing the College Without Walls. Today, HCC serves more than 106,000 students annually within a service area of 631.3 square miles.

#### ***Governance Structure***

HCC operates under the Constitution of the State of Texas and the Texas Education Code. The Board of Trustees is the official governing body of HCC. The Board of Trustees is composed of nine members who are elected from single-member districts and who serve without remuneration. The Board of Trustees is elected to staggered six-year terms and has final authority to determine and interpret the policies that govern HCC. As part of their duties, the Trustees maintain full schedules of community services, public appearances, speaking engagements and legislative affairs on behalf of HCC. The Board of Trustees represents an impressive mix of individual talents and professional backgrounds that enable them to provide governance of the highest quality.

Regular meetings of the Board of Trustees are held on the first Wednesday of each month at the System Administration Building, 3100 Main Street, 2nd Floor Auditorium, Houston, Texas 77002, unless otherwise announced. The HCC Board of Trustees has a strong committee structure and committee meetings are held the same day before the regular meetings. Other meetings such as workshops and special meetings are held on an as-needed basis. Public notices of all meetings are posted at the Administration Building and on the HCC website.

The Board of Trustees envisions HCC as the educational institution of choice for those who seek skilled training for the workforce, those who seek to upgrade their skills to enhance preparedness for economic opportunity, and those who seek lifelong, seamless educational opportunities to enhance their quality of life. The Board of Trustees views HCC as an integral part of the economic and educational landscape of the community and supports their view by establishing quality partnerships, being responsive to community needs and assisting HCC in providing these vital services.

***Economic Conditions and Outlook***

HCC is a diverse and complex multi-campus institution. With a service area population of 2.4 million, Houston is the fourth largest city in America and the largest city in Texas. The community is about one hour from the Texas Gulf Coast. HCC students are served by nearly 2,600 full and part-time faculty members. HCC enrolls more international students than any community college in the country.

The Service Delivery Area (SDA) of HCC includes the independent school districts of Houston, Katy, Spring Branch and Alief; Stafford Municipal District; and the portions of Fort Bend ISD located in the cities of Houston, Pearland, and Missouri City.

The area is economically, educationally and ethnically diverse. While the average household income is \$96,707, more than 22.3% of the households in the SDA have an income less than \$25,000. While 41.0% of the population has a college degree, 19.5% of the population has no high school degree or GED. The population's ethnicity is 40.9% Hispanic, 26.1% White, 22.7% African American and 10.3% other. There is a relatively large young population, with 24.5%, under the age of 18 years old. These factors give HCC the potential of providing a large workforce pool for the SDA, the state and the nation, and the energy and health care sectors in particular.

HCC has three main sources of revenue:

- Ad Valorem Taxes – In 2018, Maintenance and Debt Service Ad Valorem Taxes amounted to \$150.7 and \$46.3 million, respectively, for a total of \$197 million. While the total Ad Valorem tax rate in fiscal year 2018 was the same as in fiscal year 2017 (\$0.100263), fiscal year 2018 total Ad Valorem Tax revenue was \$5.3 million higher than fiscal year 2017 due to an increase in taxable assessed values. This increase was all in Maintenance Ad Valorem Taxes since HCC's total debt service payments for fiscal year 2018 were \$1.6 million lower than in fiscal year 2017.
- State Appropriations – HCC received a total of \$83.4 million in state appropriations, \$68.1 million of which was for Educational and General State Support. State Appropriations received in fiscal year 2018 were \$2.1 million lower than in fiscal year 2017 due to lower contact hours reported by HCC in the current biennium base year relative to the prior biennium base year. This decrease was slightly offset by HCC's appropriation based on student success points which has been consistently rising as a result of HCC's focus on completion.
- Tuition and Fees – Total tuition and fees, net of discounts, amounted to \$75.9 million in fiscal year 2018 which is a decrease of \$3.0 million from fiscal year 2017 due to a decrease in enrollment and an increase in waivers and exemptions, particularly for Dual Credit students. HCC's tuition and fee rates remained the same in fiscal year 2018 as in the prior year to maintain affordable and accessible education for our students.

Fiscal year 2018 began with all the indications of a banner enrollment year. Yet, just before the start of the fall semester, it turned into a monumental challenge due to the devastation of Hurricane Harvey, which affected HCC's entire service area and family. Hurricane Harvey required that we respond to the crisis as nimbly, thoroughly, and swiftly as possible so that we could support our HCC family of students, staff and faculty in substantive ways. We issued a student survey immediately after the storm in order to assess the scope of issues our students were facing as they attempted to rebuild their lives and return to school.

Further, we deployed a Recovery Center Hotline for employees by which we captured the types of storm-related challenges and connected those in need with community agencies which could assist them. Based on the data collected, we developed and deployed several support mechanisms. For our students, we established emergency resource support sites on each campus, "Eagles Helping Eagles," and developed emergency resource guides in partnership with community agencies. HCC counselors and their community partners provided training for employees and crisis intervention workshops for students. Volunteer efforts included assistance for HCC families in need, and both employees and students donated time and money. Basic need pantries opened at several campuses, and faculty/staff volunteers donated non-perishable items and manned the sites. Monetary donations contributed to "Swoop to the Rescue," and emergency funds were distributed to students and employees alike. The impact that this attention and these kinds of funds can have for our students was clear: of 719 students who received emergency funds, only 16 withdrew from classes - a 98% retention rate.

As proud as we are of the aforementioned retention, we know that many of our students were impacted sufficiently to stop out of college this year. The hardest hit were students in the 30 and above age group category, with the 20-24 age group and the 25-29 age group also showing large drops in enrollment.

Operating expenses increased by \$21.6 million in fiscal year 2018 largely due to three factors: employee salary and benefit increases to continue to provide competitive pay; a 13% increase in scholarships distributed during the year to help out students affected by Hurricane Harvey; and an increase in building depreciation related to \$223.2 million in net building additions placed into service during the fiscal year.

HCC's General Obligation bond ratings continue to remain strong at Aa1 and AA+ for Moody's and Standard and Poor, respectively.

HCC continues to improve its outcomes and is a leader in preparing students for jobs. HCC is committed to equipping its students with the appropriate academic, technical and soft skills to allow them to succeed in the workplace. A comprehensive approach is utilized, combining academic and technical resources, relevant student services, talent development organizations, and career building activities. By employing a comprehensive approach, HCC assures the vitality of its programs for today's academic and industrial demands and tomorrow's opportunities.

A large part of HCC's mission is to service the business community's need for an educated workforce. Roughly 60% of today's jobs require some level of post-secondary education. Houston faces a shortage of candidates with the education and skill set required to fill the positions currently available. HCC will continue to work closely with the business community to ensure that a steady flow of educated citizens are ready to report for duty to keep Houston working.

The shortage of a skilled workforce provides HCC the impetus it needs to transform itself for a changing world. By learning from our past and understanding our present, we will be able to develop achievable visions and roadmaps for change. We continue to be a vital piece of Houston's success, but with this role there is also a responsibility to always strive for greatness and to embrace change. In fact, HCC must lead change because the Houston of tomorrow will look and act very differently than the Houston of today. Imagine HCC 2019, HCC's current strategic plan, is the institution's answer for how the college has and will continue to respond to the inevitability of change, while providing its own definition for the future and outlining its desired future state - one that is integral to the Houston of tomorrow.

To: Board of Trustees and Chancellor  
Re: Comprehensive Annual Financial Report

December 5, 2018

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*Alignment with Texas Higher Education Coordinating Board's 60x30TX Plan*

Through Imagine HCC 2019, we have identified our four strategic goals and have defined objectives and initiatives within each goal to focus the institution's efforts. Collectively, these elements of the strategic plan also align our completion goals with the THECB's 60x30TX Plan. This alignment allows us to be responsive to the State's plan to ensure that 60% of all Texans ages 25-34 will achieve a postsecondary certificate or degree by the year 2030. Further, Imagine HCC 2019 aligns with the State's goals of balancing student debt with each graduate's earning potential.

*K-16 Pathways*

HCC is also committed to developing a K-16 pathway for students to better prepare future generations to be career ready. HCC continues to collaborate with our K-12 and 4-year partners to ensure that students are college ready upon entry into college, transfer ready upon entry to 4-year programs, and career ready upon entry into the workforce. In addition, strategic, collaborative partnerships similar to existing partnerships with Texas A&M and UT Tyler will continue to emerge to meet the needs of the Houston community.

*Houston Promise and Houston Connect*

HCC's student-focused initiatives such as Houston Promise and Houston Connect create student pathways to a better life while fueling the local economy with a highly trained workforce.

These programs serve as direct examples of the leadership role that HCC continues to play to support Houston's changing educational, economic, and societal landscape.

***Strategic Plan – Imagine HCC 2019***

In 2015, HCC underwent an extensive strategic planning effort to lay the groundwork for an ambitious plan to reimagine HCC four years into the future. The result was Imagine HCC 2019, a bold plan for transforming one of the nation's largest community college systems and improving the value it provides to students, faculty and staff, and the Houston community.

Imagine HCC 2019 is comprehensive and describes what the institution's focus will be, how we will be organized and why we act. Put another way, it is an articulation of our strategic plan, the transformation to our Centers of Excellence model and the "HCC Way."

Our Core Values, Core Behaviors and Leadership Behaviors serve as the "cultural core" of HCC and articulate the desired culture that HCC promotes. In short, this defines the "HCC Way" of doing things and the expectation the institution has set for all faculty, staff and administrators.

The model below provides a visual depiction for Imagine HCC 2019. The vision sits at the top, guiding our efforts, while our mission, core values and competencies sit at the foundation, defining the expectations we have for our culture. In the middle sits the core of our strategic plan, including our four strategic goals, which are the framework we use to measure our success.



Mission

Houston Community College is an open-admission, public institution of higher education offering a high-quality, affordable education for academic advancement, workforce training, career development and lifelong learning to prepare individuals in our diverse communities for life and work in a global and technological society.

Core Values

Set and Maintain High Academic Standards	Student Commitment
Collaboration	Give the Community an Educated Workforce
Commitment to Student Success	Culture of Trust – Demonstrate Integrity and Ethics
Demonstrate Passion	Innovation
Accountability	Consistency Across the Institution

Behavioral Competencies

Core	Leadership
Delivering High Quality of Work	Acting as a Champion for Change
Accepting Responsibility	Thinking Entrepreneurially
Serving Our Stakeholders	Leveraging Opportunities
Supporting Organizational Goals	Setting a Strategic Vision
Driving Continuous Improvement	Attracting & Developing Talent
Acting with Integrity	Inspiring & Motivating Others
Thinking Critically	Acting Strategically
Managing Change – Adapting to Support Change	Demonstrating Beliefs & Principles
Communicating Effectively	Managing Resources

Strategic Goals

1. Student Success – Commitment to creating an environment in which students achieve their desired goals that lead to their success in both educational and occupational pursuits.
2. Organizational Stewardship – Actions that preserve and protect the use of our shared resources, transparency in decision-making and creation of processes that manage, allocate and monitor resources crucial to the college’s mission.
3. Performance Excellence – Integrated approaches that result in the delivery of ever improving value to customers and stakeholders.
4. Innovation – Leadership in the creation of new ideas, methods, processes, technologies or products to address the challenges and opportunities associated with that change.

These goals are the four distinct areas that guide HCC’s strategic efforts and serve to reinforce the institution’s vision. Operationally, the goals provide further definition for what HCC’s vision describes and provides a place for each proposed objective and initiative to reside. These goals also offer a measure of accountability for leaders.

New Comprehensive Strategic Plan

The development of HCC’s new comprehensive strategic plan, Embracing Houston’s Future, is well underway and will be effective in fiscal year 2020 and beyond. It will frame how we continue to expand our engagement with our service delivery area, the Greater Houston area, and partners across the region towards the goal of increasing the institution’s value.

In addition, the new strategic plan will develop an ecosystem that supports innovation across the college system. The new strategic plan is anticipated to be complete in the latter part of fiscal year 2019.

**Financial Information**

HCC’s management is responsible for establishing and maintaining internal controls. Management ensures each department has a clear understanding of its assignment; whether it is adequately staffed; functions effectively in carrying out the overall plan of the HCC’s business; and maintains good records so that financial statements are in compliance with GAAP. The internal control structure provides reasonable protection from fraud and waste. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefits requires estimates and judgments by management.

**Single Audit**

HCC receives federal and state financial assistance during the fiscal year, which results in HCC being responsible to ensure adequate internal control and compliance with laws, regulations, contracts and grant agreements related to those programs. Management periodically reviews the internal controls to ensure the adequacy of the controls. Additionally, during the federal and state single audit, the independent auditor tests the adequacy of internal controls and compliance with applicable laws, regulations, contracts and grant agreements for the major federal and state programs.

**Budget Control**

The Board of Trustees adopts an operating budget annually, providing authority to expend funds in accordance with state law, board policy and HCC approved procedures. Included in the annual budget are the activities of the Unrestricted, Restricted, Auxiliary, Technology, and Retirement of Debt Service funds. HCC has adopted the concepts of Performance and Zero Based Budgeting. Performance Based Budgeting contains an integrated set of strategic goals with associated action plans, measures and targets, and prioritizes funds dedicated to achieving the goals. The Performance Based Budget aligns the budget process to the strategies, goals and action plans of HCC, which centers on the outcome of student success. Each HCC department builds an action plan to support the goals and objectives so that our strategy is aligned at all levels. Zero Based Budgeting is an opportunity to build budgets from the bottom up and focus on what is needed today and in the future. This concept was formally implemented as part of the fiscal year 2019 budget development process and will continue to be improved upon and be a focus of future proposed budgets.

The Office of Fiscal Planning and Budget monitors the overall budget activities. Internal controls have been implemented to ensure that expenses fall within the budget and purchasing guidelines. An encumbrance accounting system is utilized to help maintain budgetary control. An encumbrance is the name given to funds that have been reserved when a purchase order is issued.

Monthly financial and budget reports are submitted to the Board of Trustees to report on the status of all HCC funds and accounts. Annual financial reports are prepared in accordance with GAAP and relevant law. In addition, internal and external audits are periodically conducted to evaluate the financial operations of HCC.

Management's Discussion and Analysis beginning on page 19 is designed to help readers understand the current financial position and results of operation of HCC.

**Independent Audit**

State statutes require an annual audit by independent certified public accountants. HCC's Board of Trustees engaged Grant Thornton LLP as the accounting firm to perform the annual financial audit. In addition to meeting the requirements set forth in State statutes, their audit was also designed to meet the requirements of the Uniform Guidance and Uniform Grant Management Standards (UGMS). The Single Audit financial reports consist of the Schedule of Expenditures of State of Texas Awards, Schedule of Expenditures of Federal Awards and the Independent Auditor's report on compliance and internal controls.

**Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Houston Community College for its comprehensive annual financial report for the fiscal year ended August, 31, 2017. HCC has received this



To: Board of Trustees and Chancellor  
Re: Comprehensive Annual Financial Report

December 5, 2018  
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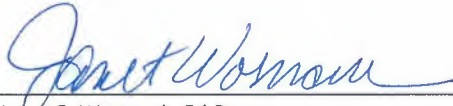
prestigious award over an eleven-year period. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements**

We would like to thank the Board of Trustees for its guidance and direction. We would also like to acknowledge the Finance and Administration Division and all members of the staff for their support, hard work and dedication in preparing this CAFR. Finally, we would like to thank Grant Thornton LLP for their assistance with the audit.

Respectfully submitted,



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Janet E. Wormack, Ed.D.  
Vice Chancellor, Finance & Administration and CFO



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Carin Hutchins, MBA and CPA  
Associate Vice Chancellor, Finance & Accounting



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Houston Community College System  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2017**

*Christopher P. Morill*

Executive Director/CEO

**FINANCIAL SECTION**

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Trustees  
Houston Community College System  
Houston, Texas

### **Report on the financial statements**

We have audited the accompanying financial statements of Houston Community College System (the “System”) which comprises the statements of net position as of August 31, 2018 and 2017, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the System’s 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 an opinion on these financial statements based on our audits. We did not audit the financial statements of the Houston Community College Foundation, which collectively represents 100% of the assets, net assets, and revenues of the aggregate discretely presented component unit of the System as of and for the years ended August 31, 2018 and 2017. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component unit, are based solely on the report of the other auditors. 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 from material misstatement. The financial statements of the Houston Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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 System'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 System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of August 31, 2018 and 2017, and the 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**

##### **Emphasis of a matter**

As discussed in Note 2 to the financial statements, the System adopted new accounting guidance in 2018 related to the accounting for other post-employment benefits. Our opinion is not modified with respect to this matter.

##### **Required supplementary information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 33, the Schedule of Houston Community College System's Share of Net OPEB Liability, the Schedule of Houston Community College System's OPEB Contributions, the Schedule of Houston Community College System's Share of Net Pension Liability and the Schedule of Houston Community College System's Pension Contributions and related notes on pages 78 to 83, be presented to supplement the financial statements. Such information, although not a required part of the 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 85 through 88 and the schedule of expenditures of federal awards and the schedule of expenditures of The State of Texas awards 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* on pages 126 through 132 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Other information*

The introductory and statistical sections on pages 1 through 13 and 90 through 119 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 5, 2018, on our consideration of the System'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 solely 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 the effectiveness of the System's 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 System's internal control over financial reporting and compliance.

Grant Thornton LLP

Houston, Texas  
December 5, 2018

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**INTRODUCTION**

Management's discussion and analysis of the annual financial statements of the Houston Community College System ("HCC" or the "System") is designed to help readers understand some of the conditions and events contributing to the current financial position of HCC as well as to point out trends and changes in the results of operations. Please read it in conjunction with the Chancellor's Letter, the Transmittal Letter, HCC's basic financial statements, and notes to the financial statements. Responsibility for the completeness and fairness of this information rests with HCC. For purposes of the summary and discussion, the terms "2018", "2017" and "2016" refer to fiscal years ended August 31, 2018, August 31, 2017, and August 31, 2016, respectively.

**OVERVIEW OF FINANCIAL STATEMENTS**

HCC is considered a special-purpose government engaged in business-type activities according to the definition in Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The requirements of this Statement result in financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The resulting financial statement format focuses on HCC as a whole. The basic financial statements are designed to emulate the corporate presentation model whereby HCC's fiscal activities are consolidated into one column total. Comparative data from the prior year is shown in a separate column on the face of each of the statements. The financial results and position are presented as of August 31, 2018 and 2017 and consists of three primary statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows.

The Houston Community College Foundation (the "Foundation") is a non-profit organization established in 1976 with its sole purpose being to provide benefits such as scholarships and grants to HCC. The Foundation has been discretely presented in HCC's financial statements as a component unit by including its Statements of Financial Position and Activities in HCC's CAFR in accordance with GASB Statement No. 61. Since the financial statements of the Foundation are presented in a different format than those of HCC, the Foundation's financial statements are presented on separate pages from HCC's financial statements.

In fiscal year 2005, the Houston Community College System Public Facility Corporation (the "PFC") was formed for the sole purpose of assisting HCC in financing or acquiring public facilities. The PFC was incorporated on January 18, 2005 as a public non-profit corporation under the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended. Based on guidance included in GASB Statement No. 61, the PFC is reported as a blended component unit in the financial statements of the System.

**Financial Highlights for Fiscal Year 2018**

- Total assets decreased by \$27.7 million from fiscal year 2017 primarily due to the use of bond proceeds to complete the 2013 CIP program projects. Many of these projects have been placed in service and are now being depreciated resulting in only a \$2.4 million increase in capital assets, net.
- Total liabilities increased by \$22 million primarily due to changes in other post-employment benefit (OPEB) accounting standards.
- The System's net position at August 31, 2018 was \$390.1 million, reflecting a \$76.3 million decrease from the prior year which is primarily attributable to changes in OPEB accounting standards and the early adoption of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.
- The \$9 million increase in non-operating revenues is primarily related to an increase in Title IV grants (\$7.6 million) and property taxes (\$5.3 million) due to increased property values. These increases were offset by decreases in other revenue (\$3.3 million) and total state appropriations (\$0.8 million).

HOUSTON COMMUNITY COLLEGE SYSTEM  
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- Operating expenses increased by \$21.6 million over the prior year due to increases in employees' salary and benefits, scholarships and depreciation. The salary and benefit increases are the result of a 2% pay increase for full-time and part-time staff which was effective September 1, 2017. In addition, there were additional increases related to recommendations (last year of the phased in recommendations) from a previous compensation study. Scholarship expenses increased by 13.4% which was largely due to scholarships granted during the year to students affected by Hurricane Harvey. Depreciation increased due to the completion of most of the 2013 CIP program projects which are now operational and being depreciated.

**Statements of Net Position**

The Statements of Net Position represent the System's financial position at the end of each fiscal year presented and includes all assets, liabilities and deferred inflows and outflows of resources of the System. Net Position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and serves as a general indicator of financial stability.

From the data presented, readers of the financial statements are able to determine the assets available to continue operations of the System and how much the System owes vendors, investors and lending institutions.

Current liabilities are generally those liabilities which are due within one year, and current assets are those assets which are available to satisfy current liabilities. Non-current assets include restricted cash and cash equivalents, capital assets, investments and other assets not classified as current. Non-current liabilities include bonds payable and other long-term commitments.

Implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, impacts the current years' Statement of Net Position. Significant changes in liabilities and net position are attributable to implementation of GASB 75. Deferred outflows of resources for the Other Post-Employment Benefits (OPEB) plan are related to the differences between projected and actual investment earnings that occur at the plan level and contributions made to the Employees Retirement System of Texas (ERS) after the measurement date. Deferred inflows of resources for the OPEB plan are related to the differences between expected and actual economic experience and changes in actuarial assumptions at the plan level. The Net OPEB Liability was measured at August 31, 2017 and was established based on amounts recorded in ERS fiscal year 2017 Comprehensive Annual Financial Report and ERS fiscal year 2017 Actuarial Valuation Report. HCC's net position for fiscal year 2018 is \$390.1 million; however, without implementation of GASB 75 it would have been \$489.1 million.

Information regarding the recording of deferred outflows and inflows of resources related to the OPEB plan and the net OPEB liability can be found in Note 21 in the accompanying Notes to the Financial Statements.

In order to show the trends for the two years presented in the Statements of Net Position, a summary of three years of data for the fiscal years ended August 31, 2016 through 2018 is presented below.



HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Statements of Net Position**

	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
<b>ASSETS:</b>					
Current Assets	\$ 186,491,490	\$ 240,527,026	\$ 226,568,759	\$ (54,035,536)	\$ 13,958,267
Non-current Assets	114,238,243	90,363,897	217,642,922	23,874,346	(127,279,025)
Capital Assets, Net	1,199,871,386	1,197,440,430	1,087,835,890	2,430,956	109,604,540
Total Assets	<u>1,500,601,119</u>	<u>1,528,331,353</u>	<u>1,532,047,571</u>	<u>(27,730,234)</u>	<u>(3,716,218)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Advance Funding Valuation	8,281,520	9,252,957	7,936,830	(971,437)	1,316,127
OPEB	2,582,938	-	-	2,582,938	-
Pension	14,134,885	18,600,856	15,143,960	(4,465,971)	3,456,896
Total Deferred Outflows of Resources	<u>24,999,343</u>	<u>27,853,813</u>	<u>23,080,790</u>	<u>(2,854,470)</u>	<u>4,773,023</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,525,600,462</u>	<u>\$ 1,556,185,166</u>	<u>\$ 1,555,128,361</u>	<u>\$ (30,584,704)</u>	<u>\$ 1,056,805</u>
<b>LIABILITIES:</b>					
Current Liabilities	113,649,283	117,876,606	131,506,813	(4,227,323)	(13,630,207)
Non-current Liabilities	984,563,871	958,362,574	995,483,558	26,201,297	(37,120,984)
Total Liabilities	<u>1,098,213,154</u>	<u>1,076,239,180</u>	<u>1,126,990,371</u>	<u>21,973,974</u>	<u>(50,751,191)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Advance Funding Valuation	2,435,374	2,618,052	722,950	(182,678)	1,895,102
OPEB	18,739,982	-	-	18,739,982	-
Pension	16,089,600	10,865,899	12,954,101	5,223,701	(2,088,202)
Total Deferred Inflows of Resources	<u>37,264,956</u>	<u>13,483,951</u>	<u>13,677,051</u>	<u>23,781,005</u>	<u>(193,100)</u>
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 1,135,478,110</u>	<u>\$ 1,089,723,131</u>	<u>\$ 1,140,667,422</u>	<u>\$ 45,754,979</u>	<u>\$ (50,944,291)</u>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	363,332,433	374,110,855	318,343,549	(10,778,422)	55,767,306
Restricted-Expendable	12,120,519	18,554,933	14,035,601	(6,434,414)	4,519,332
Unrestricted	14,669,400	73,796,247	82,081,789	(59,126,847)	(8,285,542)
<b>TOTAL NET POSITION</b>	<u>\$ 390,122,352</u>	<u>\$ 466,462,035</u>	<u>\$ 414,460,939</u>	<u>\$ (76,339,683)</u>	<u>\$ 52,001,096</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
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**Assets**

**Fiscal Year 2018:**

In comparing fiscal year 2018 to 2017, overall assets decreased by \$27.7 million. Current assets decreased by \$54 million primarily due to reductions in short-term investments to complete capital improvement projects (CIP) and to shift unrestricted cash to long-term investments to take advantage of higher yields. As a result, non-current assets increased by \$23.9 million. While HCC incurred additional CIP expenditures during the year, many projects were placed in service and are being depreciated. As a result, net capital assets increased by only \$2.4 million.

**Fiscal Year 2017:**

In comparing fiscal year 2017 to fiscal year 2016, overall assets decreased by \$3.7 million. Current assets increased by \$13.9 million to accommodate current spending on capital improvement projects. Non-current assets decreased by \$17.6 million. This was comprised of a decrease of \$127.3 million in restricted cash and long-term investments used to fund construction projects and an increase in capital assets of \$109.6 million.

**Deferred Outflows of Resources**

**Fiscal Year 2018:**

Deferred outflows of resources decreased by \$2.9 million from fiscal year 2017 to fiscal year 2018 mainly due to a decrease of \$4.5 million related to the future net pension liability expense resulting from the difference between projected and actual earnings on TRS pension plan investments. This was offset by an increase of \$2.6 million in future net OPEB liability expense related to the implementation of GASB 75.

**Fiscal Year 2017:**

Deferred outflows of resources increased by \$4.8 million from fiscal year 2016 to fiscal year 2017 and was due to an increase of \$1.3 million related to the deferred loss on the refunding of the Revenue Bonds, PFC Bonds and Maintenance Tax Notes and an increase of \$3.5 million related to future pension liability expense.

**Liabilities**

**Fiscal Year 2018:**

Overall liabilities increased by \$22 million from fiscal year 2017 to fiscal year 2018. Current liabilities decreased by \$4.2 million as HCC is nearing completion of the 2013 CIP program. Non-current liabilities increased by \$26.2 million due primarily to the \$84 million OPEB liability recorded in fiscal year 2018 related to GASB 75. This amount was offset by a \$45.1 million decrease in outstanding debt in fiscal year 2018 attributable to principal payments of \$39.6 million, premium amortization of \$7.5 million and new borrowings of \$2.0 million. The pension liability related to HCC's participation in the TRS defined benefit pension plan decreased by \$10 million based on actuarial calculations at the plan level.

**Fiscal Year 2017:**

Overall liabilities decreased by \$50.7 million from fiscal year 2016 to fiscal year 2017. Current liabilities decreased by \$13.6 million which was primarily attributable to a decrease in accounts payable related to construction contracts due to the completion of several CIP projects. Non-current liabilities decreased by \$37.1 million due primarily to normal principal payments and the early payment and refinancing of debt.

HOUSTON COMMUNITY COLLEGE SYSTEM  
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**Deferred Inflows of Resources**

**Fiscal Year 2018:**

Deferred inflows of resources increased by \$23.8 million from fiscal year 2017 to fiscal year 2018. \$18.7 million of the increase was due to the implementation of GASB 75 related to OPEB. Also, there was an increase of \$5.2 million related to the future net pension liability expense resulting from the difference between projected and actual earnings on TRS pension plan investments.

**Fiscal Year 2017:**

Deferred inflows of resources decreased by \$193 thousand due to a decrease of \$2.1 million in the pension liability future expense which was offset by an increase in the deferred gain of \$1.9 million related to the refunding of the Limited Tax General Obligation Bonds.

**Net Position**

**Fiscal Year 2018:**

Overall, net position for 2018 is \$390.1 million, which is a \$76.3 million decrease from 2017. Current Unrestricted decreased in fiscal year 2018 from fiscal year 2017 by \$59.1 million related to implementation of GASB 75. Net investment in Capital Assets decreased \$10.8 million mainly due to the sale of land. Restricted-Expendable decreased by \$6.4 million primarily due to the implementation of GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires interest on bond funded construction projects to be recorded as expense versus capitalized as part of the capital project. The effect of implementing GASB 89 can be seen in Schedule C. Interest on capital-related debt increased from \$18 million in fiscal year 2017 to \$30.4 million in fiscal year 2018.

**Fiscal Year 2017:**

Overall, net position for 2017 is \$466.5 million, which is a \$52 million increase from 2016. Current Unrestricted and Auxiliary Enterprises increased in fiscal year 2017 over fiscal year 2016 by \$7.1 million and \$2.6 million, respectively, reflecting HCC's positive financial outcome for the year. Unrestricted Plant - Unexpended decreased by \$18.0 million. \$9.0 million of the Sienna Plantation campus sales proceeds was utilized to construct the new Missouri City campus. In addition, technology fees of \$8.8 million were used to purchase/replace instructional, IT, and security technology and equipment. The net effect of these changes was a decrease of \$8.3 million in Unrestricted Net Position. Net investment in Capital Assets increased \$55.8 million due to the increase in capital project expenditures during the year and continuing reduction in capital debt. Restricted-Expendable increased by \$4.5 million primarily due to the capitalization of interest on construction projects.

Net Position details are available in Schedule D.

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Statements of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses, and Changes in Net Position present the operating results, as well as non-operating revenues and expenses. Of the three main sources of revenue — ad valorem taxes, state appropriations, and tuition and fees — only tuition and fees represents an exchange for services. Taxes and state appropriations represent non-exchange transactions and thus are considered non-operating revenues. This approach to presenting revenues and expenses is intended to summarize and simplify the user's analysis of the various services offered to students and the public. Depending on whether revenues or expenses are greater for the year, a net increase or net decrease in net position is created. The ending balances of net position on these statements agree with those shown on the Statements of Net Position in Exhibit 1.

A summarized comparison of the System's revenues, expenses and changes in net position for the years ended August 31, 2018, 2017, and 2016 is presented below.

**Statements of Revenues, Expenses, and Changes in Net Position**

	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
Operating Revenues	\$ 109,415,489	\$ 114,132,214	\$ 113,893,667	\$ (4,716,725)	\$ 238,547
Operating Expenses	425,853,990	404,212,671	387,406,319	21,641,319	16,806,352
Operating Loss	(316,438,501)	(290,080,457)	(273,512,652)	(26,358,044)	(16,567,805)
Non-operating Revenues, Net	339,033,740	342,081,553	323,555,171	(3,047,813)	18,526,382
Increase/(Decrease) in Net Position	\$ 22,595,239	\$ 52,001,096	\$ 50,042,519	\$ (29,405,857)	\$ 1,958,577
Beginning Net Position	466,462,035	414,460,939	364,418,420	52,001,096	50,042,519
Cumulative Effect of Change in Accounting Principle	(98,934,922)	-	-	(98,934,922)	-
Ending Net Position	<u>\$ 390,122,352</u>	<u>\$ 466,462,035</u>	<u>\$ 414,460,939</u>	<u>\$ (76,339,683)</u>	<u>\$ 52,001,096</u>

**Revenues**

As described above and in accordance with GAAP, promulgated by GASB, state appropriations and ad valorem tax revenues are reported as non-operating revenues. This results in reporting large operating losses which are significantly decreased after inclusion of these non-operating revenues that are intended to contribute to operations. State appropriations are restricted by law to be used only for the educational and general expenses, HCC's primary operations. Ad valorem tax revenues are broken into two types: those for maintenance and operations and those for debt service. The maintenance and operations portion is specifically designed to be utilized for operations. The debt service portion is restricted to pay the principal, interest, and other costs associated with tax backed bonds (General Obligation or GO bonds and maintenance tax notes). Interest revenue is obtained through pooled investments, a large portion of which is attributable to operations. Also federal financial aid is classified as non-operating revenue by GASB.

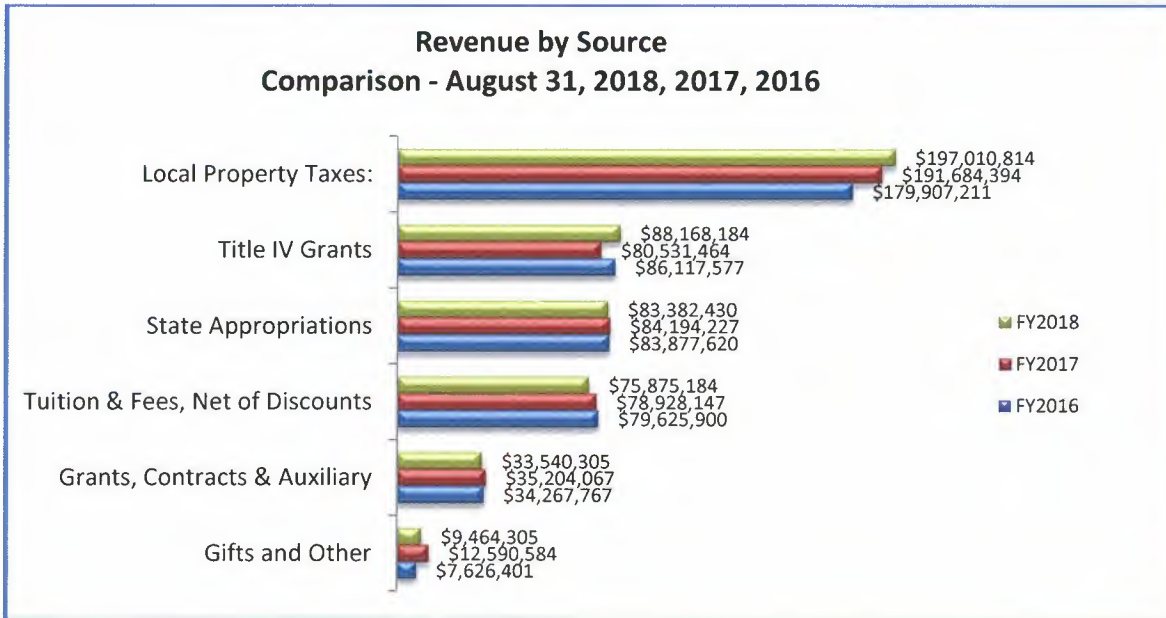
All revenues, both operating and non-operating, are presented below.

HOUSTON COMMUNITY COLLEGE SYSTEM  
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	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
<u>OPERATING REVENUES:</u>					
Tuition & Fees, Net of Discounts	\$ 75,875,184	\$ 78,928,147	\$ 79,625,900	\$ (3,052,963)	\$ (697,753)
Grants, Contracts & Auxiliary:					
Federal	14,618,765	14,092,252	13,844,635	526,513	247,617
State	7,241,239	6,848,608	6,790,982	392,631	57,626
Local, Private & Non-governmental	1,729,060	2,162,697	3,491,066	(433,637)	(1,328,369)
Auxiliary	9,951,241	12,100,510	10,141,084	(2,149,269)	1,959,426
Total Grants, Contracts & Auxiliary	33,540,305	35,204,067	34,267,767	(1,663,762)	936,300
<b>TOTAL OPERATING REVENUES</b>	<b>109,415,489</b>	<b>114,132,214</b>	<b>113,893,667</b>	<b>(4,716,725)</b>	<b>238,547</b>
<u>NON-OPERATING REVENUES:</u>					
State Appropriations:					
Unrestricted	68,165,444	70,294,751	70,168,777	(2,129,307)	125,974
Restricted	15,216,986	13,899,476	13,708,843	1,317,510	190,633
Total State Appropriations	83,382,430	84,194,227	83,877,620	(811,797)	316,607
Local Property Taxes:					
M & O	150,689,019	143,760,474	133,580,908	6,928,545	10,179,566
Debt	46,321,795	47,923,920	46,326,303	(1,602,125)	1,597,617
Total Local Property Taxes	197,010,814	191,684,394	179,907,211	5,326,420	11,777,183
Title IV Grants	88,168,184	80,531,464	86,117,577	7,636,720	(5,586,113)
Gifts and Other:					
Gifts	2,009,979	1,875,561	2,025,562	134,418	(150,001)
Other	7,454,326	10,715,023	5,600,839	(3,260,697)	5,114,184
Total Gifts and Other	9,464,305	12,590,584	7,626,401	(3,126,279)	4,964,183
<b>TOTAL NON-OPERATING REVENUES</b>	<b>378,025,733</b>	<b>369,000,669</b>	<b>357,528,809</b>	<b>9,025,064</b>	<b>11,471,860</b>
<b>TOTAL REVENUES</b>	<b>\$ 487,441,222</b>	<b>\$ 483,132,883</b>	<b>\$ 471,422,476</b>	<b>\$ 4,308,339</b>	<b>\$ 11,710,407</b>

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Revenue by Source**



**Fiscal Year 2018:**

Overall, operating revenues decreased by \$4.7 million or 4.1% in fiscal year 2018 as compared to fiscal year 2017 (Exhibit 2). The System experienced a decrease of 3.9% or \$ 3.1 million in tuition and fees revenue due to a slight decrease in enrollment and an increase in Dual Credit and other waivers, which offset tuition for students. There was an increase of 3.7% or \$0.5 million in federal grants and contracts and an increase of 5.7% or \$0.4 million in state grants and contracts. Non-governmental grants and contracts decreased by \$0.4 million or 20%. Auxiliary revenue decreased by \$2.1 million or 17.8% due to decreases in leasing and bookstore commission revenues.

Non-operating revenues increased by \$9 million or 2.5% over the previous year (Schedule C). Total state appropriations were lower in fiscal year 2018 by \$0.8 million or 1% compared to fiscal year 2017. Unrestricted state appropriations are determined for each biennium period based on funded contact hours (90%) reported during a base year period and a three year average of student success points (10%). Fiscal year 2018 is the first year in the current biennium period. Unrestricted state appropriations are \$2.1 million lower than last year because funded contact hours were 4% lower in the base year supporting the current biennium period allocation versus the base year supporting the previous biennium period allocation. Restricted state appropriations include the 50% reimbursement of retirement and health care premiums for eligible college employees. This amount increased by \$1.3 million over the prior year due to the 2% salary increase and slight premium increases. Property tax revenues increased by \$5.3 million over the prior year. While the total tax rate remained the same as last year (\$0.100263), total tax revenue increased due to increases in property valuations. In addition, as HCC's debt service requirements decrease, more of the tax revenue can be collected to cover costs such as salary increases. Title IV funds increased from \$80.5 million in fiscal year 2017 to \$88.2 million in fiscal year 2018 due to an increase in Pell awards.

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Fiscal Year 2017:**

Overall, operating revenues increased by \$0.2 million or 0.2% in fiscal year 2017 as compared to fiscal year 2016 (Exhibit 2). Although enrollment remained flat, the System experienced a decrease of 0.9% or \$ 0.7 million in tuition and fees revenue due to an increase in Dual Credit and other waivers, which offset tuition for students. There was also an increase of 1.8% or \$0.2 million in federal grants and contracts and an increase of 0.9% or \$0.06 million in state grants and contracts. Non-governmental grants and contracts decreased by \$1.4 million or 45%. In fiscal year 2016, HCC received a grant from the George Foundation to help with construction costs related to the Missouri City Campus which did not reoccur in fiscal year 2017. An increase in facilities rental income caused the increase in auxiliary revenue of \$2 million or 19.3%.

Non-operating revenues increased by 3.2% or \$11.5 million over the previous year (Schedule C). The total tax base in the System's taxing district increased from 2016 to 2017 by approximately 8%, resulting in an increase in the Maintenance & Operation portion of ad valorem taxes of \$10.2 million and an increase in the Debt Service portion of ad valorem taxes in the amount of \$1.6 million. These increases were achieved even though there was a decrease in both Maintenance & Operation and Debt Service tax rates. Title IV funds decreased from \$86 million in fiscal year 2016 to \$81 million in fiscal year 2017 due to a decrease in Pell awards. There was an increase of \$805 thousand in investment income in fiscal year 2017 versus 2016 due to a general increase in interest rates of approximately .34%. Other non-operating revenues increased by \$4.3 million over the prior year due to the final close-out of the PFC.

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

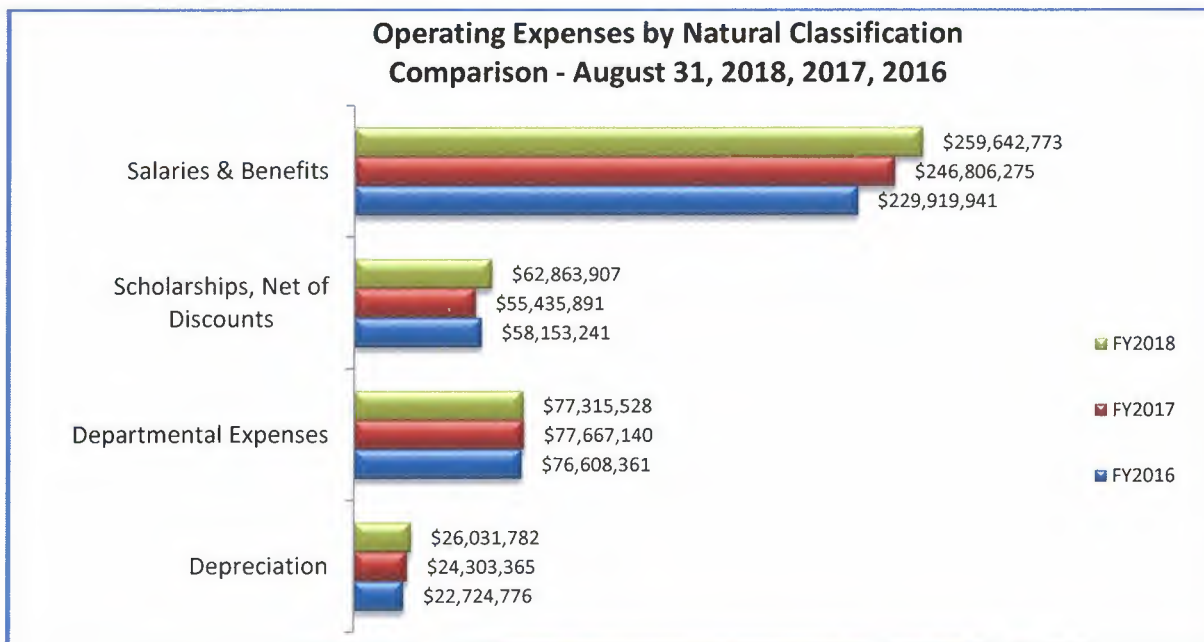
**Expenses**

Total Operating Expenses increased by \$21.6 million due largely to increases in employees' salaries and benefits, scholarships and depreciation. The salary and benefit increases are related to the implementation of year three recommendations from a previous compensation study and a 2% general salary increase. Scholarships increased during the period to support our students during Hurricane Harvey. Depreciation increased due to the completion of most of the 2013 CIP program projects which are now operational and being depreciated.

Operating Expenses are presented in two formats: Natural Classification and Functional Classification. The Natural Classification is intended to show "what" the dollars were spent on and the Functional Classification shows "who" spent the dollars.

The schedules below provide a three-year historical record of the use of funds by natural and functional classification. The expenses reported include both restricted and unrestricted funds.

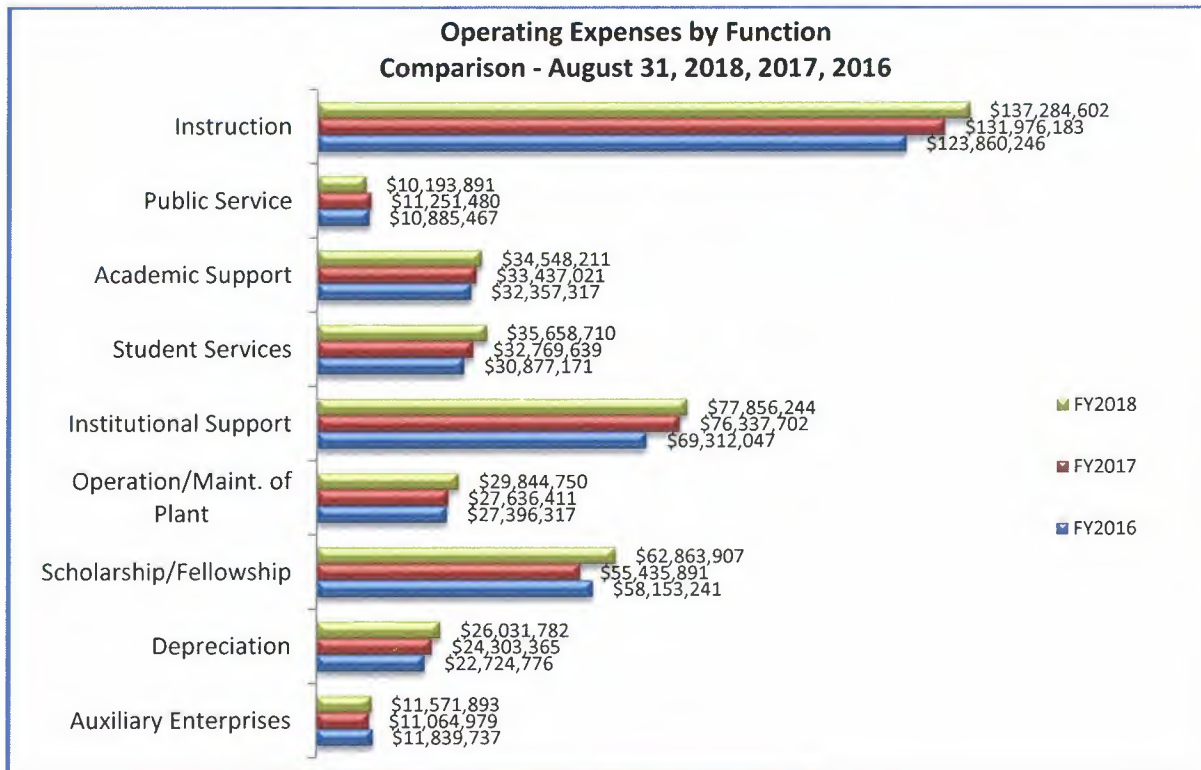
	Operating Expenses by Natural Classification						Change	
	2018	% of Total	2017	% of Total	2016	% of Total	2017 to 2018	2016 to 2017
Salaries & Benefits	\$259,642,773	61.0%	\$246,806,275	61.1%	\$ 229,919,941	59.3%	\$ 12,836,498	\$ 16,886,334
Scholarships, Net of Discounts	62,863,907	14.8%	55,435,891	13.7%	58,153,241	15.0%	7,428,016	(2,717,350)
Departmental Expenses	77,315,528	18.2%	77,667,140	19.2%	76,608,361	19.8%	(351,612)	1,058,779
Depreciation	26,031,782	6.1%	24,303,365	6.0%	22,724,776	5.9%	1,728,417	1,578,589
Total Operating Expenses	<u>\$425,853,990</u>	100%	<u>\$404,212,671</u>	100%	<u>\$ 387,406,319</u>	100%	<u>\$ 21,641,319</u>	<u>\$ 16,806,352</u>





**HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

	Operating Expenses by Functional Classification						Change	
	2018	% of Total	2017	% of Total	2016	% of Total	2017 to 2018	2016 to 2017
Instruction	\$ 137,284,602	32.2%	\$ 131,976,183	32.7%	\$ 123,860,246	32.0%	\$ 5,308,419	\$ 8,115,937
Public Service	10,193,891	2.4%	11,251,480	2.8%	10,885,467	2.8%	(1,057,589)	366,013
Academic Support	34,548,211	8.1%	33,437,021	8.3%	32,357,317	8.4%	1,111,190	1,079,704
Student Services	35,658,710	8.4%	32,769,639	8.1%	30,877,171	8.0%	2,889,071	1,892,468
Institutional Support	77,856,244	18.3%	76,337,702	18.9%	69,312,047	17.9%	1,518,542	7,025,655
Operation/Maint. of Plant	29,844,750	7.0%	27,636,411	6.8%	27,396,317	7.1%	2,208,339	240,094
Scholarship/Fellowship	62,863,907	14.8%	55,435,891	13.7%	58,153,241	15.0%	7,428,016	(2,717,350)
Depreciation	26,031,782	6.1%	24,303,365	6.0%	22,724,776	5.9%	1,728,417	1,578,589
Auxiliary Enterprises	11,571,893	2.7%	11,064,979	2.7%	11,839,737	3.1%	506,914	(774,758)
<b>Total Operating Expense</b>	<b>\$ 425,833,990</b>	<b>100%</b>	<b>\$ 404,212,671</b>	<b>100%</b>	<b>\$ 387,406,319</b>	<b>100%</b>	<b>\$ 21,641,319</b>	<b>\$ 16,806,352</b>



**Fiscal Year 2018**

Operating expenses by functional classification increased in fiscal year 2018 by \$21.6 million or 5.5% compared to fiscal year 2017. The increases in most of the functional areas such as instruction, academic support, student services and institutional support can be attributed to salaries and benefits which are up due to the 2% salary increase and increases related to the third and final year recommendations from a previous compensation study. Operations and maintenance of plant has increased over fiscal year 2017 due to the new buildings that have been placed in service. Scholarships increased during the period to support our students during Hurricane Harvey. Depreciation increased due to the completion of most of the 2013 CIP program projects which are now operational and being depreciated.

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Fiscal Year 2017:**

Operating expenses by functional classification increased in fiscal year 2017 by \$16.8 million or 4.3% compared to fiscal year 2016. The increases are primarily in the instructional and institutional support functional areas as a result of the continued initiatives begun in recent years that align with HCC's transformation activities. The major increases are related to salary and benefits, and the hiring of 12 new faculty members.

**The Foundation**

As required by the reporting entity criteria in GASB Statement No. 61, HCC includes the Statements of Financial Position and Statements of Activities for the Foundation in its CAFR. For the fiscal year ended August 31, 2018, the Foundation's total assets were \$16.5 million, an amount that represents 1% of HCC's total assets for the same period. For the fiscal year ended August 31, 2017, the Foundation's total assets were \$15.7 million, which represents 1% of HCC's total assets for the same fiscal year. The income from the Foundation is partially used to fund scholarships and grants for the students of HCC. However, most of the Foundation's net assets are permanently restricted and therefore not available for HCC's direct use. Permanently restricted net assets of the Foundation were \$10.2 million and \$10.1 million for the fiscal years ended August 31, 2018 and 2017, respectively.

**Statements of Cash Flows**

The Statements of Cash Flows combine information from the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position to illustrate the effect of various actions of HCC on the availability and ultimate change in the amount of cash from one year to the next. The cash provided or used by operations, capital and non-capital financing, and investing activities combine to show the net change in cash and cash equivalents. The final portion of the Statements of Cash Flows reconciles the net income or loss from operations to the cash provided or used by operations.

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Capital Assets and Debt Administration**

Changes in net capital assets are the result of acquisitions, improvements, disposals and changes in accumulated depreciation. In accordance with GASB Statements No. 34 and 35, the System does not record the cost of capital assets as an expense at the time of acquisition or completion of the asset, but rather shows the expense systematically over the expected life of the asset as depreciation expense. The amount shown in the accounting records for the value of the asset will decrease each year until the asset is fully depreciated or removed from service. As a result, the amount of capital assets shown in the Statements of Net Position may decrease from one year to another, even though new assets have been acquired during the year. Capital assets subject to depreciation include improvements to land (such as parking lots and signage), buildings and other real estate improvements, library books and furniture and equipment. Land is not depreciated.

**Bond Funded Capital Improvement Program (in thousands)**

Included below is a summary of the status of the 14 bond funded capital projects, inception through August 31, 2018. Some of these projects were completed in fiscal years 2016, 2017 and 2018 and are now being depreciated. Some completed projects still have funds committed for final invoices. In addition, furniture, fixtures, equipment, and IT instruction related items are still being purchased for other completed projects.

Campus Name	Scope of Work	Sq. Ft.	Budget	Paid Expenditures thru 8/31/18	Committed	Balance	Completion or Anticipated Completion Date
Central Campus	Culinary Bldg	32,121	\$ 28,004	\$ 20,132	\$ 5,677	\$ 2,195	August 2019
West Loop Campus	Parking Garage & Multi-Use Facility	3,000	22,385	22,368	-	17	April 2016
Felix Fraga Campus	New STEM Bldg	36,432	14,545	12,538	1,030	977	January 2018
Eastside Campus	Workforce & Student Ctr.	44,448	29,807	29,267	50	490	May 2017
Coleman Campus	New Healthcare Facility Bldg & Campus Improvements	250,889	100,730	77,498	8,187	15,045	August 2018
Alief-Hayes Campus	Improvements	92,738	12,874	12,343	-	531	January 2016
Brays Oak Campus	New Workforce Bldg	28,268	10,855	10,701	-	154	December 2016
Stafford Campus	New Workforce Bldg	57,424	21,993	21,913	-	80	September 2016
West Houston Institute	New STEM Bldg	111,862	42,906	40,172	210	2,524	September 2017
Missouri City Campus	New CETH Bldg	69,340	30,867	27,986	-	2,881	June 2017
Central South Campus	New Workforce Bldg	64,959	23,468	22,749	262	457	October 2017
Acres Homes Campus	New Academic Bldg	25,120	12,919	12,612	-	307	October 2017
Northline Campus	Instructional/Multi-Use Bldg & Parking Garage	51,506	25,575	24,650	881	44	December 2017
North Forest Campus	New Workforce Bldg & Renovations	46,306	45,012	36,686	8,183	143	February 2019
System*	Admin. Services/Program Mgr.		21,830	20,914	401	515	
	<b>Grand Total</b>	<b>914,413</b>	<b>\$ 443,771</b>	<b>\$ 392,529</b>	<b>\$ 24,881</b>	<b>\$26,361</b>	

\*System costs include Admin Services, Program Manger, IT, Legal Fees, Warehousing Expense and are allocated to the individual projects based on the projects' percentage of the total CIP budget.

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Capital Assets (Net of Depreciation)**

	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
Capital Assets:					
Land	\$ 134,932,686	\$ 155,501,834	\$ 155,501,834	\$ (20,569,148)	\$ -
Construction in Progress	47,421,069	233,891,653	218,170,628	(186,470,584)	15,721,025
Buildings	884,382,886	672,517,059	589,907,023	211,865,827	82,610,036
Other Real Estate Improvements	91,969,910	95,583,959	91,174,948	(3,614,049)	4,409,011
Library Books	3,149,406	3,231,749	3,342,379	(82,343)	(110,630)
Furniture, Machinery, Vehicles and Other Equipment	31,400,445	29,981,435	24,638,349	1,419,010	5,343,086
Telecommunications and Peripheral Equipment	6,614,984	6,732,741	5,100,729	(117,757)	1,632,012
Total Capital Assets, Net	<u>\$ 1,199,871,386</u>	<u>\$ 1,197,440,430</u>	<u>\$1,087,835,890</u>	<u>\$ 2,430,956</u>	<u>\$ 109,604,540</u>

**Fiscal Year 2018:**

Net capital assets increased \$2.4 million from fiscal year 2017 to fiscal year 2018. All but two (North Forest Campus and the Central Campus Culinary Institute) of the CIP projects were substantially complete and moved from CIP to their respective asset categories and are now being depreciated. As a result, depreciation was more than the prior year offsetting some of the current year asset and CIP additions. In addition, there was a \$20.6 million decrease in land due to the sale of property.

**Fiscal Year 2017:**

There was a significant increase in net capital assets of approximately \$109.6 million from fiscal year 2016 to fiscal year 2017 as additional progress was made on the CIP projects funded with proceeds from the 2013 bond program. Several projects were completed during the year accounting for the \$93.9 million net increase in buildings, real estate improvements, and equipment (net of accumulated depreciation).

See Footnote 6 of the financial statements for additional information regarding the capital asset activity.

**Outstanding Debt**

	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
Outstanding Debt:					
Notes Payable	\$ 101,637,261	\$ 109,188,863	\$ 152,611,764	\$ (7,551,602)	\$ (43,422,901)
Revenue Bonds	217,121,333	240,546,862	215,271,644	(23,425,529)	25,275,218
PFC Lease Revenue Bonds	-	-	46,078,640	-	(46,078,640)
General Obligation Bonds	511,685,732	524,978,521	540,213,663	(13,292,790)	(15,235,142)
Maintenance Tax Bonds	33,873,578	34,717,506	-	(843,929)	34,717,506
Total Outstanding Debt	<u>\$ 864,317,903</u>	<u>\$ 909,431,752</u>	<u>\$ 954,175,711</u>	<u>\$ (45,113,850)</u>	<u>\$ (44,743,959)</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Fiscal Year 2018:**

There was a \$45.1 million decrease in outstanding debt in fiscal year 2018 which was attributable to principal payments of \$39.6 million and premium amortization of \$7.5 million, offset by new borrowings of \$2.0 million.

**Fiscal Year 2017:**

There was a \$44.7 million decrease in outstanding debt in fiscal year 2017. In addition to normal principal payments and amortization of note and bond premiums, the System refinanced some of its long-term debt by issuing combined fee revenue refunding bonds, maintenance tax refunding bonds and limited tax refunding bonds. The proceeds of these bonds were used to defease the PFC Lease Revenue Bonds (\$45.2 million), Maintenance Tax Notes (\$33.3 million), Limited Tax General Obligation Bonds (\$20.0 million) and Student Fee Revenue Bonds (\$11.6 million). These refinancings will reduce the System's debt service over the next 21 years and generate an economic gain of approximately \$19.5 million.

See footnotes 7 through 11 of the financial statements for additional information regarding outstanding debt activity.

**FUTURE OUTLOOK**

**Ad Valorem Taxes**

The total ad valorem tax rate for calendar year 2018 (fiscal year 2019) remains the same as calendar year 2017 (fiscal year 2018) at \$0.100263. The debt service tax rate of \$0.023512 per \$100 of assessed valuation is lower than last year's rate (\$0.023611) as the principal and interest payments for fiscal year 2019 are lower than the amounts due in fiscal year 2018. In contrast, the M & O tax rate for fiscal year 2019 (\$0.076751 per \$100 of assessed valuation) is slightly higher than the fiscal year 2018 M & O rate (\$0.076652).

**Financial Reserves**

In June 2018, the Board of Trustees revised the financial reserves policy to establish 180 days (+/-5%) of operating expenditures as the minimum level for the College's Annual Days Cash on Hand. The previous policy required the College District to maintain a fund balance of nine (9) to eleven (11) percent of general fund revenue as of August 31 of each year. This change provides for an additional five (4-5) months of reserves for unforeseen circumstances.

HCC's outlook for the foreseeable future continues to be positive as a result of its strategic leadership, fiscal management and stable local economy.

**CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the System's citizens, taxpayers, students, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Vice Chancellor of Finance and Administration's office at 3100 Main, Houston, Texas 77002. Additional information can also be found on HCC's Financial Transparency page at the following link: <http://www.hccs.edu/about-hcc/transparency/>.

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATEMENTS OF NET POSITION  
AUGUST 31, 2018 AND 2017

Exhibit 1

ASSETS	2018	2017
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents (Note 4)	\$ 65,256,699	\$ 56,948,509
Accounts Receivable and Other Receivables, Net (Note 5)	30,444,962	29,535,958
Prepaid Charges	9,527,608	5,574,161
Restricted Short - Term Investments (Note 4)	2,964,123	49,986,230
Other Short - Term Investments (Note 4)	78,298,098	98,482,168
Total Current Assets	186,491,490	240,527,026
<b>NON-CURRENT ASSETS:</b>		
Restricted Cash and Cash Equivalents (Note 4)	63,880,725	67,075,456
Other Long - Term Investments (Note 4)	47,267,483	17,153,910
Restricted Long - Term Investments (Note 4)	3,090,035	6,134,531
Capital Assets, Net (Note 6)	1,199,871,386	1,197,440,430
Total Non-current Assets	1,314,109,629	1,287,804,327
<b>TOTAL ASSETS</b>	1,500,601,119	1,528,331,353
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Advance Funding Valuation	8,281,520	9,252,957
OPEB	2,582,938	-
Pension	14,134,885	18,600,856
Total Deferred Outflows of Resources	24,999,343	27,853,813
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable (Note 5)	14,636,119	17,132,772
Accrued Liabilities	13,039,448	17,963,522
Compensated Absences (Note 16)	3,796,103	3,473,298
Funds Held for Others	889,415	898,637
Unearned Revenues	42,488,137	41,873,377
Net OPEB Liability - Current Portion (Note 7 and 20)	430,061	-
Notes Payable - Current Portion (Note 7 and 11)	6,515,000	8,870,000
Bonds Payable - Current Portion (Note 7 and 8)	31,855,000	27,665,000
Total Current Liabilities	113,649,283	117,876,606
<b>NON-CURRENT LIABILITIES:</b>		
Deposits	-	440
Net OPEB Liability (Note 7 and 20)	84,325,785	-
Net Pension Liability (Note 7 and 14)	74,290,183	85,465,382
Notes Payable (Note 7 and 11)	95,122,261	100,318,863
Bonds Payable (Note 7 and 8)	730,825,642	772,577,889
Total Non-current Liabilities	984,563,871	958,362,574
<b>TOTAL LIABILITIES</b>	1,098,213,154	1,076,239,180
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Advance Funding Valuation	2,435,374	2,618,052
OPEB	18,739,982	-
Pension	16,089,600	10,865,899
Total Deferred Inflows of Resources	37,264,956	13,483,951
<b>NET POSITION</b>		
Net Investment in Capital Assets	363,332,433	374,110,855
Restricted for		
Expendable		
Loans	238,697	509,964
Debt Service	11,881,822	18,044,969
Unrestricted	14,669,400	73,796,247
<b>TOTAL NET POSITION</b>	\$ 390,122,352	\$ 466,462,035

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

**Houston Community College Foundation  
Statements of Financial Position**

<i>August 31,</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 440,775	\$ 410,200
Contributions receivable	452,263	127,500
Prepays and other current assets	55,248	-
Investments	5,422,194	4,968,696
<b>Total current assets</b>	<b>6,370,480</b>	<b>5,506,396</b>
Noncurrent assets		
Contributions receivable	-	100,000
Investments, restricted for endowments	10,166,522	10,066,530
<b>Total noncurrent assets</b>	<b>10,166,522</b>	<b>10,166,530</b>
<b>Total assets</b>	<b>\$ 16,537,002</b>	<b>\$ 15,672,926</b>
<b>Liabilities</b>		
Current liabilities		
Due to related party	\$ 287,029	\$ 96,277
<b>Total current liabilities</b>	<b>287,029</b>	<b>96,277</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Unrestricted	667,057	579,745
Temporarily restricted	5,416,394	4,920,687
Permanently restricted	10,166,522	10,076,217
<b>Total net assets</b>	<b>16,249,973</b>	<b>15,576,649</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,537,002</b>	<b>\$ 15,672,926</b>

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

Exhibit 2

	2018	2017
<b>OPERATING REVENUES:</b>		
Tuition and Fees, Net of Discounts	\$ 75,875,184	\$ 78,928,147
Federal Grants and Contracts	14,618,765	14,092,252
State Grants and Contracts	7,241,239	6,848,608
Local Grants and Contracts	97,715	148,327
Non-Governmental Grants and Contracts	1,350,083	1,680,496
Sales and Services of Educational Activities	281,262	333,874
Auxiliary Enterprises	9,951,241	12,100,510
Total Operating Revenues (Schedule A)	109,415,489	114,132,214
<b>OPERATING EXPENSES:</b>		
Instruction	137,284,602	131,976,183
Public Service	10,193,891	11,251,480
Academic Support	34,548,211	33,437,021
Student Services	35,658,710	32,769,639
Institutional Support	77,856,244	76,337,702
Operations and Maintenance	29,844,750	27,636,411
Scholarships and Fellowships	62,863,907	55,435,891
Auxiliary Enterprises	11,571,893	11,064,979
Depreciation	26,031,782	24,303,365
Total Operating Expenses (Schedule B)	425,853,990	404,212,671
<b>OPERATING LOSS</b>	<b>(316,438,501)</b>	<b>(290,080,457)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
State Appropriations	83,382,430	84,194,227
Maintenance Ad Valorem Taxes	150,689,019	143,760,474
Debt Service Ad Valorem Taxes	46,321,795	47,923,920
Gifts	2,009,979	1,875,561
Investment Income, Net	4,221,227	3,557,445
Interest on Capital Related Debt	(30,411,867)	(17,991,413)
Title IV Grants	88,168,184	80,531,464
Hurricane Harvey Expenses (Net of Recoveries)	(184,313)	-
Gain on Sale of Capital Assets	725,332	-
Other Non-operating Revenues	2,507,767	7,157,578
Other Non-operating Expenses	(8,395,813)	(8,927,703)
Net Non-operating Revenues (Schedule C)	339,033,740	342,081,553
Increase In Net Position	22,595,239	52,001,096
Net Position, Beginning of Year	466,462,035	414,460,939
Cumulative effect of change in accounting principle (Note 2)	(98,934,922)	-
Net Position, Beginning of Year, Restated	367,527,113	-
Net Position, End of Year	\$ 390,122,352	\$ 466,462,035

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



**Houston Community College Foundation**  
**Statement of Activities**

<i>For the year ended August 31,</i>	<b>2018</b>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and income</b>				
Contributions and donations	\$ 681,978	\$ 2,612,043	\$ 90,305	\$ 3,384,326
In-kind revenue	1,081,570	-	-	1,081,570
Interest and dividend income	115,276	247,315	-	362,591
Realized and unrealized gains (losses) on investments	(88,576)	387,926	-	299,350
Vending and other income	210,000	-	-	210,000
Net assets released from restrictions	2,751,577	(2,751,577)	-	-
<b>Total support and income</b>	<b>4,751,825</b>	<b>495,707</b>	<b>90,305</b>	<b>5,337,837</b>
<b>Program services</b>				
Scholarships	1,504,689	-	-	1,504,689
Grant distributions	1,118,601	-	-	1,118,601
Student service distributions	126,000	-	-	126,000
Other program services	717,031	-	-	717,031
<b>Total program services</b>	<b>3,466,321</b>	<b>-</b>	<b>-</b>	<b>3,466,321</b>
<b>Support services</b>				
Fundraising	660,884	-	-	660,884
Administration	537,308	-	-	537,308
<b>Total support services</b>	<b>1,198,192</b>	<b>-</b>	<b>-</b>	<b>1,198,192</b>
<b>Total program and support services</b>	<b>4,664,513</b>	<b>-</b>	<b>-</b>	<b>4,664,513</b>
Increase in net assets	87,312	495,707	90,305	673,324
<b>Net assets, beginning of year</b>	<b>579,745</b>	<b>4,920,687</b>	<b>10,076,217</b>	<b>15,576,649</b>
<b>Net assets, end of year</b>	<b>\$ 667,057</b>	<b>\$ 5,416,394</b>	<b>\$ 10,166,522</b>	<b>\$ 16,249,973</b>

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

**Houston Community College Foundation**  
**Statement of Activities**

<i>For the year ended August 31,</i>	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and income</b>				
Contributions and donations	\$ 239,238	\$ 2,971,600	\$ 95,707	\$ 3,306,545
In-kind revenue	1,024,490	-	-	1,024,490
Interest and dividend income	108,605	227,660	-	336,265
Realized and unrealized gains on investments	-	210,511	-	210,511
Vending and other income	210,000	-	-	210,000
Net assets released from restrictions	2,385,458	(2,385,458)	-	-
<b>Total support and income</b>	<b>3,967,791</b>	<b>1,024,313</b>	<b>95,707</b>	<b>5,087,811</b>
<b>Program services</b>				
Scholarships	1,430,721	-	-	1,430,721
Grant distributions	950,196	-	-	950,196
Student service distributions	126,000	-	-	126,000
Other program services	320,686	-	-	320,686
<b>Total program services</b>	<b>2,827,603</b>	<b>-</b>	<b>-</b>	<b>2,827,603</b>
<b>Support services</b>				
Fundraising	493,252	-	-	493,252
Administration	548,093	-	-	548,093
<b>Total support services</b>	<b>1,041,345</b>	<b>-</b>	<b>-</b>	<b>1,041,345</b>
<b>Total program and support services</b>	<b>3,868,948</b>	<b>-</b>	<b>-</b>	<b>3,868,948</b>
Increase in net assets	98,843	1,024,313	95,707	1,218,863
<b>Net assets, beginning of year</b>	<b>480,902</b>	<b>3,896,374</b>	<b>9,980,510</b>	<b>14,357,786</b>
<b>Net assets, end of year</b>	<b>\$ 579,745</b>	<b>\$ 4,920,687</b>	<b>\$ 10,076,217</b>	<b>\$ 15,576,649</b>

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

Exhibit 3

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 85,922,377	\$ 89,275,669
Receipts from grants and contracts	22,945,939	21,267,123
Payments to suppliers for goods and services	(85,972,154)	(75,803,119)
Payments to or on behalf of employees	(257,415,856)	(242,388,751)
Payments for scholarships and fellowships	(63,918,083)	(54,571,881)
Other non-operating revenue	954,397	1,489,220
Net cash used in operating activities	(297,483,380)	(260,731,739)
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from ad valorem taxes	195,634,672	190,651,683
Receipts from state allocations	83,382,430	84,194,227
Receipts from private gifts	2,009,979	1,875,561
Received federal direct student loans ( SA: Federal note 4)	81,646,184	81,363,642
Disbursement of federal direct student loans ( SA: Federal note 4)	(81,646,184)	(81,363,642)
Receipts from Title IV	88,168,184	80,531,464
Receipts from Harvey relief	10,000	-
Payments to suppliers/employees for Harvey relief	(840,952)	-
Net cash provided by non-capital financing activities	368,364,313	357,252,935
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Receipts from the issuance of capital debt	2,033,187	118,867,071
Bond issue cost paid on new capital debt issue	-	(905,106)
Proceeds from sale of capital assets (land)	15,405,157	-
Purchase of capital assets	(45,135,306)	(129,238,315)
Proceeds from non-operating capital revenues	-	(4,602,169)
Payments of capital related expenses	(4,570,442)	(2,881,903)
Payments on capital debt and leases - principal	(39,655,000)	(151,573,299)
Payments on capital debt and leases - interest and fees	(38,203,396)	(39,365,543)
Net cash used in financing activities	(110,125,800)	(209,699,264)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	158,827,638	100,536,519
Interest on investments	4,221,227	3,557,445
Purchase of investments	(118,690,539)	(80,872,632)
Net cash provided by investing activities	44,358,326	23,221,332
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	5,113,459	(89,956,736)
<b>CASH AND RESTRICTED CASH EQUIVALENTS - BEG OF YEAR (EXHIBIT 1)</b>	124,023,965	213,980,701
<b>CASH AND RESTRICTED CASH EQUIVALENTS - END OF YEAR (EXHIBIT 1)</b>	\$ 129,137,424	\$ 124,023,965
 <b>CASH AND CASH EQUIVALENTS</b>	 \$ 65,256,699	 \$ 56,948,509
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>	63,880,725	67,075,456
<b>CASH AND RESTRICTED CASH EQUIVALENTS</b>	\$ 129,137,424	\$ 124,023,965

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATEMENTS OF CASH FLOWS - CONTINUED  
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

Exhibit 3

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED  
IN OPERATING ACTIVITIES**

	2018	2017
Operating loss	\$ (316,438,501)	\$ (290,080,457)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	26,031,782	24,303,365
Bad debt expense	-	1,108,175
OPEB expense	4,535,812	-
Pension expense	5,214,970	-
Changes in assets and liabilities:		
Accounts and other receivables	(127,326)	927,816
Prepaid charges	(3,953,447)	1,799,695
Accounts payables and accruals	(4,335,990)	1,942,209
Deferred outflows	(5,537,410)	2,767,488
Deferred inflows	23,963,684	(8,312,586)
Unearned revenues	534,078	(3,028,020)
Compensated absences	322,805	553,482
Net pension liability	(11,175,199)	7,279,676
Net OPEB liability	(16,509,415)	-
Funds held for others	(9,223)	7,418
	18,955,121	29,348,718
Net cash used in operating activities	\$ (297,483,380)	\$ (260,731,739)

**Schedule of non-cash investing, capital and financing activities:**

Payments made directly by state for benefits	\$ 13,071,927	\$ 13,899,477
Increase in fair value of investments	74,319	29,237
Amortization of premium on bonds	7,492,037	6,800,425
Amortization of deferred charges on bonds refunding	788,759	802,460
Net non-cash investing, capital and financing activities	\$ 21,427,042	\$ 21,531,599

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

Houston Community College System (“HCC” or the “System”) was established on May 8, 1971, in accordance with the laws of the State of Texas, and serves the educational needs of its service area as outlined in Chapter 130 of the Texas Education Code. The service area includes the Houston Independent School District, Alief Independent School District, Katy Independent School District, Spring Branch Independent School District, Stafford Municipal School District, and the portions of Fort Bend Independent School District located in the cities of Houston, Pearland and Missouri City. Those portions of the service area located in the Katy and Spring Branch Independent School Districts lie outside of the taxing authority of HCC. The System is a comprehensive public two-year institution offering academic, general, occupational, development, and continuing adult education programs through a network of locations.

HCC is considered to be a special purpose, primary government involved in business-type activities as defined by the Governmental Accounting Standards Board (GASB). While the System receives funding from local, state and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

GASB gives guidance in determining whether certain organizations related to the System should be reported as component units based on the nature and significance of their relationship with the primary government. Using the criteria established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, the System’s management has determined that the Houston Community College Foundation (the “Foundation”) and the Houston Community College System Public Facility Corporation (“PFC”) should be reported as component units of the System using a discrete and blended presentation, respectively. Note 23 to the financial statements describes the Foundation and PFC and their financial statement presentation in more detail.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed by the System in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by GASB. The accompanying financial statements are also in accordance with the Texas Higher Education Coordinating Board’s *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*.

Basis of Accounting

The financial statements of the System have been prepared on the accrual basis of accounting 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.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31 of each year and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tuition Discounting

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

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

*Other Tuition Discounts* - Student tuition and fees revenue are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual amount for tuition and fees charged by the System and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the System has recorded a scholarship discount. Schedule A provides a detail of tuition discounts.

Budgetary Data

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

Cash and Cash Equivalents

Cash on hand and demand deposits with original maturities of three months or less from the date of acquisition are considered to be cash and cash equivalents. The System has classified public funds investment pools comprised of Lone Star Investment Pool (Lone Star) and Texas Local Government Investment Pool (TexPool) as cash equivalents.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position includes 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 one or more future periods and as such will not be recognized as an outflow of resources (expense) until such period. Governments are permitted to report deferred outflows of resources only in circumstances specifically authorized by the GASB. The System has deferred charges for other post-employment benefits (OPEB), pension, and advanced funding valuation.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

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 the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. Investment funds related to bond issues set aside for construction of capital assets are classified as restricted investments.

Prepaid Charges

Expenses and costs paid in advance which pertain to the subsequent fiscal year(s), such as scholarships disbursed to students before August 31 for fall semester classes are accounted for as prepaid charges.

Capital Assets

Capital assets are stated at cost at the date of acquisition, or fair value at the date of donation. The System reports depreciation under a single line-item, as would be done by an entity reporting as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets and is not allocated to the functional expenditure categories. The threshold for capitalization of assets is \$5,000. Renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. The following estimated useful lives are used for depreciable assets:

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

Interest on Capital Related Debt

Interest expense on capital related debt totaled \$30,411,867 and \$32,068,098 for fiscal years 2018 and 2017, respectively. Of these amounts, \$0 and \$14,094,686 were capitalized to construction in progress for fiscal years 2018 and 2017, respectively, in accordance with provisions of GASB Statement No. 62. In fiscal year 2018, HCC implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, early. This pronouncement requires interest expense on capital related projects to be recorded as a current period expense on a prospective basis.

OPEB (Other Post-Employment Benefits)

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pensions

The System 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 using 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 benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes 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 one or more future period(s) and is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows of resources in circumstances specifically authorized by the GASB. The System has deferred inflows of resources for other post-employment benefits (OPEB), pension and advanced funding valuation.

Unearned Revenues

Tuition, fees, and other revenues received and or billed during the current fiscal year, but related to the period after August 31 of any one year have been reported as unearned revenues. Also reported as unearned revenues are public education grant revenues that must be matched to certain scholarship disbursements reported as prepaid charges.

Income Taxes

The System 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 Organizations, etc.* The System expects minimal unrelated business income tax liability for the year ended August 31, 2018 and had no such liability for the year ended August 31, 2017.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of tuition and taxes receivable, the useful lives of property and equipment, certain accrued liabilities, and the allocation of expenses among functional areas. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Operating and Non-operating Revenues and Expenses

The System presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB. Operating revenues and expenses generally result from providing services in connection with the System's principal ongoing operations. The principal operating revenues are tuition and related fees and contracts and grants. The major non-operating revenues are allocations from the State, property tax collections and Title IV financial aid funds. Property taxes are recognized as revenues in the year for which they are levied. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. The bookstore and vending machine operations are owned and managed by third parties.



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Adoption of New Accounting Standards

Effective with fiscal year 2018, the System implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

Because audited beginning balances are not obtainable for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the System determined it was impractical to restate 2017 financial statements. As such, the System recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No 75:

Beginning net position	\$ 466,462,035
Cumulative effect of change in accounting principle:	
Net OPEB Liability (measurement date as of August 31, 2017)	(101,265,261)
Deferred outflow of System contributions made during FY 2017	2,330,339
Beginning net position, as restated	<u>\$ 367,527,113</u>

Effective with fiscal year 2018, the System implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, early. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Effective with fiscal year 2018, the System on a prospective basis implemented GASB Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The GASB statements listed below were reviewed, but found not to be applicable to the System at this time.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*.

Effective with fiscal year 2017, the System implemented the following:

- GASB Statement No 82, *Pension Issues – an amendment of GASB Statements No. 67, No.68 and No. 73*.

Pending Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement standardizes requirements on the recognition and measurement for asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for periods beginning after June 15, 2018.

In April 2018, GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for periods beginning after December 15, 2018. The System has not yet completed the process of evaluating the impact of GASB Statements nos. 83, 84, 87, 88 and 90 on its financial statements.

Reclassifications

Certain reclassifications have been made to the prior year to conform with the current year presentation.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – AUTHORIZED INVESTMENTS

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

NOTE 4 – DEPOSITS AND INVESTMENTS

The carrying amount (book balance) of the System's demand deposits with financial institutions as of August 31, 2018 and 2017 was \$6,558,728 and \$ 11,588,672 and bank balances equaled \$8,093,310 and \$14,262,352 respectively. Of the bank balances for fiscal year 2018, \$250,000 is covered by FDIC and \$7,843,310 was covered by collateral pledged in the System's name. For fiscal year 2017, \$250,000 of the balance was covered by FDIC and \$14,012,352 was covered by collateral pledged in the System's name. For both fiscal years, the collateral was held in an account of an independent third party agent.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

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

	<u>2018</u>	<u>2017</u>
Demand Deposits	\$ 6,558,728	\$ 11,588,672
Cash and Cash Equivalents:		
Petty Cash on Hand	49,862	49,992
Cash at Bank	552,889	1,651,025
Money Market Funds	35,062,875	22,146,333
High Yield Savings	-	3,590
TexPool	62,433,362	60,027,375
Lone star	24,479,708	28,556,978
Total Cash and Cash Equivalents	<u>122,578,696</u>	<u>112,435,293</u>
Total Cash and Deposits	129,137,424	124,023,965
Restricted Cash and Cash Equivalents	<u>(63,880,725)</u>	<u>(67,075,456)</u>
Cash and Cash Equivalents (Exhibit 1)	<u>\$ 65,256,699</u>	<u>\$ 56,948,509</u>

Items consisting of cash and investments included on Exhibit 1, Statements of Net Position, continue as shown below:

<u>Type of Security</u>	<u>Fair Value at August 31,</u>	
	<u>2018</u>	<u>2017</u>
U.S. Agency Securities	\$ 44,224	\$ 64,284
U.S. Government Securities - Treasuries	40,897,322	15,005,061
U.S. Government Securities - Agency	90,678,193	96,437,494
Certificates of Deposit	-	60,250,000
Total Investments	<u>131,619,739</u>	<u>171,756,839</u>
Total Cash and Deposits	129,137,424	124,023,965
Total Deposits and Investments	<u>\$ 260,757,163</u>	<u>\$ 295,780,804</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 65,256,699	\$ 56,948,509
Restricted Cash and Cash Equivalents (Exhibit 1)	63,880,725	67,075,456
Restricted Long Term Investments (Exhibit 1)	3,090,035	6,134,531
Restricted Short - Term Investments (Exhibit 1)	2,964,123	49,986,230
Other Short - Term Investments (Exhibit 1)	78,298,098	98,482,168
Other Long-Term Investments (Exhibit 1)	47,267,483	17,153,910
Total Deposits and Investments	<u>\$ 260,757,163</u>	<u>\$ 295,780,804</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

As of August 31, 2018 Houston Community College System had the following investments and maturities:

Investment Type	Amount	Weighted Average Maturity(Years)
Fannie Mae ARM pool	\$ 44,224	15.48
U.S. Government Securities - Treasuries	40,897,322	0.29
U.S. Government Securities - Agencies	90,678,193	0.95
Investment Pools	86,913,070	-
Cash and Money Market Funds	42,224,354	-
Total Fair Value	<u>\$ 260,757,163</u>	
Portfolio weighted average maturity		0.39

Interest Rate Risk - In accordance with state law and System policy, the System does not purchase any investments with maturities greater than ten years. The System manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to two years or less. The System's philosophy is to hold all investments to their maturity.

*Credit Risk and Concentration of Credit Risk* - In accordance with state law and the System's investment policy, investments in mutual funds and investment pools must be rated at least "AAA", commercial paper must be rated at least "A-1" or "P-1", and investments in obligations from other states, municipalities, counties, etc. must be rated at least "A". The System limits the amount it may invest in any one issuer to no more than 50 % of its total investment portfolio. Currently, the United States has an AA+ credit rating as graded by Standard and Poor's.

The credit quality (ratings) and concentration of credit exposure of securities in excess of 5% of total investments as of August 31, 2018 is as follows:

	Credit Rating	Credit Exposure
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA	9%
FHLB (Federal Home Bank)	AAA	7%
FFCB (Federal Farm Credit Bank)	AAA	16%

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Oversight includes the ability to significantly influence operations, and designate management and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information is submitted to both Standard & Poor's and the Office of the State Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the Securities and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same value as the value in TexPool shares.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

The Lone Star Investment Pool (Lone Star) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 225, Texas Government Code. Lone Star operates in a manner consistent with the Securities and Exchange Commission’s rule 2a7of the Investment Company act of 1940. Lone Star is governed by trustees comprised of active participants in Lone Star. The board of trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Lone Star uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Lone Star is the same as the value in Lone Star shares.

Fair Value Investments

HCC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Bank of America, as custodian of HCC’s securities, obtains market quotes on a daily basis from Interactive Data Corporation, and reports them to HCC via Bank of America’s web site. Interactive Data evaluates U.S. Treasury securities by obtaining feeds from a number of live data sources including active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. Evaluations are marked at 15:00 and 16:00 (ET).

As required by GASB Statement No. 72, *Fair Value Measurement and Application*, the following table presents the financial instruments carried on the statements of financial position by caption and by level of inputs within the valuation hierarchy as of August 31, 2018.

<u>Description</u>	<u>Assets at fair value as of August 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>FY 2018</u>
Fannie Mae ARM pool	\$ -	\$ 44,224	\$ -	\$ 44,224
U.S. Government Securities - Treasuries	-	40,897,321	-	40,897,321
U.S. Government Securities - Agency	-	90,678,194	-	90,678,194
<b>Total</b>	<b>\$ -</b>	<b>\$ 131,619,739</b>	<b>\$ -</b>	<b>\$ 131,619,739 *</b>

<u>Description</u>	<u>Assets at fair value as of August 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>FY 2017</u>
Fannie Mae ARM pool	\$ -	\$ 64,284	\$ -	\$ 64,284
U.S. Government Securities - Treasuries	-	15,005,061	-	15,005,061
U.S. Government Securities - Agency	-	96,437,494	-	96,437,494
<b>Total</b>	<b>\$ -</b>	<b>\$ 111,506,839</b>	<b>\$ -</b>	<b>\$ 111,506,839 *</b>

\* This amount excludes investments in local government pools which are recorded at amortized cost. These investments total \$86,913,070 and \$88,584,353 as of August 31, 2018 and August 31, 2017, respectively.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables at August 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Accounts Receivable	\$ 4,204,339	\$ 1,544,369
Grants Receivable		
Federal Grants	1,990,972	2,002,807
State Grants	320,964	636,062
Local Grants	53,563	114,778
Private Grants	51,254	17,560
Other Receivables	885,834	3,221,522
Student Receivables	35,886,526	35,110,849
Taxes Receivable	7,394,458	7,237,540
Total Receivables	<u>50,787,910</u>	<u>49,885,487</u>
Less Allowance for Doubtful Accounts		
Accounts Receivable	(154,866)	(154,866)
Student Receivables	(15,956,186)	(15,962,767)
Taxes Receivable	<u>(4,231,896)</u>	<u>(4,231,896)</u>
Total Allowance for Doubtful Accounts	<u>(20,342,948)</u>	<u>(20,349,529)</u>
Total Receivables, Net of Allowances	<u>\$ 30,444,962</u>	<u>\$ 29,535,958</u>

Payables at August 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Vendor Payables	\$ 2,704,036	1,495,488
Salaries & Benefits Payable	3,986,252	2,577,581
Student Payables	3,447,195	3,666,092
Retainage Payable	2,703,961	7,619,263
Other Payables	<u>1,791,675</u>	<u>1,774,348</u>
Total Accounts Payables	<u>\$ 14,633,119</u>	<u>\$ 17,132,772</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018 was as follows:

	<u>Balance</u> <u>August 31, 2017</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Balance</u> <u>August 31, 2018</u>
Not depreciated:				
Land	\$ 155,501,834	\$ 20,169,129	\$ 40,738,278	\$ 134,932,685
Construction in Progress	<u>233,891,653</u>	<u>33,983,072</u>	<u>220,453,656</u>	<u>47,421,069</u>
Subtotal	<u>389,393,487</u>	<u>54,152,201</u>	<u>261,191,934</u>	<u>182,353,754</u>
Other capital assets:				
Buildings	788,449,395	254,349,181	31,134,383	1,011,664,193
Other Real Estate Improvements	<u>126,314,256</u>	<u>1,980,074</u>	<u>12,711</u>	<u>128,281,619</u>
Subtotal	<u>914,763,651</u>	<u>256,329,255</u>	<u>31,147,094</u>	<u>1,139,945,812</u>
Library Books	18,537,360	321,163	64,718	18,793,805
Furniture, Machinery, Vehicles and Other Equipment	97,118,373	13,705,084	7,853,840	102,969,617
Telecommunications and Peripheral Equipment	<u>40,159,547</u>	<u>6,212,886</u>	<u>4,830,091</u>	<u>41,542,342</u>
Subtotal	<u>1,070,578,931</u>	<u>276,568,388</u>	<u>43,895,743</u>	<u>1,303,251,576</u>
Total Capital Assets	<u>1,459,972,418</u>	<u>330,720,589</u>	<u>305,087,677</u>	<u>1,485,605,330</u>
Accumulated depreciation:				
Buildings	115,932,336	11,528,129	179,158	127,281,307
Other Real Estate Improvements	<u>30,730,297</u>	<u>5,581,412</u>	<u>-</u>	<u>36,311,709</u>
Subtotal	146,662,633	17,109,541	179,158	163,593,016
Library Books	15,305,611	403,508	64,718	15,644,401
Furniture, Machinery, Vehicles and Other Equipment	67,136,938	7,011,268	2,579,035	71,569,171
Telecommunications and Peripheral Equipment	<u>33,426,806</u>	<u>1,507,465</u>	<u>6,915</u>	<u>34,927,356</u>
Total Accumulated Depreciation	<u>262,531,988</u>	<u>26,031,782</u>	<u>2,829,826</u>	<u>285,733,944</u>
Net Depreciable Capital Assets	<u>808,046,943</u>	<u>250,536,606</u>	<u>41,065,917</u>	<u>1,017,517,632</u>
Net Capital Assets	<u>\$ 1,197,440,430</u>	<u>\$ 304,688,807</u>	<u>\$ 302,257,851</u>	<u>\$ 1,199,871,386</u>



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS – CONTINUED

Capital asset activity for the year ended August 31, 2017 was as follows:

	Balance August 31, 2016	Increases	Decreases/ Transfers	Balance August 31, 2017
Not depreciated:				
Land	\$ 155,501,834	\$ -	\$ -	\$ 155,501,834
Construction in Progress	<u>218,170,628</u>	<u>121,272,568</u>	<u>105,551,543</u>	<u>233,891,653</u>
Subtotal	<u>373,672,462</u>	<u>121,272,568</u>	<u>105,551,543</u>	<u>389,393,487</u>
Other capital assets:				
Buildings	694,247,599	94,201,796	-	788,449,395
Other Real Estate Improvements	<u>116,623,520</u>	<u>9,690,736</u>	<u>-</u>	<u>126,314,256</u>
Subtotal	<u>810,871,119</u>	<u>103,892,532</u>	<u>-</u>	<u>914,763,651</u>
Library Books	18,279,071	313,809	55,520	18,537,360
Furniture, Machinery, Vehicles and Other Equipment	87,393,830	11,195,329	1,470,786	97,118,373
Telecommunications and Peripheral Equipment	<u>37,196,197</u>	<u>3,040,868</u>	<u>77,518</u>	<u>40,159,547</u>
Subtotal	<u>953,740,217</u>	<u>118,442,538</u>	<u>1,603,824</u>	<u>1,070,578,931</u>
Total Capital Assets	<u>1,327,412,679</u>	<u>239,715,106</u>	<u>107,155,367</u>	<u>1,459,972,418</u>
Accumulated depreciation:				
Buildings	104,340,576	11,591,760	-	115,932,336
Other Real Estate Improvements	<u>25,448,572</u>	<u>5,281,725</u>	<u>-</u>	<u>30,730,297</u>
Subtotal	129,789,148	16,873,485	-	146,662,633
Library Books	14,936,692	424,439	55,520	15,305,611
Furniture, Machinery, Vehicles and Other Equipment	62,755,481	5,596,585	1,215,128	67,136,938
Telecommunications and Peripheral Equipment	<u>32,095,468</u>	<u>1,408,856</u>	<u>77,518</u>	<u>33,426,806</u>
Total Accumulated Depreciation	<u>239,576,789</u>	<u>24,303,365</u>	<u>1,348,166</u>	<u>262,531,988</u>
Net Depreciable Capital Assets	<u>714,163,428</u>	<u>94,139,173</u>	<u>255,658</u>	<u>808,046,943</u>
Net Capital Assets	<u>\$ 1,087,835,890</u>	<u>\$ 215,411,741</u>	<u>\$ 105,807,201</u>	<u>\$ 1,197,440,430</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – NON-CURRENT LIABILITIES

Non-current liability activity for the years ended August 31, 2018 and 2017 was as follows:

	Balance as of September 1, 2017	Additions	Reductions	Balance as of August 31, 2018	Current Portion	Noncurrent Portion
Long-Term Notes Payable	\$ 109,188,863	\$ 2,033,187	(9,584,789)	\$ 101,637,261	\$ 6,515,000	\$ 95,122,261
Bonds:						
Revenue Bonds	240,546,862	-	(23,425,529)	217,121,333	18,215,000	198,906,333
General Obligation Bonds	524,978,521	-	(13,292,789)	511,685,732	11,355,000	500,330,732
Maintenance Tax Bonds	34,717,506	-	(843,928)	33,873,578	2,285,000	31,588,578
Total Bonds	800,242,889	-	(37,562,246)	762,680,643	31,855,000	730,825,643
Deposits	440	-	(440)	-	-	-
Net Pension Liability	85,465,382	-	(11,175,199)	74,290,183	-	74,290,183
Net OPEB Liability	-	84,755,846	-	84,755,846	430,061	84,325,785
Total Noncurrent Liabilities	\$ 994,897,574	\$ 86,789,033	\$ (58,322,674)	\$ 1,023,363,933	\$ 38,800,061	\$ 984,563,872
	Balance as of September 1, 2016	Additions	Reductions	Balance as of August 31, 2017	Current Portion	Noncurrent Portion
Long-Term Notes Payable	\$ 152,611,764	\$ 2,395,310	(45,818,211)	\$ 109,188,863	\$ 8,870,000	\$ 100,318,863
Bonds:						
Revenue Bonds	215,271,644	60,419,216	(35,143,998)	240,546,862	17,630,000	222,916,862
PFC Lease Revenue	46,078,640	-	(46,078,640)	-	-	-
General Obligation Bonds	540,213,663	20,647,337	(35,882,479)	524,978,521	10,035,000	514,943,521
Maintenance Tax Bonds	-	35,405,208	(687,702)	34,717,506	-	34,717,506
Total Bonds	801,563,947	116,471,761	(117,792,819)	800,242,889	27,665,000	772,577,890
Deposits	440	-	-	440	-	440
Net Pension Liability	78,185,706	7,279,676	-	85,465,382	-	85,465,382
Total Noncurrent Liabilities	\$ 1,032,361,857	\$ 126,146,747	\$ (163,611,030)	\$ 994,897,574	\$ 36,535,000	\$ 958,362,574

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – BONDS PAYABLE

*Student Fee Revenue Bonds:*

The System issued several Student Fee Revenue Bonds as Senior Lien Bonds or Junior Lien Bonds during the fiscal years 2006 through 2016 with interest rates ranging from .31% to 5.25% and maturities ranging from 2007 through 2031. Debt service requirements are payable solely from and secured by a first lien on certain pledged revenues which include general fees, out-of-district fees and any other revenues or receipts of the System which may, in the future, be pledged to the payment of the bonds. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indenture. All authorized bonds have been issued. The System has never defaulted on any bond or interest payment.

*Public Facility Corporation Lease Revenue Bonds:*

2007 Issuance

The Houston Community College System Public Facility Corporation (PFC) issued \$58,885,000 in Lease Revenue Bonds, Series 2007 on February 1, 2007 with interest rates ranging from 4.00% to 5.62%. The Bonds were issued at a premium of \$3,094,498. Bond maturities range from April 15, 2009 through April 15, 2031. Bonds maturing on or after April 15, 2018 are subject to redemption on April 15, 2017 or any date thereafter, prior to their scheduled maturities. Bonds maturing in the years 2020, 2022, 2027 and 2031 are subject to mandatory redemption prior to maturity on various dates. Proceeds of the Bonds were used to construct a four-story 112,000 square foot building for the System's Northline Mall Campus. These Bonds were defeased on September 21, 2016 with the issuance of the Combined Fee Revenue Refunding Bonds, Series 2016. See Note 9.

The System and the PFC entered into a Lease with an Option to Purchase effective February 1, 2007, whereby the System will lease the facility from the PFC and will make semiannual lease payments to the PFC sufficient to pay principal and interest on the PFC Lease Revenue Bonds.

Under terms of a Security Agreement dated February 1, 2007 the PFC has granted a first mortgage lien on and first deed of trust title on the Northline Mall Campus Project (the Northline Project) to a bank trustee on behalf of the owners of the Bonds. The PFC has also granted a first priority security interest in the personal property associated with the Northline Project.

Under terms of the defeasance noted above, the System exercised its Option to Purchase the Northline Mall Campus on April 15, 2017. The PFC released all liens and transferred title of all property to the System at that time.

*Limited Tax Bonds:*

The System issued \$109,490,000 in Limited Tax Refunding Bonds, Series 2011 ("Series 2011 Bonds") on October 12, 2011 with interest rates ranging from 4.00% to 5.00%. The Bonds were issued at a premium of \$16,767,575. Bond maturities range from February 15, 2014 through February 15, 2028. Bonds maturing on or after February 15, 2022 are subject to redemption prior to their scheduled maturities on February 15, 2021. The Series 2011 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the system. The Series 2011 Bonds were used to partially refund \$112,195,000 of outstanding Limited Tax Bonds, Series 2003 ("Series 2003 Bonds") with interest rates ranging from 5.00% to 5.25%. The optional redemption date of the Series 2003 Bonds was February 14, 2013. Additionally, the Series 2011 Bonds were used to totally refund \$4,955,000 of outstanding Limited Tax Building and Refunding Bonds, Series 2005 ("Series 2005") with interest rates of 5.00%. The optional redemption date of the Series 2005 Bonds was November 14, 2011.

The System issued \$398,775,000 in Limited Tax General Obligation Bonds, Series 2013 ("Series 2013 Bonds") on March 19, 2013 with interest rates ranging from 3.0% to 5.0%. The Bonds were issued at a premium of \$55,392,571. Bond maturities range from February 15, 2015 through February 15, 2043. Bonds maturing on or after February 15, 2024, except those maturing in 2027, 2036 and 2037 are subject to redemption prior to their scheduled maturities on February 15, 2023.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – BONDS PAYABLE – CONTINUED

Bonds maturing on February 15, 2027 were called and redeemed on August 24, 2015. Bonds maturing on February 15, 2036 are subject to redemption on February 15, 2020. Bonds maturing on February 15, 2037 were subject to redemption on February 15, 2017. These bonds totaling \$20,000,000 were defeased on September 21, 2016 with the issuance of the Limited Tax Refunding Bonds, Series 2016. See Note 9. The Series 2013 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Series 2013 Bonds will be used for the construction, maintenance and equipment of school buildings in the System and the purchase of necessary sites therefore, and to pay the costs of issuance related to the Bonds.

The System issued \$19,455,000 in Limited Tax Refunding Bonds, Series 2016 (“Series 2016 Bonds”) on September 21, 2016 with interest rates ranging from 3.00% to 4.00%. The Bonds were issued at a premium of \$1,192,336 and mature on February 15, 2037. Bonds maturing on February 15, 2037 are subject to redemption prior to their scheduled maturities on February 15, 2026. The Series 2016 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Series 2016 Bonds were used to partially refund \$20,000,000 of outstanding Limited Tax General Obligation Bonds, Series 2013 (“Series 2013 Bonds”) with an interest rate of 5.00%. The optional redemption date of the Series 2013 Bonds was February 14, 2017. See Note 9.

*Maintenance Tax Bonds:*

The System issued \$28,870,000 in Maintenance Tax Refunding Bonds, Series 2016 on September 21, 2016 with an interest rate of 5.0%. The Bonds were issued at a premium of \$6,535,208 and mature on April 15, 2028. Bonds maturing on February 15, 2027 are subject to redemption prior to their scheduled maturities on February 15, 2026. The Series 2016 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Bonds were used to partially refund \$33,275,000 in Maintenance Tax Notes, Series 2008 with interest rates ranging from 4.00% to 5.00% with an optional redemption date of February 15, 2018.

Date Series Issued	Par Value	Maturity Date	Interest Rate	Outstanding Balances at August 31, 2018	Outstanding Balances at August 31, 2017
<b>Student Fee Revenue Bonds:</b>					
2006	\$ 72,815,000	04/15/2007 - 2028	4.000% - 5.000%	\$ 11,720,000	\$ 15,460,000
2008	54,540,000	04/15/2009 - 2030	4.000% - 5.250%	24,600,000	26,995,000
2010	27,250,000	04/15/2012 - 2031	3.000% - 5.250%	20,340,000	21,460,000
2011	33,940,000	04/15/2012 - 2025	4.000% - 5.250%	15,440,000	17,245,000
2014A	9,210,000	04/15/2015 - 2026	2.000% - 3.250%	6,510,000	7,205,000
2014B	30,900,000	04/15/2015 - 2026	.31% - 4.070%	11,675,000	17,945,000
2015	68,865,000	04/15/2016 - 2031	2.000% - 5.000%	61,515,000	64,310,000
2016	50,345,000	04/15/2017 - 2031	3.000% - 5.000%	45,720,000	47,650,000
<b>Limited Tax Bonds:</b>					
2011	109,490,000	02/15/14 - 2028	4.000% - 5.000%	78,650,000	85,105,000
2013	398,775,000	02/15/15 - 2043	3.000% - 5.000%	361,990,000	365,570,000
2016	19,455,000	2/15/2037	3.000% - 4.000%	19,455,000	19,455,000
<b>Maintenance Tax Bonds:</b>					
2016	28,870,000	02/15/19 - 2028	5.000%	28,870,000	28,870,000
<b>Total Principal Payable</b>				<b>686,485,000</b>	<b>717,270,000</b>
<b>Unamortized Premium and Discount, Net</b>				<b>76,195,642</b>	<b>82,972,889</b>
<b>Total Bonds Payable</b>				<b>\$ 762,680,642</b>	<b>\$ 800,242,889</b>

**HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 – BONDS PAYABLE – CONTINUED**

Debt service requirements to maturities as of August 31, 2018 are summarized as follows:

Year ending August 31,	Student Fee Revenue Bonds			Maintenance Tax Bonds			Limited Tax Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 18,215,000	\$ 9,320,464	\$ 27,535,464	\$ 2,285,000	\$ 1,386,375	\$ 3,671,375	\$ 11,355,000	\$ 21,468,244	\$ 32,823,244	\$ 31,855,000	\$ 32,175,083	\$ 64,030,083
2020	19,555,000	8,590,933	28,145,933	2,400,000	1,269,250	3,669,250	11,310,000	20,922,519	32,232,519	33,265,000	30,782,702	64,047,702
2021	21,215,000	7,645,361	28,860,361	2,520,000	1,146,250	3,666,250	12,685,000	20,343,544	33,028,544	36,420,000	29,135,155	65,555,155
2022	18,050,000	6,604,846	24,654,846	2,650,000	1,017,000	3,667,000	14,175,000	19,672,044	33,847,044	34,875,000	27,293,890	62,168,890
2023	15,000,000	5,734,359	20,734,359	2,790,000	881,000	3,671,000	12,730,000	19,006,919	31,736,919	30,520,000	25,622,278	56,142,278
2024 - 2028	70,855,000	17,682,960	88,537,960	16,225,000	2,109,125	18,334,125	65,290,000	85,265,594	150,555,594	152,370,000	105,057,679	257,427,679
2029 - 2033	34,630,000	2,958,725	37,588,725	-	-	-	110,455,000	65,379,422	175,834,422	145,085,000	68,338,147	213,423,147
2034 - 2038	-	-	-	-	-	-	113,095,000	37,085,450	150,180,450	113,095,000	37,085,450	150,180,450
2039 - 2043	-	-	-	-	-	-	109,000,000	12,250,250	121,250,250	109,000,000	12,250,250	121,250,250
	\$ 197,520,000	\$ 58,537,649	\$ 256,057,649	\$ 28,870,000	\$ 7,809,000	\$ 36,679,000	\$ 460,095,000	\$ 301,393,985	\$ 761,488,985	\$ 686,485,000	\$ 367,740,633	\$ 1,054,225,633

Debt service requirements to maturities as of August 31, 2017 are summarized as follows:

Year ending August 31,	Student Fee Revenue Bonds			Maintenance Tax Bonds			Limited Tax Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 17,630,000	\$ 10,113,836	\$ 27,743,836	\$ -	\$ 1,443,500	\$ 1,443,500	\$ 10,035,000	\$ 21,985,094	\$ 32,020,094	\$ 27,665,000	\$ 33,542,430	\$ 61,207,430
2018	18,215,000	9,465,814	27,680,814	2,285,000	1,386,375	3,671,375	11,355,000	21,468,244	32,823,244	31,855,000	32,320,433	64,175,433
2019	19,555,000	8,736,283	28,291,283	2,400,000	1,269,250	3,669,250	11,310,000	20,922,519	32,232,519	33,265,000	30,928,052	64,193,052
2020	21,215,000	7,790,711	29,005,711	2,520,000	1,146,250	3,666,250	12,685,000	20,343,544	33,028,544	36,420,000	29,280,505	65,700,505
2021	18,050,000	6,750,196	24,800,196	2,650,000	1,017,000	3,667,000	14,175,000	19,672,044	33,847,044	34,875,000	27,439,240	62,314,240
2022 - 2026	75,085,000	21,903,394	96,988,394	15,435,000	2,900,625	18,335,625	63,050,000	88,466,594	151,516,594	153,570,000	113,270,613	266,840,613
2027 - 2031	48,520,000	5,198,950	53,718,950	3,580,000	89,500	3,669,500	99,545,000	70,266,641	169,811,641	151,645,000	75,555,091	227,200,091
2032 - 2036	-	-	-	-	-	-	118,040,000	42,590,775	160,630,775	118,040,000	42,590,775	160,630,775
2037 - 2041	-	-	-	-	-	-	107,415,000	17,156,625	124,571,625	107,415,000	17,156,625	124,571,625
2042 - 2043	-	-	-	-	-	-	22,520,000	507,000	23,027,000	22,520,000	507,000	23,027,000
	\$ 218,270,000	\$ 69,959,185	\$ 288,229,185	\$ 28,870,000	\$ 9,252,500	\$ 38,122,500	\$ 470,130,000	\$ 323,379,078	\$ 793,509,078	\$ 717,270,000	\$ 402,990,763	\$ 1,119,860,763

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – DEFEASANCE OF LONG-TERM DEBT

The System issued \$50,345,000 in Combined Fee Revenue Refunding Bonds, Series 2016 on September 21, 2016. The Bonds were used to: (1) partially refund \$11,645,000 in Senior Lien Student Fee Revenue Bonds, Series 2008 with interest rates ranging from 4.00% to 5.00% with an optional redemption date of April 15, 2018; and (2) refund \$45,160,000 in Public Facility Corporation Lease Revenue Bonds, Series 2007 with interest rates ranging from 4.50% to 5.0% with an optional redemption date of April 15, 2017, which the System exercised.

Proceeds of \$59,921,963 of the Combined Fee Revenue Refunding Bonds, Series 2016 were placed in an irrevocable trust with an escrow agent and were used to redeem the PFC Lease Revenue Bonds, Series 2007 on April 15, 2017 and the Senior Lien Student Fee Revenue Bonds, Series 2008 on April 15, 2018. The liabilities for these refunded bonds and the securities held by the escrow agent have been excluded from the Statement of Net Position.

The advance refunding had the following results:

- \$11,034,837 in future cash flow savings resulting from a decrease in the aggregate debt service payments over the next fifteen years.
- Economic gain of \$9,705,504 which is the difference between the present values of the old and new debt service payments.
- Advance funding valuation of \$1,571,122 was created, which is the difference between the reacquisition price of \$59,921,963 and the carrying amount of the refunded bonds of \$58,350,841. The valuation is deferred and amortized as a component of interest expense over the term of the defeased bonds.

The System issued \$28,870,000 in Maintenance Tax Refunding Bonds, Series 2016 on September 21, 2016. The Bonds were used to partially refund \$33,275,000 in Maintenance Tax Notes, Series 2008 with interest rates ranging from 4.00% to 5.00% with an optional redemption date of February 15, 2018.

Proceeds of \$35,144,775 of the Maintenance Tax Refunding Bonds, Series 2016 were placed in an irrevocable trust with an escrow agent and were used to redeem the Maintenance Tax Notes, Series 2008 on February 15, 2018. The liabilities for these refunded notes and the securities held by the escrow agent have been excluded from the Statement of Net Position.

The advance refunding had the following results:

- \$5,292,622 in future cash flow savings resulting from a decrease in the aggregate debt service payments over the next twelve years.
- Economic gain of \$4,791,754, which is the difference between the present values of the old and new debt service payments.
- Advance funding valuation of \$716,442 was created, which is the difference between the reacquisition price of \$35,144,775 and the carrying amount of the refunded bonds of \$34,428,333. The valuation is deferred and amortized as a component of interest expense over the term of the defeased Notes.

The System issued \$19,455,000 in Limited Tax Refunding Bonds, Series 2016 on September 21, 2016. The Bonds were used to partially refund \$20,000,000 in Limited Tax General Obligation Bonds, Series 2013 with interest rates of 5.00% with an optional redemption date of February 15, 2017, which the System exercised.

Proceeds of \$20,468,675 of the Limited Tax Refunding Bonds, Series 2016 were placed in an irrevocable trust with an escrow agent and were used to redeem the Limited Tax General Obligation Bonds, Series 2013 on February 15, 2017. The liabilities for these refunded notes and the securities held by the escrow agent have been excluded from the Statement of Net Position.

The advance refunding had the following results:

- \$6,771,120 in future cash flow savings resulting from a decrease in the aggregate debt service payments over the next twenty-one years.
- Economic gain of \$5,010,338, which is the difference between the present values of the old and new debt service payments.
- Advance funding valuation of \$2,064,079 was created, which is the difference between the reacquisition price of \$20,468,675 and the carrying amount of the refunded bonds of \$22,532,753. The valuation is deferred and amortized as a component of interest expense over the term of the defeased Bonds.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – DEFEASED BONDS OUTSTANDING

The defeased bonds and notes outstanding at August 31, 2018 and 2017 were as follows:

Note Issue	Year Refunded	Par Value Outstanding	
		August 31, 2018	August 31, 2017
Senior Lien Revenue Bonds, Series 2008	2017	\$ -	\$ 11,645,000
Maintenance Tax Notes, Series 2008	2017	-	33,275,000
<b>Total</b>		<b>\$ -</b>	<b>\$ 44,920,000</b>

NOTE 11 – NOTES PAYABLE

Notes Payables at August 31, 2018 and 2017 were as follows:

Description	As of August 31, 2018			As of August 31, 2017		
	Principal Outstanding	Unamortized Premium	Total	Principal Outstanding	Unamortized Premium	Total
Maintenance Tax Notes, Series 2006	\$ 4,290,000	\$ 23,484	\$ 4,313,484	\$ 4,905,000	\$ 24,731	\$ 4,929,731
Maintenance Tax Notes, Series 2008	-	-	-	2,610,000	74,966	2,684,966
Maintenance Tax Notes, Series 2009	7,460,000	262,185	7,722,185	8,350,000	309,060	8,659,060
Maintenance Tax Notes, Series 2010	33,430,000	2,544,414	35,974,414	35,715,000	2,870,760	38,585,760
Maintenance Tax Notes, Series 2011	31,340,000	1,251,109	32,591,109	32,995,000	1,357,443	34,352,443
Maintenance Tax Notes, Series 2011A	15,150,000	1,457,572	16,607,572	15,965,000	1,616,593	17,581,593
LoanSTAR Revolving Loan Program	4,428,497	-	4,428,497	2,395,310	-	2,395,310
<b>Total</b>	<b>\$ 96,098,497</b>	<b>\$ 5,538,763</b>	<b>\$ 101,637,261</b>	<b>\$ 102,935,310</b>	<b>\$ 6,253,553</b>	<b>\$ 109,188,863</b>

2011 Issuance

The System issued \$19,590,000 in Maintenance Tax Notes, Series 2011A (“Notes”) on October 12, 2011 with interest rates ranging from 3.00% to 5.25%. The Notes were issued at a premium of \$2,467,247. Note maturities range from February 15, 2013 through February 15, 2031. Notes maturing on or after February 15, 2022 are subject to redemption prior to their scheduled maturities on February 15, 2021. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used for the renovation of and purchase of equipment for existing facilities, replacement of information technology systems, and to pay the costs of issuance related to the Notes.

The System issued \$41,560,000 in Maintenance Tax Notes, Series 2011 (“Notes”) on March 10, 2011 with interest rates ranging from 3.00% to 5.25%. The Notes were issued at a premium of \$1,800,441. Note maturities range from February 15, 2012 through February 15, 2031. Notes maturing on or after February 15, 2022 are subject to redemption prior to their scheduled maturities on February 15, 2021. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used for the renovation of and purchase of equipment for existing facilities, replacement of information technology systems, and to pay the costs of issuance related to the Notes.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – NOTES PAYABLE – CONTINUED

2010 Issuance

The System issued \$47,645,000, in Maintenance Tax Notes, Series 2010 (“Notes”) on July 29, 2010 with interest rates ranging from 2.00% to 5.00%. The Notes were issued at a premium of \$4,925,575. Note maturities range from February 15, 2012 through February 15, 2029. Notes maturing on or after February 15, 2021 are subject to redemption prior to their scheduled maturities on February 15, 2020. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used for the renovation of and purchase of equipment for existing facilities, and to pay the costs of issuance related to the Notes.

2009 Issuance

The System issued \$13,830,000, in Maintenance Tax Notes, Series 2009 (“Notes”) on September 1, 2009 with interest rates ranging from 2.50% to 5.00%. The Notes were issued at a premium of \$451,444. Note maturities range from February 15, 2011 through February 15, 2025. Notes maturing on or after February 15, 2020 are subject to redemption prior to their scheduled maturities on February 15, 2019. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used to pay for rehabilitation and energy conservation renovations to existing facilities, and to pay the costs of issuance related to the Notes.

2008 Issuance

The System issued \$54,975,000 in Maintenance Tax Notes, Series 2008 (“Notes”) on March 1, 2008 with interest rates ranging from 3.00% to 5.00%. The Notes were issued at a premium of \$1,937,320. Note maturities range from February 15, 2009 through February 15, 2028. Notes maturing on or after February 15, 2019 are subject to redemption prior to their scheduled maturities on February 15, 2018. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used for the renovation of and purchase of equipment for existing facilities, and to pay the costs of issuance related to the Notes. See Note 9 for discussion of partial refunding of these Notes on September 21, 2016.

2006 Issuance

The System issued \$12,000,000 in Maintenance Tax Notes, Series 2006 (“Notes”) on February 1, 2006 with interest rates ranging from 3.00% to 4.50%. The Notes were issued at a discount of \$88,756. Note maturities range from February 15, 2007 through February 15, 2026. Notes maturing on or after February 15, 2007 are subject to redemption prior to their scheduled maturities on February 15, 2016. Notes totaling \$1,700,000 were called and redeemed on September 30, 2016. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used for the construction of a central utility plant on the Central Campus, and to pay the costs of issuance related to the Notes.

LoanSTAR Program

The System entered into a revolving loan agreement on March 22, 2016 for \$5,229,822 with the Texas Comptroller of Public Accounts through its State Energy Conservation Office. The purpose of the loan is to finance energy efficiency projects. Upon completion of the energy projects a final repayment schedule will be determined by the State. The loan is to be repaid over 9.2 years with an annual interest rate of 1%. As of August 31, 2018 the loan balance outstanding was \$4,263,993.

The System entered into a revolving loan agreement on December 7, 2016 for \$7,056,096 with the Texas Comptroller of Public Accounts through its State Energy Conservation Office. The purpose of the loan is to finance energy efficiency projects. Upon completion of the energy projects a final repayment schedule will be determined by the State. The loan is to be repaid over 10 years with an annual interest rate of 1%. As of August 31, 2018 the loan balance outstanding was \$106,455.



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – NOTES PAYABLE – CONTINUED

Maturities of notes payable at August 31, 2018 were as follows:

<u>Year ending August 31</u>	<u>Central Utility Plant</u>	<u>Capital Improvements</u>	<u>Total</u>
2019	\$ 887,681	\$ 10,085,731	\$ 10,973,412
2020	890,244	10,074,081	10,964,325
2021	886,238	10,080,713	10,966,951
2022	890,500	10,070,650	10,961,150
2023	887,906	10,069,438	10,957,344
2024 - 2028	888,891	50,995,613	51,884,504
2029 - 2031	-	18,553,075	18,553,075
Total Payments	5,331,460	119,929,301	125,260,761
Less Amounts Representing Interest	(1,017,976)	(22,605,525)	(23,623,500)
Total Notes Payable	<u>\$ 4,313,484</u>	<u>\$ 97,323,776</u>	<u>\$ 101,637,261</u>

Maturities of notes payable at August 31, 2017 were as follows:

<u>Year ending August 31</u>	<u>Central Utility Plant</u>	<u>Capital Improvements</u>	<u>Total</u>
2018	\$ 888,566	\$ 14,277,426	\$ 15,165,992
2019	887,681	10,085,731	10,973,412
2020	890,244	10,074,081	10,964,325
2021	886,238	10,080,713	10,966,951
2022	890,500	10,070,650	10,961,150
2023 - 2027	1,776,797	50,222,520	51,999,317
2028 - 2031	-	27,362,418	27,362,418
Total Payments	6,220,026	132,173,539	138,393,565
Less Amounts Representing Interest	(1,290,295)	(27,914,407)	(29,204,702)
Total Notes Payable	<u>\$ 4,929,731</u>	<u>\$ 104,259,132</u>	<u>\$ 109,188,863</u>

NOTE 12 – OPERATING LEASES

The System leases certain educational facilities, offices and other equipment. Future minimum rental payments under non-cancelable operating leases having remaining terms as of August 31, 2018 for the next fiscal year are as follows:

<u>Year ending August 31</u>	<u>Amount</u>
2019	\$ 1,006,657

Rent expense totaled approximately \$1.3 million for each of the years ended August 31, 2018 and 2017, respectively.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – LEASED FACILITIES

The System leases office space to other entities under operating leases. Minimum lease payments due to the System under these operating leases as of August 31, 2018 are as follows:

Year Ending August 31,	Amount
2019	\$ 6,971,871
2020	3,282,971
2021	1,168,736
2022	1,002,683
2023	857,624
Thereafter	2,741,400
Total	\$ 16,025,285

The System recognized approximately \$6.4 million and \$8.5 million in rental income for the years ended August 31, 2018 and 2017, respectively.

NOTE 14 – RETIREMENT PLANS

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the system participates is administered by the Teacher Retirement System of Texas.

Teacher Retirement System of Texas

*Plan Description.* The System contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – RETIREMENT PLANS – CONTINUED

*Contributions.* Contribution requirements are not actuarially determined but are established and amended by Article 16, section 67 of the Texas Constitution. The state funding policy is as follows: (1) The state constitution requires the 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 systems during the fiscal year. (2) Texas Government Code section 821.006 prohibits benefits improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if that 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2017.

Contribution Rates

	<u>2018</u>	<u>2017</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2017 Member Contributions		\$7,614,787
FY 2017 State of Texas On-behalf Contributions		\$1,367,146
FY 2017 System or College Contributions		\$7,099,251

The System’s contributions to the TRS pension plan in 2018 were \$7,588,046 as reported in the Schedule of System Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2018 is \$3,200,000.

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 college 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.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – RETIREMENT PLANS – CONTINUED

**Actuarial Assumptions**

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Amortization Period	30 Years
Asset Valuation Method	Market
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Municipal Bond Rate*	N/A*
Inflation	2.5%
Payroll Growth Rate	2.5%
Salary increases including inflation	3.5% to 9.5%
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 3.42% as of August 2017 (i.e. the weekly rate closest to but not later than the Measurement Date).*

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%. 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.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – RETIREMENT PLANS – CONTINUED

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, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
<b>Global Equity</b>			
US	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – RETIREMENT PLANS – CONTINUED

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 2018 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Houston Community College System proportionate share of the net pension liability:	\$ 125,238,570	\$ 74,290,183	\$ 31,867,381

At its July 2018 board meeting, the TRS Board of Trustees voted to lower the investment return assumption from 8.0% to 7.25%. The full impact of this change in assumption will not be known until the next actuarial study is completed and is also dependent on changes in contribution rates and other factors.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At August 31, 2018, the Houston Community College System reported a liability of \$74,290,183 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the Houston Community College System. The amount recognized by the Houston Community College System 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 Houston Community College System were as follows:

Houston Community College System Proportionate share of the collective net pension liability	\$ 74,290,183
State’s proportionate share that is associated with Houston Community College System	<u>13,365,973</u>
Total	<u>\$ 87,656,156</u>

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At measurement date of August 31, 2017, the employer’s proportion of the collective net pension liability was 0.0023234114975, which was an increase of 0.0061735260% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the Houston Community College System recognized pension expense of \$1,019,503 and revenue of \$1,019,503 for support provided by the State.

At August 31, 2018, the Houston Community College System 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	\$ 1,086,899	\$ 4,006,372
Changes in actuarial assumptions	3,384,036	1,937,281
Net difference between projected and actual investment earnings	-	5,414,107
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	2,075,904	4,731,840
Contributions paid to TRS subsequent to the measurement date	7,588,046	-
Total	<u>\$ 14,134,885</u>	<u>\$ 16,089,600</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – RETIREMENT PLANS – CONTINUED

At August 31, 2017, the Houston Community College System 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	\$ 1,340,081	\$ 2,551,947
Changes in actuarial assumptions	2,604,831	2,368,987
Net difference between projected and actual investment earnings	7,237,032	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	319,661	5,944,965
Contributions paid to TRS subsequent to the measurement date	7,099,251	-
Total	<u>\$ 18,600,856</u>	<u>\$ 10,865,899</u>

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
2019	\$ (3,269,978)
2020	\$ 1,472,157
2021	\$ (3,634,269)
2022	\$ (4,641,753)
2023	\$ 364,295
Thereafter	\$ 166,787

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 each participant are 6.6% and 6.65%, respectively. 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.

Retirement Expense

The retirement expense to the State for the System was \$2,321,572 and \$2,544,280 for the fiscal years ended August 31, 2018 and 2017, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the System.

The total payroll for all System employees was \$214,017,689 and \$203,693,378 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the Teacher Retirement System was \$148,417,506 and \$131,555,086 and the total payroll of employees covered by the Optional Retirement Program was \$39,456,647 and \$40,116,391 for fiscal years 2018 and 2017, respectively.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – DEFERRED COMPENSATION PROGRAM

The System'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. Both a 403(b) plan and a 457 plan are available. The plan is funded by employee contributions such that the employer is not liable for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income due to market conditions or the failure, insolvency or bankruptcy of a qualified vendor. The total number of employees participating in the program at August 31, 2018 and 2017 were 637 and 633, respectively.

During fiscal years ended August 31, 2018 and August 31, 2017, employee contributions amounting to \$4,367,638 and \$4,350,610, respectively, were invested in the plan.

NOTE 16 – COMPENSATED ABSENCES

Full-time employees earn personal leave at the rate of 12 hours for every month of service in the System up to a maximum of 680 hours. Each pay period 4 sick leave hours and 2 catastrophic leave hours will be accrued. Leave hours are not available for use until accrued. After the 680 hour maximum is reached, the full-time employee will accrue catastrophic leave of 12 hours per month up to a maximum of 1,000 hours. Earned personal or catastrophic leave unused by employees is not under any circumstances compensated by the System. Earned personal or catastrophic days may be used by employees for sick leave.

Employees earn up to 160 vacation hours depending on the number of years employed with the System. Up to 80 earned vacation hours may be carried forward by employees from one fiscal year to another, but must be utilized before the end of August of the following year or be lost. An employee is compensated for any earned but unused vacation hours upon termination of employment with the System. Accrued compensable absences of \$3,796,103 and \$3,473,298 for earned but unused vacation hours in accordance with the vacation earning and carry-forward policy of the System has been included in the financial statements for the years ended August 31, 2018 and 2017, respectively.

NOTE 17 – FUNDS HELD IN TRUST BY OTHERS

Houston Community College System did not have any funds held in trust by others during fiscal year 2018.

NOTE 18 – CONSTRUCTION COMMITMENTS

The System has entered into construction commitments for various projects, including the renovation and repair of facilities and the construction of buildings. At August 31, 2018 and 2017, the outstanding commitments under construction contracts for facilities and other projects were \$28,354,457 and \$44,150,528, respectively. Proceeds from the sales of various bonds and notes are being used to fund the purchase and construction of new facilities.

NOTE 19 – CONTINGENCIES

From time to time, the System is a defendant in legal proceedings related to its operations as a college. In the best judgment of the System's management, after consultation with its legal counsel, the outcome of any present legal proceedings will not have a materially adverse effect on the accompanying financial statements.

The System has received Federal, State, and other financial assistance in the form of contracts and grants that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the contract and grant agreements. In the opinion of the System's management, such disallowances, if any, would not be significant in relation to the financial statements of the System.



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 – HEALTH CARE AND LIFE INSURANCE BENEFITS

The State provides certain health care and life insurance benefits for active employees. These and similar benefits for active employees are provided through a self-funded State plan which is administered by an insurance company. The premiums are based on benefits paid during the previous year. The table below depicts the cost of providing health care benefits to the System’s retired and active employees, and the amount appropriated to the System from the State of Texas. Payments of these benefits by the State were recognized as restricted state appropriations with an equal amount recognized as restricted benefits expenses. These payments do not flow through the System’s cash accounts.

State/Employer Contribution for Health Care Insurance (includes  
basic life insurance rate)

HealthSelect of Texas Plan	2018 State/Employer Contribution
Member Only	\$ 621.90
Member & Spouse	1,334.54
Member & Child (ren)	1,099.06
Member & Family	1,811.70

HealthSelect of Texas Plan	2017 State/Employer Contribution
Member Only	\$ 617.30
Member & Spouse	1,324.66
Member & Child (ren)	1,090.90
Member & Family	1,798.26

Cost of Providing Health Care Insurance	2018	2017
Number of Retirees	678	634
Cost of Health Benefits for Retirees	\$ 4,829,238	\$ 4,666,598
Number of Active Full Time Employees	2,723	2,487
Cost of Health Benefits for Active Full Time Employees	\$ 22,016,515	\$ 21,144,749
State Appropriation for Health Insurance	\$ 10,750,355	\$ 11,355,196
System's Expense for Health Insurance	\$ 16,095,398	\$ 14,456,151

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

**Plan Description.** The System participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

**OPEB Plan Fiduciary Net Position.** Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/AboutERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

**Benefits Provided.** Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

**Contributions.** 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. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution  
Retiree Health and Basic Life Premium  
Fiscal Year 2017

Retiree only	\$ 617.30
Retiree and spouse	\$ 970.98
Retiree and children	\$ 854.10
Retiree and family	\$ 1,207.78

Source: ERS FY 17 Comprehensive Annual Financial Report

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table:

Premium Contributions by Source Group Benefits Program Plan For Years Ended August 31, 2017	
FY 2018 System or College Contributions	\$2,557,844
FY 2017 Measurement year NECE On-behalf Contributions	\$2,333,299

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions  
ERS Group Benefits Program Plan

Valuation Date	31-Aug-17
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	N/A
Discount Rate	3.51%
Projected annual salary increase (includes inflation)	2.50 to 9.50%
Annual healthcare trend rate	8.5% for FY 2019, decreasing 0.5% per year to 4.50% for FY 2027 and later years
Inflation Assumption rate	2.50%
Ad hoc post-employment benefit changes	None
Mortality	<p>1. State Agency Members</p> <p>a. <u>Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</u> 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017.</p> <p>b. <u>Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</u> RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014</p> <p>c. <u>Active Members:</u> Sex Distinct RP-2014 Employee Mortality tables with Ultimate MP Projection Scale from year 2014</p> <p>2. Higher Education Members</p> <p>a. <u>Service Retirees, Survivors and other Inactive Members:</u> Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014.</p> <p>b. <u>Disability Retirees:</u> Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.</p> <p>c. <u>Active Members:</u> Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale</p>

Source: FY17 ERS CAFR except for mortality assumptions obtained from ERS FY17 GASB 75 Actuarial Valuation

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuaries for the period (ex. September 1, 2010 to August 31, 2014) for higher education members.

**Investment Policy** The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement; therefore, the assumed asset allocation and long term expected real rate of return on investments is not applicable. The System’s Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4% (see FY17 ERS CAFR, OPEB footnote).

**Discount Rate.** Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of 0.67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp’s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact on the System proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.51%)		Discount Rate (3.51%)		1% Increase in Discount Rate (4.51%)
Houston Community College System proportionate share of the net OPEB liability:	\$ 101,173,760	\$	84,755,846	\$	72,038,770

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the Systems proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (4.5%) in measuring the net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates (7.50% decreasing to 3.50%)		Current Healthcare Cost Trend Rates (8.50% decreasing to 4.50%)		1% Increase in Healthcare Cost Trend Rates (9.50% decreasing to 5.50%)
Houston Community College System proportionate share of the net OPEB liability:	\$ 71,251,732	\$	84,755,846	\$	102,278,300

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At August 31, 2017, the System reported a liability of \$84,755,846 for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the System for OPEB. The amount recognized by the System as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the System were as follows:

Houston Community College System Proportionate share of the collective net OPEB liability	\$ 84,755,846
State’s proportionate share that is associated with Houston Community College System	<u>\$ 84,826,192</u>
Total	<u>\$ 169,582,038</u>

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016, thru August 31, 2017. Calculations are based on the benefit provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of cost between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

At the measurement date of August 31, 2017, the employer’s proportion of the collective net OPEB liability was 0.2487478500%, which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2017, the System recognized OPEB expense of \$4,535,564 and revenue of \$4,535,564 for support provided by the State.

At August 31, 2017, the System reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,018,496
Changes in actuarial assumptions	-	17,721,486
Net Difference between projected and actual investment earnings	25,093	-
Contributions paid to ERS subsequent to the measurement date	2,557,845	-
Total	<u>\$ 2,582,938</u>	<u>\$ 18,739,982</u>

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

Year ended August 31:	OPEB Expense Amount
2019	\$ (4,214,443)
2020	\$ (4,214,443)
2021	\$ (4,214,443)
2022	\$ (4,214,443)
2023	\$ (1,857,117)
Thereafter	\$ -

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

The System is dependent upon information provided by the ERS Plan for recognizing the OPEB liability, deferred inflows and deferred outflows of resources, and expenses. The ERS Plan information provided to the System used retiree data for the restatement in fiscal year 2018. Contributions made subsequent to the measurement date by the System for retirees have been recorded as deferred outflows of resources as of August 31, 2018 and contributions made subsequent to the measurement date by the System for active employees have been recorded as an expense for the year ended August 31, 2018. Future changes, if any, to the current methodology or actuarial assumptions being utilized, could result in significant changes in accounting and financial reporting in future periods.

NOTE 22 – PROPERTY TAX

The System's Property tax is levied each October 1 on the basis of assessed values listed as of the prior January 1 for all real and business personal property located in System.

At August 31:	August 31, 2018 (Tax Year 2017)	August 31, 2017 (Tax Year 2016)
Assessed valuation of the System	\$ 242,829,176,276	\$ 238,048,215,381
Less: Exemptions	(42,433,914,452)	(44,312,008,221)
Net assessed valuation of the System	\$ 200,395,261,824	\$ 193,736,207,160

Taxes levied for the years ended August 31, 2018 and 2017, based on the certified rolls, as reported by the taxing authorities amounted to \$200,922,301 and \$194,245,733, respectively, which includes any penalty and interest assessed if applicable.

Taxes are due by January 31 of the year following the levy and are delinquent if not paid before February 1 of that year.

The authorized and assessed tax rates for the system were as follows:

	August 31, 2018			August 31, 2017		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Rate per \$100 Valuation	0.50	0.50	1.00	0.50	0.50	1.00
Assessed Rate per \$100 Valuation	0.076652	0.026311	0.100263	0.075277	0.024986	0.100263

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

Tax collections for the year ended August 31, 2018 and 2017 were as follows:

	2018	2017
Current taxes collected	\$ 196,382,374	\$ 192,672,263
Delinquent taxes collected	2,947,519	2,339,574
Penalties and interest collected	1,817,386	1,637,554
Total	<u>\$ 201,147,279</u>	<u>\$ 196,649,391</u>

For the years ended August 31, 2018, and 2017, tax collections represent 98% and 99% of the tax levy, respectively. Taxes assessed are recorded in the System's financial statements net of the related allowance for uncollectable taxes, based upon the System's expected collection experience. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

Harris and Fort Bend counties ("the Appraisal Districts"), are responsible for the recording and appraisal of property for all taxing units in their respective counties. The Appraisal Districts are required by State law to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the System, may challenge orders of the appraisal review boards through various appeals and, if necessary, institute legal action.

The System has entered into agreements with the county tax assessors to bill and collect the System's property taxes, net of a collection fee.

NOTE 23 – COMPONENT UNITS

**The Houston Community College Foundation (the "Foundation") – A Discretely Presented Component Unit**

The Foundation was organized in the State of Texas on May 13, 1976 to function as a legally separate, non-profit foundation and it is controlled by a separate board of trustees. The System does not appoint any of the Foundation's board members nor does it fund or is it obligated to pay debt related to the Foundation. The Foundation's purpose is (1) to maintain, develop, increase and extend the facilities and services of the System; (2) to provide broad educational opportunities to the System's students, staff, faculty and the residents of the geographical area that the System serves; (3) to solicit and receive by gift, grant, devise, or otherwise, property, both real and personal, and to manage and administer the same, and (4) to make contributions, grants, gifts and transfers of property to or for the benefit of the System, or to or for the benefit of other tax exempt organizations identified and associated with the System.

Using the criteria established by Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, the System's management has determined that the Foundation should be reported as a discrete component unit of the System because of the nature and significance of its relationship with the System. The Foundation raises and holds economic resources for the direct benefit of the System. Accordingly, the Foundation's financial statements are included in the System's comprehensive annual financial report as a discretely presented component unit as Exhibit 1A – Statements of Financial Position - Foundation and Exhibit 2A and 2B – Statements of Activities – Foundation for the fiscal years ended August 31, 2018 and 2017.

For complete financial information about the Foundation, please contact the Foundation at: Houston Community College Foundation, 3100 Main, Suite 12B12, Houston, TX 77002 or visit their website at: <https://www.hccsfoundation.org/page.aspx?pid=767>.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

**The Houston Community College System Public Facility Corporation (“PFC”) – A Blended Component Unit**

The PFC was incorporated on January 18, 2005. The PFC is a legally separate non-profit public facility corporation and instrumentality formed by the System pursuant to the Public Facility Corporation Act and a resolution of the Board of Trustees of the System. The PFC Board of Directors is comprised of the nine members of the System’s Board of Trustees. The PFC was formed for the purpose of financing or providing for the acquisition, construction, rehabilitation, renovation, repair and equipment of public facilities for the benefit of the System. In accordance with the GASB Statements outlined above, the PFC is included in the System’s financial reporting entity as a blended component unit because of the nature of its relationship to the System and the entities share the same Board members. The operations of the PFC ceased in fiscal year 2017. Complete financial information for the PFC may be obtained from the System’s Finance and Administration division.

**NOTE 24 – SUBSEQUENT EVENTS**

On November 7, 2018 the Board of Trustees approved the refunding of the Junior Lien Student Fee Revenue Refunding Bonds, Series 2006 of \$10,540,000 and the Senior Lien Student Fee Revenue Bonds, Series 2008 of \$22,890,000. It is anticipated the issuance and closing of the new bonds will be in February 2019.

On December 5, 2018 the Board of Trustees approved the development of a new Katy Campus in west Houston, which will be co-located to a new campus being built by The University of Houston. The project will entail the purchase of 24 acres of land and construction of a 140,000 square foot building at a total estimated cost of \$54,000,000. Interim financing of the project for two to three years will be accomplished through a Tax-Exempt Variable Rate Note Purchase Agreement of up to \$55,000,000 with a bank at an estimated annual interest rate of 2.55% based upon a factor of LIBOR. Upon completion of the building, the System intends to issue permanent revenue bonds and retire the outstanding notes. Interest only will be paid semi-annually on the notes during the term of the interim financing agreement.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF HOUSTON COMMUNITY COLLEGE SYSTEM'S SHARE OF NET OPEB LIABILITY  
 FOR THE LAST FISCAL YEAR\*\*

<u>Fiscal Year Ending August 31*,</u>	<u>2018</u>
System's proportionate share of collective net OPEB liability (%)	0.24874785%
System's proportionate share of collective net OPEB liability (\$)	\$ 84,755,846
State's proportionate share of net OPEB liability associated with System (\$)	<u>84,826,192</u>
Total	<u>\$ 169,582,038</u>
System's covered employee payroll	\$ 162,660,919
System's share of collective net OPEB liability as a percentage of covered employee payroll	52.11%
Plan fiduciary net position as a percentage of total OPEB liability	2.04%

\*The amounts presented above are as of the measurement date of the collective net OPEB liability.

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

See accompanying Notes to Required Supplementary Information.

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF HOUSTON COMMUNITY COLLEGE SYSTEM'S OPEB CONTRIBUTIONS  
 FOR THE LAST FISCAL YEAR\*\*

Fiscal Year Ending August 31*,	2018
Legally required contributions	\$ 2,557,844
Actual contributions	2,557,844
Contributions deficiency (excess)	\$ -
 System covered employee payroll amount	 \$ 173,191,132
Contributions as a percentage of covered employee payroll	1.48%

\* The amounts presented above are as of System respective fiscal year-end.

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NET OPEB LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2018

**Changes to Term Benefits**

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility.
- Elimination of the copayment for virtual visits.
- A reduction in the copayment for Airrosti.
- For out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

**Demographic Assumptions**

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary. In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

**Economic Assumptions**

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees. Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations and the revised assumed rate of general inflation. The discount rate was lowered as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher. Minor benefit changes have been reflected in the FY 2018 Assumed Per Capita Health Benefit Costs. Actuarial assumption changes are described in ERS's Comprehensive Annual Financial Report and the ERS Actuarial Valuation Report for the year ended August 31, 2017, which can be accessed at:

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2017-CAFR.pdf>

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/ERS-Actuarial-Valuation-Reports/2017-ERS-OPEB-Valuation-Report-November-2017.pdf>

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF HOUSTON COMMUNITY COLLEGE SYSTEM'S SHARE OF NET PENSION LIABILITY  
FOR THE LAST FOUR FISCAL YEARS\*\*

Fiscal Year Ending August 31*,	2018	2017	2016	2015
System's proportionate share of collective net pension liability (%)	0.0023234114975%	0.0022616762%	0.002211843%	0.002524331%
System's proportionate share of collective net pension liability (\$)	\$ 74,290,183	\$ 85,465,382	\$ 78,185,706	\$ 67,428,372
State's proportionate share of net pension liability associated with HCC (\$)	13,365,973	11,565,790	9,346,029	10,129,723
Total	<u>\$ 87,656,156</u>	<u>\$ 97,031,172</u>	<u>\$ 87,531,735</u>	<u>\$ 77,558,095</u>
System's covered payroll	\$ 131,555,086	\$ 119,277,740	\$ 111,062,958	108,523,260
System's share of collective net pension liability as a percentage of covered payroll	56.47%	71.65%	70.40%	62.13%
Plan fiduciary net position as a percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

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

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

See accompanying Notes to Required Supplementary Information.

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF HOUSTON COMMUNITY COLLEGE SYSTEM'S PENSION CONTRIBUTIONS  
 FOR THE LAST FOUR FISCAL YEARS\*\*

Fiscal Year Ending August 31*,	2018	2017	2016	2015
Legally required contributions	\$ 7,588,046	\$ 7,099,251	\$ 6,832,860	\$ 5,873,294
Actual contributions	7,588,046	7,099,251	6,832,860	5,873,294
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
System covered payroll amount	\$ 148,417,506	\$ 131,555,086	\$ 119,277,740	\$ 111,062,958
Contributions as a percentage of covered payroll	5.11%	5.40%	5.73%	5.29%

\* The amounts presented above are as of System's respective fiscal year-end.

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

See accompanying Notes to Required Supplementary Information.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2018

**Changes to Actuarial Assumptions since prior Actuarial Valuation**

At its July 2018 board meeting, the TRS Board of Trustees voted to lower the investment return assumption from 8.0% to 7.25%. The full impact of this change in assumption will not be known until the next actuarial study is completed and is also dependent on changes in contribution rates and other factors

There were no other changes to economic assumptions, benefit terms or actuarial assumptions that significantly affected trends in the amounts reported in the required supplementary information schedules during the measurement period.

**Other Changes to Assumptions**

Other changes to actuarial, economic; mortality and demographic assumptions were deemed to have an insignificant impact on the measurement of the pension liability. Additional actuarial assumption changes are described in TRS's Comprehensive Annual Financial Report for the year ended August 31, 2017, which can be accessed at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2017.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf).

**SUPPLEMENTAL SCHEDULES**



HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF OPERATING REVENUES  
FOR THE YEAR ENDED AUGUST 31, 2018  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	August 31, 2018 Total	August 31, 2017 Total
<b>Tuition:</b>						
State Funded Courses:						
In-District Resident Tuition	\$ 18,813,400	\$ -	\$ 18,813,400	\$ -	\$ 18,813,400	\$ 19,852,573
Out-of-District Resident Tuition	24,180,474	-	24,180,474	-	24,180,474	23,511,034
State Funded Continuing Education:	6,891,385	-	6,891,385	-	6,891,385	7,669,777
TPEG (Credit)	2,499,545	-	2,499,545	-	2,499,545	1,458,363
TPEG (Non-Credit)	268,586	-	268,586	-	268,586	282,018
Non-Resident Tuition	16,666,375	-	16,666,375	-	16,666,375	17,274,921
Non-State Funded Continuing Education	1,645,198	-	1,645,198	-	1,645,198	1,999,577
<b>Total Tuition</b>	<b>70,964,963</b>	<b>-</b>	<b>70,964,963</b>	<b>-</b>	<b>70,964,963</b>	<b>72,048,263</b>
<b>Fees:</b>						
Installation Plan Fees	1,067,435	-	1,067,435	-	1,067,435	1,098,963
General Fees	33,919,617	-	33,919,617	-	33,919,617	33,979,684
Laboratory Fees	4,714,326	-	4,714,326	-	4,714,326	4,561,998
Other Fees	10,865,370	-	10,865,370	-	10,865,370	10,849,602
Student Service Fees	2,053,433	200,319	2,253,752	1,923,849	4,177,601	4,511,696
<b>Total Fees</b>	<b>52,620,181</b>	<b>200,319</b>	<b>52,820,500</b>	<b>1,923,849</b>	<b>54,744,349</b>	<b>55,001,943</b>
<b>Scholarship Allowances and Discounts:</b>						
Remissions and Exemptions-State	(10,183,800)	-	(10,183,800)	-	(10,183,800)	(9,681,866)
Remissions and Exemptions-Local	(1,402,810)	-	(1,402,810)	-	(1,402,810)	(2,132,855)
Title IV Federal Grants	(29,098,549)	-	(29,098,549)	-	(29,098,549)	(28,426,297)
Other Federal Grants	(2,644,398)	-	(2,644,398)	-	(2,644,398)	(2,559,454)
TPEG Awards	(1,776,320)	-	(1,776,320)	-	(1,776,320)	(1,125,162)
Other State Grants	(3,326,854)	-	(3,326,854)	-	(3,326,854)	(2,735,886)
Other Local Grants	(1,401,397)	-	(1,401,397)	-	(1,401,397)	(1,460,539)
<b>Total Scholarship Allowances and Discounts</b>	<b>(49,834,128)</b>	<b>-</b>	<b>(49,834,128)</b>	<b>-</b>	<b>(49,834,128)</b>	<b>(48,122,059)</b>
<b>Total Net Tuition and Fees</b>	<b>73,751,016</b>	<b>200,319</b>	<b>73,951,335</b>	<b>1,923,849</b>	<b>75,875,184</b>	<b>78,928,147</b>
<b>Other Operating Revenues:</b>						
Federal Grants and Contracts	-	14,618,765	14,618,765	-	14,618,765	14,092,252
State Grants and Contracts	-	7,241,239	7,241,239	-	7,241,239	6,848,608
Local Grants and Contracts	-	97,715	97,715	-	97,715	148,327
Non-Governmental Grants and Contracts	-	1,350,083	1,350,083	-	1,350,083	1,680,496
Sales and Services	238,132	40,062	278,194	3,068	281,262	333,874
<b>Total Other Operating Revenues</b>	<b>238,132</b>	<b>23,347,864</b>	<b>23,585,996</b>	<b>3,068</b>	<b>23,589,064</b>	<b>23,103,557</b>
<b>Auxiliary Enterprises:</b>						
Bookstore	-	-	-	2,367,482	2,367,482	2,796,712
Long-Term Parking	-	-	-	504,218	504,218	572,527
Rental of Facilities	-	-	-	6,532,908	6,532,908	8,184,474
Restaurant	-	-	-	420,633	420,633	420,797
Vending and Other Commissions	-	-	-	126,000	126,000	126,000
<b>Total Auxiliary Enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,951,241</b>	<b>9,951,241</b>	<b>12,100,510</b>
<b>Total Operating Revenues</b>	<b>\$ 73,989,148</b>	<b>\$ 23,548,183</b>	<b>\$ 97,537,331</b>	<b>\$ 11,878,158</b>	<b>\$ 109,415,489</b>	<b>\$ 114,132,214</b>

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF OPERATING EXPENSES BY OBJECT  
 FOR THE YEAR ENDED AUGUST 31, 2018  
 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

Schedule B

	Operating Expenses						2017 Total
	Salaries and Wages	Benefits		Other Expenses	2018 Total	2017 Total	
		State	Local				
<b>Unrestricted Educational Activities</b>							
Instruction	\$ 108,662,795	-	\$ 15,298,588	\$ 3,807,652	\$ 127,769,035	\$ 123,504,021	
Public Service	808,837	-	113,876	395,355	1,318,068	1,286,951	
Academic Support	23,172,778	-	2,688,300	6,506,405	32,367,483	31,454,799	
Student Services	24,397,211	-	3,246,003	3,196,783	30,839,997	28,751,374	
Institutional Support	43,503,868	-	6,887,946	23,737,167	74,128,981	72,936,531	
Operation and Maintenance of Plant	2,963,723	-	417,260	26,463,767	29,844,750	27,636,411	
<b>Total Unrestricted Educational Activities</b>	<b>203,509,212</b>	<b>-</b>	<b>28,651,973</b>	<b>64,107,129</b>	<b>296,268,314</b>	<b>285,570,087</b>	
<b>Restricted Educational Activities</b>							
Instruction	659,773	8,278,501	102,965	474,328	9,515,567	8,472,162	
Public Service	4,608,359	-	706,830	3,560,634	8,875,823	9,964,529	
Academic Support	336,886	1,454,716	65,345	323,781	2,180,728	1,982,222	
Student Services	2,449,213	1,756,505	168,076	444,919	4,818,713	4,018,265	
Institutional Support		3,727,263	-	-	3,727,263	3,401,171	
Scholarship and Fellowship		-	-	62,863,907	62,863,907	55,435,891	
<b>Total Restricted Educational Activities</b>	<b>8,054,231</b>	<b>15,216,985</b>	<b>1,043,216</b>	<b>67,667,569</b>	<b>91,982,001</b>	<b>83,274,240</b>	
<b>Total Educational Activities</b>	<b>211,563,443</b>	<b>15,216,985</b>	<b>29,695,189</b>	<b>131,774,698</b>	<b>388,250,315</b>	<b>368,844,327</b>	
<b>Auxiliary Enterprises</b>							
Depreciation - Buildings	2,454,246	-	712,910	8,404,737	11,571,893	11,064,979	
Depreciation - Equipment	-	-	-	17,109,541	17,109,541	16,873,485	
Depreciation - Library Books	-	-	-	8,518,733	8,518,733	7,005,441	
<b>Total Operating Expenses</b>	<b>\$ 214,017,689</b>	<b>\$ 15,216,985</b>	<b>\$ 30,408,099</b>	<b>\$ 166,211,217</b>	<b>\$ 425,853,990</b>	<b>\$ 404,212,671</b>	

(Exhibit 2)

See Report of Independent Certified Public Accountants

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
 FOR THE YEAR ENDED AUGUST 31, 2018  
 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	Total 2018	Total 2017
<b>NON-OPERATING REVENUES:</b>					
State Appropriations:					
Educational and General State Support	\$ 68,134,644	\$ -	\$ -	\$ 68,134,644	\$ 70,276,780
State Group Insurance	-	12,895,414	-	12,895,414	11,355,196
State Retirement Matching	-	2,321,572	-	2,321,572	2,544,280
Other State Appropriations	30,800	-	-	30,800	17,971
Total State Appropriations	68,165,444	15,216,986	-	83,382,430	84,194,227
Maintenance Ad Valorem Taxes	150,689,019	-	-	150,689,019	143,760,474
Debt Service Ad Valorem Taxes	-	46,321,795	-	46,321,795	47,923,920
Gifts	-	1,699,979	310,000	2,009,979	1,875,561
Investment Income, Net	4,221,227	-	-	4,221,227	3,557,445
Title IV Grants	725,332	88,168,184	-	88,168,184	80,531,464
Gain on Sale of Capital Assets	2,506,767	-	1,000	2,507,767	-
Other Non-operating Revenue	226,307,789	151,406,944	311,000	378,025,733	7,157,578
Total Non-operating Revenues					369,000,669
<b>NON-OPERATING EXPENSES:</b>					
Interest on Capital-Related Debt	(30,411,867)	-	-	(30,411,867)	(17,991,413)
Hurricane Harvey Expenses (Net of Recoveries)	(184,313)	-	-	(184,313)	-
Other Non-operating Expenses	(8,395,813)	-	-	(8,395,813)	(8,927,703)
Total Non-operating Expenses	(38,991,993)	-	-	(38,991,993)	(26,919,116)
NET NON-OPERATING REVENUES	\$ 187,315,796	\$ 151,406,944	\$ 311,000	\$ 339,033,740	\$ 342,081,553
				(Exhibit 2)	(Exhibit 2)

See Report of Independent Certified Public Accountants

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
 FOR THE YEAR ENDED AUGUST 31, 2018  
 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

Schedule D

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (42,894,945)	\$ -	\$ -	\$ (42,894,945)	\$ (42,894,945)	\$ -	-
Auxiliary enterprises	10,446,015	-	-	10,446,015	10,446,015	-	-
Restricted	-	-	-	-	-	-	-
Loan	-	238,697	-	238,697	-	-	238,697
Endowment:							
Plant:							
Unexpended	47,118,330	-	-	47,118,330	47,118,330	-	-
Debt Service	-	11,881,822	-	11,881,822	-	-	11,881,822
Investment in Plant	-	-	363,332,433	363,332,433	-	-	363,332,433
Total Net Position August 31, 2018	14,669,400	12,120,519	363,332,433	390,122,352 (Exhibit 1)	14,669,400	375,452,952	
Total Net Position August 31, 2017	73,796,247	18,554,933	374,110,855	466,462,035 (Exhibit 1)	73,796,247	392,665,788	
Net Decrease in Net Position	<u>\$ (59,126,847)</u>	<u>\$ (6,434,414)</u>	<u>\$ (10,778,422)</u>	<u>\$ (76,339,683)</u> (Exhibit 1)	<u>\$ (59,126,847)</u>	<u>\$ (17,212,836)</u>	

See Report of Independent Certified Public Accountant

**STATISTICAL SECTION  
(Unaudited)**

## HOUSTON COMMUNITY COLLEGE SYSTEM STATISTICAL SECTION NARRATIVE

### **Statistical Section**

This section of HCC's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about HCC's overall financial health.

### **Financial Trends**

This section contains trend information to help the reader understand how HCC's financial performance and well-being have changed over time.

### **Revenue Capacity**

This section includes information to help the reader assess HCC's most significant local revenue source, property tax.

### **Debt Capacity**

This section presents information to help the reader assess the affordability of HCC's current levels of outstanding debt and the System's ability to issue additional debt in the future.

### **Economic & Demographic Information**

This section depicts demographic and economic indicators to help the reader understand the environment within which HCC's financial activities take place.

### **Operating Information**

This section displays service and capital asset data to help the reader understand how the information in HCC's financial report relates to the services HCC provides and the activities it performs.

Sources: Unless otherwise stated, the information in this section is derived from the comprehensive annual financial reports for the relevant year.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(Amounts Expressed in Thousands)  
(Unaudited)

Table 1

	2018**	2017	2016	2015*	2014	2013	2012	2011	2010	2009
Net Investment in Capital Assets	\$ 363,332	\$ 374,111	\$ 318,344	\$ 290,771	\$ 244,073	\$ 230,706	\$ 234,825	\$ 207,977	\$ 197,013	\$ 197,253
Restricted - Expendable	12,121	18,555	14,035	13,290	14,804	1,216	488	488	449	449
Unrestricted	14,669	73,796	82,082	60,357	114,975	107,142	87,004	73,959	70,083	62,731
Total Primary Government, Net Position	\$ 390,122	\$ 466,462	\$ 414,461	\$ 364,418	\$ 373,852	\$ 339,063	\$ 322,317	\$ 282,424	\$ 267,545	\$ 260,433
Net Increase/(Decrease) in Net Position	\$ (76,340)	\$ 52,001	\$ 50,043	\$ (9,434)	\$ 34,789	\$ 16,746	\$ 39,893	\$ 14,879	\$ 7,112	\$ 7,566

\* GASB 68 was implemented in FY 2015.

\*\* GASB 75 was implemented in FY 2018.

**HOUSTON COMMUNITY COLLEGE SYSTEM  
PROGRAM REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Table 2

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>OPERATING REVENUES:</b>										
Tuition and Fees, Net of Discounts	\$ 75,875,184	\$ 78,928,147	\$ 79,625,900	\$ 75,079,230	\$ 70,689,034	\$ 71,433,953	\$ 71,415,957	\$ 67,907,897	\$ 65,655,752	\$ 64,689,510
Federal Grants and Contracts	14,618,765	14,092,252	13,844,635	13,782,110	14,019,776	14,702,419	16,848,269	16,064,089	16,243,394	12,480,512
State Grants and Contracts	7,241,239	6,848,608	6,790,982	9,250,630	5,714,975	6,267,894	5,166,289	6,600,375	5,230,511	3,715,657
Local Grants and Contracts	97,715	148,327	157,041	162,920	116,899	81,407	95,226	275,085	79,055	77,955
Non-governmental Grants and Contracts	1,350,083	1,680,496	3,060,584	2,446,357	2,441,076	2,413,531	2,497,892	1,283,150	1,286,822	854,759
Sales and Services of Educational Activities	281,262	333,874	273,441	177,222	189,043	193,328	329,382	369,530	315,835	261,861
Auxiliary Enterprises	9,951,241	12,100,510	10,141,084	13,544,991	16,420,059	16,092,899	16,096,494	14,535,914	10,493,233	8,709,724
<b>Total Operating Revenues</b>	<b>109,415,489</b>	<b>114,132,214</b>	<b>113,893,667</b>	<b>114,443,461</b>	<b>109,590,862</b>	<b>111,185,431</b>	<b>112,449,510</b>	<b>107,036,040</b>	<b>99,304,602</b>	<b>90,789,978</b>
<b>NON-OPERATING REVENUES:</b>										
State Appropriations	83,382,430	84,194,227	83,877,620	82,249,495	81,675,719	82,105,228	81,839,826	84,838,315	84,665,409	81,677,836
Ad Valorem Taxes	197,010,814	191,684,394	179,907,211	173,457,004	143,389,744	129,256,277	123,638,019	115,820,065	119,273,809	107,746,487
Gifts	2,009,979	1,875,561	2,025,562	1,260,854	1,436,292	1,591,888	2,053,638	1,573,601	1,555,967	1,115,895
Investment Income	4,221,227	3,557,445	2,752,692	2,950,156	3,704,351	(140,747)	789,917	566,945	900,323	4,213,587
Disaster Relief Grants	-	-	-	-	-	-	-	-	1,415,592	1,525,611
Title IV (Pell)	88,168,184	80,531,464	86,117,577	95,673,111	94,092,798	94,423,841	102,023,662	96,171,936	75,639,561	41,239,311
Other Non-operating Revenues	3,233,099	7,157,578	2,848,147	7,460,036	1,672,149	6,446,858	9,341,129	6,153,631	3,455,364	2,241,061
<b>Total Non-operating Revenues</b>	<b>378,025,733</b>	<b>369,000,669</b>	<b>357,528,809</b>	<b>363,050,656</b>	<b>325,971,053</b>	<b>313,683,345</b>	<b>319,686,191</b>	<b>305,124,493</b>	<b>286,906,025</b>	<b>239,759,788</b>
<b>TOTAL REVENUES</b>	<b>\$ 487,441,222</b>	<b>\$ 483,132,883</b>	<b>\$ 471,422,476</b>	<b>\$ 477,494,118</b>	<b>\$ 435,561,915</b>	<b>\$ 424,868,776</b>	<b>\$ 432,135,701</b>	<b>\$ 412,160,533</b>	<b>\$ 386,210,626</b>	<b>\$ 330,549,766</b>

Note: Nursing Shortage Reduction revenue was classified as operating revenue versus non-operating revenue in FY 2017. All prior periods have been adjusted to reflect this change.



**HOUSTON COMMUNITY COLLEGE SYSTEM  
PROGRAM REVENUES BY SOURCE- CONTINUED  
LAST TEN FISCAL YEARS  
(Unaudited)**

Table 2

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>OPERATING REVENUES:</b>										
Tuition and Fees, Net of Discounts	15.57%	16.34%	16.89%	15.72%	16.23%	16.81%	16.53%	16.48%	17.00%	19.57%
Federal Grants and Contracts	3.00%	2.92%	2.94%	2.89%	3.22%	3.46%	3.90%	3.90%	4.21%	3.78%
State Grants and Contracts	1.49%	1.42%	1.44%	1.94%	1.31%	1.48%	1.20%	1.60%	1.35%	1.12%
Local Grants and Contracts	0.02%	0.03%	0.03%	0.03%	0.03%	0.02%	0.02%	0.07%	0.02%	0.02%
Non-governmental Grants and Contracts	0.28%	0.35%	0.65%	0.51%	0.56%	0.57%	0.58%	0.31%	0.33%	0.26%
Sales and Services of Educational Activities	0.06%	0.07%	0.06%	0.04%	0.04%	0.05%	0.08%	0.09%	0.08%	0.08%
Other Operating Revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary Enterprises	2.04%	2.50%	2.15%	2.84%	3.77%	3.79%	3.72%	3.53%	2.72%	2.63%
<b>Total Operating Revenues</b>	<b>22.45%</b>	<b>23.62%</b>	<b>24.16%</b>	<b>23.97%</b>	<b>25.16%</b>	<b>26.17%</b>	<b>26.02%</b>	<b>25.97%</b>	<b>25.71%</b>	<b>27.47%</b>
<b>NON-OPERATING REVENUES:</b>										
State Appropriations	17.11%	17.43%	17.79%	17.23%	18.75%	19.32%	18.94%	20.58%	21.92%	24.71%
Ad Valorem Taxes	40.42%	39.68%	38.16%	36.33%	32.92%	30.42%	28.61%	28.10%	30.88%	32.60%
Gifts	0.41%	0.39%	0.43%	0.26%	0.33%	0.37%	0.48%	0.38%	0.40%	0.34%
Investment Income	0.87%	0.74%	0.58%	0.62%	0.85%	-0.03%	0.18%	0.14%	0.23%	1.27%
Disaster Relief Grants	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.37%	0.46%
Title IV (Pell)	18.09%	16.67%	18.27%	20.04%	21.60%	22.22%	23.61%	23.33%	19.59%	12.48%
Other Non-operating Revenues	0.66%	1.48%	0.60%	1.56%	0.38%	1.52%	2.16%	1.49%	0.89%	0.68%
<b>Total Non-operating Revenues</b>	<b>77.55%</b>	<b>76.38%</b>	<b>75.84%</b>	<b>76.03%</b>	<b>74.84%</b>	<b>73.83%</b>	<b>73.98%</b>	<b>74.03%</b>	<b>74.29%</b>	<b>72.53%</b>
<b>TOTAL REVENUES</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Nursing Shortage Reduction revenue was classified as operating revenue versus non-operating revenue in FY 2017. All prior periods have been adjusted to reflect this change.

HOUSTON COMMUNITY COLLEGE SYSTEM  
PROGRAM EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 3

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>OPERATING EXPENSES:</b>										
Instruction	\$ 137,284,602	\$ 131,976,183	\$ 123,860,246	\$ 118,383,131	\$ 112,628,406	\$ 111,931,030	\$ 100,319,497	\$ 112,617,877	\$ 113,319,505	\$ 105,158,760
Public Service	10,193,891	11,251,480	10,885,467	10,295,409	10,628,104	11,638,013	11,868,925	11,766,675	11,477,787	9,988,399
Academic Support	34,548,211	33,437,021	32,357,317	31,781,726	26,699,201	25,060,153	22,771,173	19,616,391	23,449,473	20,632,551
Student Services	35,658,710	32,769,639	30,877,171	31,448,417	29,244,604	29,165,865	24,906,487	31,901,438	30,902,922	27,473,142
Institutional Support	77,856,244	76,337,702	69,312,047	60,572,436	60,301,482	54,332,112	56,815,639	53,657,535	51,402,656	45,744,528
Operation and Maintenance of Plant	29,844,750	27,636,411	27,396,317	28,820,028	35,885,631	31,438,811	27,969,778	28,350,817	35,937,690	32,628,588
Scholarships and Fellowships	62,863,907	55,435,891	58,153,241	61,638,293	58,733,940	57,092,409	61,504,372	65,346,087	49,920,320	24,796,647
Auxiliary Enterprises	11,571,893	11,064,979	11,839,737	13,853,632	17,233,929	18,760,757	15,736,795	14,607,330	9,740,078	8,718,772
Depreciation	26,031,782	24,303,365	22,724,776	21,484,508	19,743,511	19,492,034	18,848,802	17,067,466	14,832,747	11,098,086
Total Operating Expenses	425,853,990	404,212,671	387,406,319	378,277,580	371,098,809	358,911,184	340,741,468	354,931,616	340,983,178	286,239,473
<b>NON-OPERATING EXPENSES:</b>										
Interest on Capital Related Debt	30,411,867	17,991,413	19,535,342	24,312,876	16,346,638	36,827,644	28,498,392	29,424,886	25,379,834	25,375,863
Loss on Sale of Fixed Assets	-	-	5,517,511	-	-	-	-	-	-	-
Hurricane Expense, Net	184,313	-	-	-	-	12,431	626,194	284,103	561,861	297,616
Other Non-operating Expenses	8,395,813	8,927,703	8,920,785	7,940,686	13,327,637	12,371,070	22,377,547	12,639,933	12,174,272	11,070,525
Total Non-operating Expenses	38,991,993	26,919,116	33,973,638	32,253,562	29,674,275	49,211,145	51,502,133	42,348,922	38,115,967	36,744,004
Total Expenses	\$ 464,845,983	\$ 431,131,787	\$ 421,379,957	\$ 410,531,142	\$ 400,773,084	\$ 408,122,329	\$ 392,243,601	\$ 397,280,538	\$ 379,099,145	\$ 322,983,477

Note: Property tax expense was classified as non-operating expense versus operating expense in FY 2017. All prior periods have been adjusted to reflect this change.

HOUSTON COMMUNITY COLLEGE SYSTEM  
PROGRAM EXPENSES BY FUNCTION - CONTINUED  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 3

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>OPERATING EXPENSES:</b>										
Instruction	29.53%	30.61%	29.39%	28.84%	28.10%	27.43%	25.58%	28.35%	29.89%	32.56%
Public Service	2.19%	2.61%	2.58%	2.51%	2.65%	2.85%	3.03%	2.96%	3.03%	3.09%
Academic Support	7.43%	7.76%	7.68%	7.74%	6.66%	6.14%	5.81%	4.94%	6.19%	6.39%
Student Services	7.67%	7.60%	7.33%	7.66%	7.30%	7.15%	6.35%	8.03%	8.15%	8.51%
Institutional Support	16.75%	17.71%	16.45%	14.75%	15.05%	13.31%	14.48%	13.51%	13.56%	14.16%
Operation and Maintenance of Plant	6.42%	6.41%	6.50%	7.02%	8.95%	7.70%	7.13%	7.14%	9.48%	10.10%
Scholarships and Fellowships	13.52%	12.86%	13.80%	15.01%	14.66%	13.99%	15.68%	16.45%	13.17%	7.68%
Auxiliary Enterprises	2.49%	2.57%	2.81%	3.37%	4.30%	4.60%	4.01%	3.68%	2.57%	2.70%
Depreciation	5.60%	5.64%	5.39%	5.23%	4.93%	4.78%	4.81%	4.30%	3.91%	3.44%
Total Operating Expenses	91.61%	93.76%	91.94%	92.14%	92.60%	87.94%	86.87%	89.34%	89.95%	88.62%
<b>NON-OPERATING EXPENSES:</b>										
Interest on Capital Related Debt	6.54%	4.17%	4.64%	5.92%	4.08%	9.02%	7.27%	7.41%	6.69%	7.86%
Loss on Sale of Fixed Assets	0.00%	0.00%	1.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hurricane Ike Expense, Net	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.07%	0.15%	0.09%
Other Non-operating Expenses	1.81%	2.07%	2.12%	1.93%	3.33%	3.03%	5.71%	3.18%	3.21%	3.43%
Total Non-operating Expenses	8.39%	6.24%	8.06%	7.86%	7.40%	12.06%	13.13%	10.66%	10.05%	11.38%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Property tax expense was classified as non-operating expense versus operating expense in FY 2017. All prior periods have been adjusted to reflect this change.

HOUSTON COMMUNITY COLLEGE SYSTEM  
TUITION AND FEES  
LAST TEN ACADEMIC YEARS  
(Unaudited)

Table 4

Academic Year	Semester	SEMESTER CREDIT HOUR (SCH)						Cost for 12 SCH	Increase from Prior Year-Fall
		IN-DISTRICT							
		Tuition	General Fee	Technology Fee	Student Activity Services Fee	Recreation Fee			
2017-2018	Fall	\$ 372	\$ 306	\$ 120.00	\$ 12	\$ 6	\$ 816.00	0.0%	
2016-2017	Fall	372	306	120.00	12	6	816.00	0.0%	
2015-2016	Fall	372	306	120.00	12	6	816.00	0.1%	
2014-2015	Fall	372	306	118.80	12	6	814.80	0.0%	
2013-2014	Fall	372	306	118.80	12	6	814.80	0.1%	
2012-2013	Fall	372	306	117.60	12	6	813.60	0.1%	
2011-2012	Fall	372	306	116.40	12	6	812.40	18.6%	
2010-2011	Summer	372	306	115.20	12	6	811.20	n/a	
2010-2011	Fall	300	264	103.20	12	6	685.20	0.2%	
2009-2010	Fall	300	264	102.00	12	6	684.00	1.8%	
2008-2009	Spring	300	264	96.00	12	6	678.00	n/a	
2008-2009	Fall	300	264	96.00	12	---	672.00	2.3%	

Note: After Spring 2011, workforce students no longer pay extra \$1 per hour tuition. Recreation Fee previously known as Athletic Fee. In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.

HOUSTON COMMUNITY COLLEGE SYSTEM  
TUITION AND FEES - CONTINUED  
LAST TEN ACADEMIC YEARS  
(Unaudited)

Table 4

SEMESTER CREDIT HOUR (SCH)									
OUT-OF-DISTRICT									
Academic Year	Semester	Tuition	Out-of-District General Fee	Technology Fee	Student Activity Services Fee	Recreation Fee	Cost for 12 SCH	Increase from Prior Year-Fall	
2017-2018	Fall	\$ 1,140	\$ 402	\$ 120.00	\$ 12	\$ 6	\$ 1,680.00	0.0%	
2016-2017	Fall	1,140	402	120.00	12	6	1,680.00	0.0%	
2015-2016	Fall	1,140	402	120.00	12	6	1,680.00	0.1%	
2014-2015	Fall	1,140	402	118.80	12	6	1,678.80	0.0%	
2013-2014	Fall	1,140	402	118.80	12	6	1,678.80	0.1%	
2012-2013	Fall	1,140	402	117.60	12	6	1,677.60	0.1%	
2011-2012	Fall	1,140	402	116.40	12	6	1,676.40	18.3%	
2010-2011	Summer	1,080	402	115.20	12	6	1,615.20	n/a	
2010-2011	Fall	972	324	103.20	12	6	1,417.20	6.4%	
2009-2010	Fall	948	264	102.00	12	6	1,332.00	0.9%	
2008-2009	Spring	948	264	96.00	12	6	1,326.00	n/a	
2008-2009	Fall	948	264	96.00	12	---	1,320.00	1.1%	

Note: After Spring 2011, workforce students no longer pay extra \$1 per hour tuition. Recreation Fee previously known as Athletic Fee. In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.

HOUSTON COMMUNITY COLLEGE SYSTEM  
 TUITION AND FEES - CONTINUED  
 LAST TEN ACADEMIC YEARS  
 (Unaudited)

Table 4

Academic Year	Semester	Tuition	SEMESTER CREDIT HOUR (SCH)					Cost for 12 SCH	Increase from Prior Year-Fall
			OUT OF STATE/INTERNATIONAL						
			Out-of-State General Fee	Technology Fee	Student Activity Services Fee	Recreation Fee			
2017-2018	Fall	\$ 1,140	\$ 600	\$ 120.00	\$ 12	\$ 6	\$ 1,878.00	0.0%	
2016-2017	Fall	1,140	600	120.00	12	6	1,878.00	0.0%	
2015-2016	Fall	1,140	600	120.00	12	6	1,878.00	0.1%	
2014-2015	Fall	1,140	600	118.80	12	6	1,876.80	0.0%	
2013-2014	Fall	1,140	600	118.80	12	6	1,876.80	0.1%	
2012-2013	Fall	1,140	600	117.60	12	6	1,875.60	0.1%	
2011-2012	Fall	1,140	600	116.40	12	6	1,874.40	10.7%	
2010-2011	Summer	1,080	600	115.20	12	6	1,813.20	n/a	
2010-2011	Fall	972	600	103.20	12	6	1,693.20	7.7%	
2009-2010	Fall	912	540	102.00	12	6	1,572.00	0.8%	
2008-2009	Spring	912	540	96.00	12	6	1,566.00	n/a	
2008-2009	Fall	912	540	96.00	12	---	1,560.00	1.0%	

Note: After Spring 2011, workforce students no longer pay extra \$1 per hour tuition. Recreation Fee previously known as Athletic Fee. In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.

HOUSTON COMMUNITY COLLEGE SYSTEM  
 ASSESSED VALUE AND TAXABLE ASSESSED VALUE OF PROPERTY  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 5

Fiscal Year	Assessed Valuation of Property	Less: Exemptions & Abatements	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Tax Rate			Total Tax Rate (a)
					Maintenance & Operations	Debt Service		
2018	\$ 242,829,176,276	\$ 42,433,914,452	\$ 200,395,261,824	82.53%	\$ 0.076652	\$ 0.023611	\$	0.100263
2017	238,048,215,381	44,312,008,221	193,736,207,160	81.39%	0.075277	0.024986		0.100263
2016	221,458,121,257	42,287,303,553	179,170,817,704	80.91%	0.075631	0.026311		0.101942
2015	198,955,482,183	36,077,649,997	162,877,832,186	81.87%	0.077055	0.029835		0.106890
2014	180,734,029,067	34,213,942,090	146,520,086,977	81.07%	0.077055	0.020118		0.097173
2013	145,875,030,461	12,890,703,534	132,984,326,927	91.16%	0.079673	0.017500		0.097173
2012	159,141,889,758	31,729,564,366	127,412,325,392	80.06%	0.083399	0.013823		0.097222
2011	157,165,651,239	31,190,173,147	125,975,478,092	80.15%	0.074901	0.017319		0.092220
2010	158,860,572,423	28,430,763,993	130,429,808,430	82.10%	0.077839	0.014381		0.092220
2009	141,650,283,263	24,628,568,950	117,021,714,313	82.61%	0.077504	0.014926		0.092430

Source: Local Appraisal Districts

Notes: Property is assessed at full market value.

(a) Total Tax Rate is per \$100 Taxable Assessed Valuation

HOUSTON COMMUNITY COLLEGE SYSTEM  
 GENERAL APPROPRIATIONS ACT<sup>1</sup> BEFORE CONTACT HOUR ADJUSTMENTS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 6a

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Appropriation Funding Elements (Allocated)</b>										
State Appropriation Contact Hour Funding (CH)	\$ 60,712,276	\$ 63,177,743	\$ 63,177,743	\$ 62,190,430	\$ 62,190,430	\$ 70,326,503	\$ 70,326,503	\$ 70,337,113	\$ 70,337,112	\$ 63,627,432
State Appropriation Student Success Points (SSP)	6,741,962	6,484,471	6,484,471	6,458,505	6,458,505	-	-	-	-	-
State Appropriation Core Operations (CO)	680,406	500,000	500,000	500,000	500,000	-	-	-	-	-
State Appropriation Bachelor of Applied Technology (BAT)	-	-	-	-	-	-	-	-	-	-
State Appropriation Non-Formula Items	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 68,134,644</b>	<b>\$ 70,162,214</b>	<b>\$ 70,162,214</b>	<b>\$ 69,148,935</b>	<b>\$ 69,148,935</b>	<b>\$ 70,326,503</b>	<b>\$ 70,326,503</b>	<b>\$ 70,337,113</b>	<b>\$ 70,337,112</b>	<b>\$ 63,627,432</b>

<sup>1</sup> General Appropriations Act, SB 1, 85th Texas Legislature, Section 1 (page III-209) - Informational Listing of Appropriated Funds.

Note: The requirements for Tables 6 were changed by the THECB in fiscal year 2018.

Source: THECB - Ten Pay Schedule for FY 2018 thru FY 2010, Schedule C for FY 2009.



HOUSTON COMMUNITY COLLEGE SYSTEM  
STATE APPROPRIATION PER FTSE  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 6b

Fiscal Year	State		FTSE <sup>1</sup>	State Appropriation per FTSE
	Appropriation (Unrestricted) From Sch C*			
2018	\$ 68,165,444		46,984	\$ 1,451
2017	70,294,751		47,997	1,465
2016	70,168,777		48,826	1,437
2015	69,155,893		50,596	1,367
2014	69,202,364		49,448	1,399
2013	70,014,003		49,824	1,405
2012	70,232,038		52,032	1,350
2011	65,957,104		53,418	1,235
2010	65,791,457		50,445	1,304
2009	63,627,432		43,835	1,452

<sup>1</sup> Fiscal Year FTSE (Full-Time Student Equivalent) is equal to 480 annual contact hours [30 semester credit hours (Fall 12SCH + Spring 12SCH + Summer 6SCH) x 16 contact hours per SCH = 480 annual contact hours]. Total annual FTSE is equal to total funded contact hours divided by annual contact hours per student (480). HCC has high number of students who enroll in Continue Education courses. As a result, state funded CEU contact hour are included in this FTSE.

\* Actual Received

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATE APPROPRIATION PER FUNDED CONTACT HOUR (CH)  
CONTRACT HOUR PORTION ONLY OF STATE APPROPRIATION  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 6c

Fiscal Year	State Appropriation (Unrestricted) <sup>1</sup>		Academic		Technical		Continuing Education		Total Funded		State Appropriation per Funded CH	
	\$		CH		CH		CH		CH		\$	
2018*	60,712,276		15,688,714		4,844,368		2,019,420		22,552,502		2,69	
2017*	63,177,743		15,443,656		5,298,512		2,296,406		23,038,574		2.74	
2016*	63,177,743		15,527,528		5,762,048		2,146,857		23,436,433		2.70	
2015*	62,190,430		15,873,248		6,122,448		2,290,228		24,285,924		2.56	
2014*	62,190,430		15,931,744		5,822,268		1,980,830		23,734,842		2.62	
2013	70,014,003		16,237,296		5,744,810		1,933,271		23,915,377		2.93	
2012	70,232,038		17,354,256		5,822,072		1,798,940		24,975,268		2.81	
2011	65,957,104		17,802,080		5,924,078		1,914,445		25,640,603		2.57	
2010	65,791,457		16,652,752		5,680,164		1,880,857		24,213,773		2.72	
2009	63,627,432		14,345,992		4,883,890		1,810,761		21,040,643		3.02	

<sup>1</sup> State funded contact hour appropriation as it appears in schedule 6a.

Note: State funded contact hours for Fall, Spring, and Summer of the current fiscal year.

\*Formula funding methodology changed beginning in Fiscal Year 2014.

Source: HCC Certified Reports (CBM004 and CBM00C).

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATE APPROPRIATION PER STUDENT SUCCESS POINT (SSP) - ANNUALIZED  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 6d

Fiscal Year	SSP State Appropriation (Unrestricted) <sup>1</sup>	3-Year		Annual Appropriation per SSP
		Average SSP <sup>2</sup>	Weighted	
2018	\$ 6,741,962	78,597	\$	85.78
2017	6,484,471	75,145		86.29
2016	6,484,471	75,145		86.29
2015	6,458,505	69,775		92.56
2014	6,458,505	69,775		92.56
2013	-	-		-
2012	-	-		-
2011	-	-		-
2010	-	-		-
2009	-	-		-

<sup>1</sup> State funded student success point appropriation as it appears in table 6a.

<sup>2</sup> Obtain from THECB Ten Pay Schedules.

HOUSTON COMMUNITY COLLEGE SYSTEM  
STUDENT SUCCESS POINTS (SSP)  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 6c

Student Success Point (Unweighted) Elements	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Math Readiness	3,255	3,250	2,692	2,376	2,395	3,440	7,176	5,000	-	-
Read Readiness	2,632	2,767	1,962	2,230	3,157	5,034	4,506	3,692	-	-
Write Readiness	2,516	2,589	2,137	1,881	1,968	2,823	3,925	3,239	-	-
Students Who Pass FCL Math Course	7,795	7,968	9,383	8,599	7,748	7,484	9,044	7,288	-	-
Students Who Pass FCL Read Course	16,254	14,903	14,557	14,075	15,196	16,120	14,502	2,588	-	-
Students Who Pass FCL Write Course	13,028	12,622	12,709	12,904	13,080	12,419	4,836	1,487	-	-
Students Who Complete 15 SCH	15,574	15,823	16,241	15,669	15,326	15,657	17,330	18,885	-	-
Students Who Complete 30 SCH	9,902	10,142	10,130	9,696	9,566	9,828	10,691	10,846	-	-
Student Transfers to a 4-Yr Inst	4,350	4,498	4,481	4,368	4,522	4,428	2,025	1,811	-	-
Degrees, CCCs, or Certs (Undup)	7,243	7,733	7,752	5,845	5,740	5,499	4,995	4,385	-	-
Degrees or Certs in Critical Fields	1,060	1,110	968	944	966	908	902	851	-	-
<b>Total Annual Student Success Points</b>	<b>83,609</b>	<b>83,405</b>	<b>83,012</b>	<b>78,587</b>	<b>79,664</b>	<b>83,640</b>	<b>79,932</b>	<b>60,072</b>	-	-

Note: These are the student success points that are the basis of the 3-year rolling average for the calculation of the biennium allocation of state funding for student success. For instance fiscal years 2016, 2015, and 2014 form the basis for the weighted 3-year rolling average that is used for the allocation of state funds for the 2018-2019 biennium.

Source: Obtained from THECB Ten-Pay Schedules, Accountability System for FY 2017.

**HOUSTON COMMUNITY COLLEGE SYSTEM  
PRINCIPAL TAXPAYERS  
(Taxable Value)  
LAST TEN FISCAL YEARS  
(Unaudited)**

Table 7

Taxpayer	Industry	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Taxable Assessed Value (TAV) by Tax Year											
Centerpoint Energy Inc	Utility	\$ 989,802,949	\$ 1,644,000,381	\$ 1,626,152,344	\$ 1,418,862,516	\$ 1,362,799,831	\$ 1,382,750,044	\$ 1,153,697,187	\$ 1,119,456,415	\$ 1,122,000,954	\$ 1,155,200,888
BSREP IHC-4HC*	Real Estate	797,862,507	737,834,871	986,883,880	792,215,117	917,216,307	831,337,622	716,169,026	1,129,509,857	1,027,978,140	1,136,315,715
Cullen Allen Holdings Lp	Real Estate	-	-	-	-	-	-	1,163,749,277	967,638,791	855,622,627	679,738,613
Hines Interests Lid Ptnrsp	Real Estate	-	-	-	-	-	-	318,206,364	446,070,581	499,096,180	649,533,262
A T & T Mobility LLC	Utility	-	-	-	-	-	-	-	497,060,529	469,096,180	573,892,778
Tpg 2101 Citywest 1 & 2 Lp	Real Estate	-	-	-	-	-	-	-	627,685,117	469,387,624	520,865,513
Chevron Chemical Co	Oil & Gas	1,017,824,620	1,141,470,547	1,179,883,292	1,084,645,391	1,066,441,442	982,653,385	724,298,902	366,424,086	469,387,624	460,639,861
Anheuser Busch Inc	Brewery	-	-	-	-	-	-	357,792,263	-	404,399,350	421,420,837
Houston Refining	Oil & Gas	-	-	-	-	-	-	363,437,432	-	-	407,442,917
Valero Energy Corp	Oil & Gas	-	721,980,186	591,345,920	-	418,086,374	426,028,438	-	-	-	374,025,572
Teachers Insurance	Insurance	-	-	-	-	-	-	-	-	-	-
Shell Oil Co	Oil & Gas	-	-	-	492,784,337	-	-	334,605,330	331,875,591	-	-
HG Galleria I II III LP	Real Estate	-	679,040,894	687,114,648	508,214,845	475,503,575	385,054,953	363,274,752	319,442,735	315,388,094	-
Exxon Mobil Corp	Oil & Gas	-	-	-	-	-	-	317,979,103	305,020,231	305,281,064	-
1000 Louisiana LP	Real Estate	476,007,332	516,382,503	551,072,650	499,000,000	504,063,645	426,551,193	-	-	-	-
Texas Tower LTD	Real Estate	483,158,521	501,098,531	547,808,760	-	562,735,621	409,839,382	-	-	-	-
Four Oaks Place Operating LP	Real Estate	-	-	-	-	464,133,747	401,202,733	-	-	-	-
BG HOLDCO LLC	Real Estate	-	-	-	-	444,102,836	398,000,000	-	-	-	-
BUSYCON Properties LLC	Real Estate	484,510,539	512,787,835	-	505,450,307	536,989,676	453,269,103	-	-	-	-
PKY City West 1-4, POC, San*	Real Estate	852,336,214	715,139,095	1,188,888,678	1,115,262,076	-	-	-	-	-	-
One, Two & Three Allen Center CO LLC	Real Estate	785,887,656	857,457,136	924,339,870	866,158,501	-	-	-	-	-	-
Flint Hill Resources Houston	Oil & Gas	459,371,730	-	-	-	-	-	-	-	-	-
Southwestern Bell & ATT Mobility	Utility	-	-	553,335,269	476,957,952	-	-	-	-	-	-
<b>Totals</b>		<b>\$ 6,982,701,213</b>	<b>\$ 8,027,191,979</b>	<b>\$ 8,836,525,311</b>	<b>\$ 7,759,551,042</b>	<b>\$ 6,752,073,054</b>	<b>\$ 6,096,686,873</b>	<b>\$ 5,813,209,636</b>	<b>\$ 6,110,183,933</b>	<b>\$ 6,100,339,034</b>	<b>\$ 6,379,075,956</b>
<b>Total Taxable Assessed Value</b>		<b>\$ 200,395,261,824</b>	<b>\$ 193,736,207,160</b>	<b>\$ 179,170,817,704</b>	<b>\$ 162,877,832,186</b>	<b>\$ 146,520,086,977</b>	<b>\$ 132,984,326,927</b>	<b>\$ 127,412,325,392</b>	<b>\$ 125,975,478,092</b>	<b>\$ 130,429,808,430</b>	<b>\$ 117,021,714,313</b>

Source: Local County Appraisal District

\*Note: In prior years BSREP was Crescent Real Estate and PKY City West was Cousins Greenway & POC.

HOUSTON COMMUNITY COLLEGE SYSTEM  
 PRINCIPAL TAXPAYERS - CONTINUED  
 (Taxable Value)  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 7

Taxpayer	Industry	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	
		% of Taxable Assessed Value (TAV) by Tax Year										
Centerpoint Energy Inc	Utility	0.49%	0.85%	0.91%	0.87%	0.93%	1.04%	0.91%	0.89%	0.86%	0.99%	
BSREP IHC-4HC*	Real Estate	0.40%	0.38%	0.55%	0.49%	0.63%	0.63%	0.56%	0.90%	0.79%	0.97%	
Cullen Allen Holdings Lp	Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.48%	0.58%	
Hines Interests Ltd Ptnrsp	Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.91%	0.77%	0.66%	0.56%	
AT&T Mobility LLC	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.25%	0.35%	0.38%	0.49%	
Tpg 2101 Citywest 1 & 2 Lp	Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.36%	0.45%	
Chevron Chemical Co	Oil & Gas	0.51%	0.59%	0.66%	0.67%	0.73%	0.74%	0.57%	0.50%	0.36%	0.39%	
Anheuser Busch Inc	Brewery	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.28%	0.29%	0.31%	0.36%	
Houston Refining	Oil & Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	
Valero Energy Corp	Oil & Gas	0.00%	0.37%	0.33%	0.00%	0.29%	0.32%	0.29%	0.00%	0.00%	0.32%	
Teachers Insurance	Insurance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Shell Oil Co	Oil & Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
HG Galleria I II III LP	Real Estate	0.32%	0.35%	0.38%	0.31%	0.32%	0.29%	0.29%	0.25%	0.24%	0.00%	
Exxon Mobil Corp	Oil & Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.25%	0.24%	0.23%	0.00%	
1000 Louisiana LP	Real Estate	0.24%	0.27%	0.31%	0.31%	0.34%	0.32%	0.00%	0.00%	0.00%	0.00%	
Texas Tower LTD	Real Estate	0.24%	0.26%	0.31%	0.00%	0.38%	0.31%	0.00%	0.00%	0.00%	0.00%	
Four Oaks Place Operating LP	Real Estate	0.00%	0.00%	0.00%	0.00%	0.32%	0.30%	0.00%	0.00%	0.00%	0.00%	
BGHOLDCO LLC	Real Estate	0.00%	0.00%	0.00%	0.00%	0.30%	0.30%	0.00%	0.00%	0.00%	0.00%	
BUSYCON Properties LLC	Real Estate	0.24%	0.26%	0.00%	0.31%	0.37%	0.34%	0.00%	0.00%	0.00%	0.00%	
PKY City West 1-4, POC, San*	Real Estate	0.43%	0.37%	0.66%	0.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
One, Two & Three Allen Center	Real Estate	0.39%	0.44%	0.52%	0.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CO LLC												
Southwestern Bell & ATT	Utility	0.00%	0.00%	0.31%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Mobility												
Totals		3.48%	4.14%	4.93%	4.76%	4.61%	4.58%	4.56%	4.85%	4.68%	5.45%	

Source: Local County Appraisal District  
 \*Note: In prior years BSREP was Crescent Real Estate and PKY City West was Cousins Greenway & POC.

HOUSTON COMMUNITY COLLEGE SYSTEM  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN TAX YEARS  
(Unaudited)

Table 8

Fiscal Year	Tax Rate Per \$100	Tax Base (Assessed Value)	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years *		Total Collections to Date	
				Actual Collections per AFR	% of Levy	Collections in Subsequent Years *	Amount	% of Levy	
2018	\$ 0.100263	\$ 200,395,261,824	\$ 200,922,301	\$ 196,382,374	97.74%	\$ 4,764,905	\$ 201,147,279	100.11%	
2017	0.100263	193,736,207,160	194,245,733	192,672,263	99.19%	3,977,128	196,649,391	101.24%	
2016	0.101942	179,170,817,704	182,650,315	179,069,265	98.04%	1,487,978	180,557,243	98.85%	
2015	0.106890	162,877,832,186	174,100,115	173,168,964	99.47%	3,471,135	176,640,099	101.46%	
2014	0.097173	146,520,086,977	142,377,964	141,871,329	99.64%	3,233,799	145,105,128	101.92%	
2013	0.097173	132,984,326,927	129,224,860	126,900,573	98.20%	3,135,356	130,035,929	100.63%	
2012	0.097222	127,412,325,392	123,872,811	121,247,023	97.88%	4,017,805	125,264,828	101.12%	
2011	0.092220	125,975,478,092	116,179,580	113,187,929	97.42%	3,994,879	117,182,808	100.86%	
2010	0.092220	130,429,808,430	120,614,601	116,730,716	96.78%	3,995,418	120,726,134	100.09%	
2009	0.092430	117,021,714,313	108,163,171	105,021,974	97.10%	4,064,764	109,086,738	100.85%	

\* "Collection in Subsequent Years" includes penalties and interest.

Source: Local Tax Assessor/Collectors and District records.

HOUSTON COMMUNITY COLLEGE SYSTEM  
RATIOS OF OUTSTANDING DEBT  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 9

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Obligation Bonds	\$ 511,685,732	\$ 524,978,521	\$ 540,213,663	\$ 552,429,370	\$ 568,407,151	\$ 578,139,157	\$ 126,509,613	\$ 122,965,813	\$ 128,333,993	\$ 133,079,110
Maintenance Tax Bonds	33,873,578	34,717,506								
Notes	97,208,764	106,793,553	151,938,465	160,781,387	168,926,738	177,016,887	184,862,037	169,764,659	129,970,994	65,596,500
Less: Funds Restricted for Debt Service	-	-	-	-	-	-	-	-	-	-
Net General Bonded Debt	\$ 642,768,073	\$ 666,489,579	\$ 692,152,128	\$ 713,210,757	\$ 737,333,889	\$ 755,156,045	\$ 311,371,650	\$ 292,730,472	\$ 258,306,987	\$ 198,675,610
Per Capita	\$ 258.80	\$ 273.99	\$ 284.54	\$ 293.98	\$ 319.47	\$ 333.59	\$ 139.69	\$ 134.63	\$ 118.77	\$ 92.82
Per FTSE	\$ 12,712.31	\$ 12,654.55	\$ 12,929.45	\$ 13,067.73	\$ 13,732.91	\$ 13,921.98	\$ 5,511.88	\$ 5,104.01	\$ 4,723.11	\$ 4,153.09
As a Percentage of Taxable Assessed Value	0.34%	0.39%	0.39%	0.44%	0.50%	0.57%	0.24%	0.23%	0.20%	0.17%
Revenue Bonds	\$ 217,121,333	\$ 240,546,861	\$ 261,350,284	\$ 288,802,667	\$ 306,455,246	\$ 323,322,694	\$ 342,071,187	\$ 341,086,330	\$ 356,162,958	\$ 338,468,001
Notes	4,428,497	2,395,310	673,299	1,346,598	-	-	-	691,584	1,383,167	2,074,750
Capital Lease Obligations	-	-	-	-	-	-	-	1,304,824	3,914,472	6,524,120
Total Outstanding Debt	\$ 864,317,903	\$ 909,431,751	\$ 954,175,711	\$ 1,003,360,022	\$ 1,043,789,134	\$ 1,078,478,739	\$ 653,442,837	\$ 635,813,210	\$ 619,767,584	\$ 545,742,481
Per Capita	\$ 348	\$ 374	\$ 392	\$ 414	\$ 452	\$ 476	\$ 293	\$ 292	\$ 285	\$ 255
Per FTSE	\$ 17,094	\$ 17,267	\$ 17,824	\$ 18,384	\$ 19,441	\$ 19,883	\$ 11,567	\$ 11,086	\$ 11,332	\$ 11,408
As a Percentage of Taxable Assessed Value	0.43%	0.47%	0.53%	0.62%	0.71%	0.81%	0.51%	0.50%	0.48%	0.47%



Table 10

**HOUSTON COMMUNITY COLLEGE SYSTEM  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

(Unaudited)

	2018	2017	2016	2015	2014
<b>TAXABLE ASSESSED VALUE</b>	\$ 200,395,261,824	\$ 193,736,207,160	\$ 179,170,817,704	\$ 162,877,832,166	\$ 146,520,086,977
<b>GENERAL OBLIGATION BONDS:</b>					
Statutory Tax Levy Limit for Debt Service	1,001,976,309	968,681,036	895,854,089	814,389,161	735,016,644
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-
Total Net General Obligation Debt	1,001,976,309	968,681,036	895,854,089	814,389,161	735,016,644
Current Year Debt Service Requirements	33,463,594	33,832,124	32,100,119	31,529,519	28,852,217
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 968,512,715	\$ 934,848,912	\$ 863,753,970	\$ 782,859,642	\$ 706,164,427
Net Current Requirements as a % of Statutory Limit	3.34%	3.49%	3.58%	3.87%	3.93%
<b>TAXABLE ASSESSED VALUE</b>					
2013	132,984,326,927	127,412,325,392	125,975,478,092	130,429,808,430	117,021,714,313
2010		2011		2010	2009
<b>GENERAL OBLIGATION BONDS:</b>					
Statutory Tax Levy Limit for Debt Service	664,921,635	637,061,627	629,877,207	652,149,042	585,108,572
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-
Total Net General Obligation Debt	664,921,635	637,061,627	629,877,207	652,149,042	585,108,572
Current Year Debt Service Requirements	22,600,842	18,904,514	20,616,717	16,768,273	11,034,759
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 642,320,793	\$ 618,157,113	\$ 609,260,490	\$ 635,380,769	\$ 574,073,813
Net Current Requirements as a % of Statutory Limit	3.40%	2.97%	3.27%	2.57%	1.89%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Net assessed valuation has been restated for prior years to conform to property tax footnote in AFR.

**HOUSTON COMMUNITY COLLEGE SYSTEM  
PLEGGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Table 11

Fiscal Year	Pledged Revenues										
	Total	Tuition	Technology Fees	Registration Fees	Laboratory Fees	Education Fees	Other Fees	Interest Income	Vending Commission	Bookstore Commission	Rental Revenue
2018	\$ 84,544,426	\$ 15,539,949	\$ 5,432,664	\$ 33,919,617	\$ 1,680,583	\$ 9,336,141	\$ 7,340,130	\$ 3,237,953	\$ 126,000	\$ 2,367,482	\$ 5,563,907
2017	86,675,262	15,524,223	5,424,763	33,979,683	1,690,989	10,690,264	7,225,312	2,012,777	132,930	2,796,712	7,197,608
2016	84,059,232	15,564,359	5,466,412	34,302,596	1,709,948	10,583,589	7,140,293	1,109,495	135,680	1,915,983	6,130,877
2015	85,812,608	15,714,741	5,639,728	34,915,096	1,674,943	11,523,728	7,601,377	543,991	140,275	2,623,595	5,435,135
2014	82,138,918	15,450,437	5,614,551	34,428,755	1,779,425	9,093,829	7,066,095	432,133	201,162	2,884,880	5,187,651
2013	83,052,790	15,699,683	5,747,728	35,068,636	1,828,481	9,136,539	7,031,565	432,022	129,999	2,786,137	5,192,001
2012	85,709,167	16,374,413	5,998,853	36,609,903	1,974,359	9,330,828	7,234,999	303,384	151,823	2,864,738	4,865,866
2011	78,183,264	14,373,793	4,930,929	33,059,581	2,085,644	8,614,733	6,777,965	260,462	175,322	2,693,341	5,211,494
2010	70,539,529	13,208,741	4,543,879	28,685,224	3,393,362	8,699,410	4,250,888	405,337	167,930	2,166,708	5,018,051
2009	63,404,558	11,852,861	3,902,031	24,719,064	2,890,446	8,136,071	3,550,828	1,344,876	156,180	1,666,446	5,185,754

Fiscal Year	Debt Service Requirements			Coverage Ratio
	Principal	Interest	Total	
2018	\$ 17,630,000	\$ 10,113,836	\$ 27,743,836	3.05
2017	18,175,000	9,686,993	27,861,993	3.11
2016	15,640,000	8,560,997	24,200,997	3.47
2015	12,545,000	8,421,828	20,966,828	4.09
2014	11,320,000	9,658,049	20,978,049	3.92
2013	13,435,000	10,254,199	23,689,199	3.51
2012	12,715,000	10,579,416	23,294,416	3.68
2011	11,335,000	10,712,486	22,047,486	3.55
2010	10,770,000	10,325,724	21,095,724	3.34
2009	10,430,000	10,408,632	20,838,632	3.04

Note: Beginning in FY 2016, Out-of-District Fees were reclassified from Registration Fees to Tuition (25% of Tuition is pledged). Prior years have been reclassified for comparison.

HOUSTON COMMUNITY COLLEGE SYSTEM  
 DEMOGRAPHIC AND ECONOMIC STATISTICS - TAXING DISTRICT  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 12

Calendar Year	Service Area Population	Service Area Personal Income	Service Area Personal Income Per Capita	Service Area Unemployment Rate
2017	2,484,931	\$ 88,789,069,561	\$ 35,731	4.0%
2016	2,432,543	81,234,773,485	33,395	3.3%
2015	2,426,057	75,280,548,710	31,030	3.4%
2014	2,308,004	68,275,374,328	29,582	3.7%
2013	2,263,741	62,320,789,730	27,530	5.4%
2012	2,228,995	64,750,075,755	29,049	4.8%
2011	2,174,361	61,960,591,056	28,496	5.1%
2010	2,174,919	60,334,427,979	27,741	5.1%
2009	2,140,484	56,172,721,612	26,243	5.1%
2008	2,149,766	51,992,090,710	24,185	5.8%

Sources: HCC Service Area Demographics Report.

HOUSTON COMMUNITY COLLEGE SYSTEM  
PRINCIPAL EMPLOYERS  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 13

**Houston-Sugar Land-Baytown MSA  
(Austin, Brazoria, Chambers, Fort Bend,  
Galveston, Harris, Liberty Montgomery,  
San Jacinto, Waller)**

	June 2018	June 2017	June 2016	July 2015	June 2014	June 2013	June 2012	June 2011	June 2010	June 2009
<b>Number of Employees</b>										
Trade, Transportation, & Utilities	629,200	603,200	615,300	611,900	594,900	564,300	547,800	527,800	515,800	517,000
Professional & Business Services	523,000	486,100	458,600	473,700	466,800	429,700	410,900	383,900	363,600	359,000
Government	409,600	413,600	387,800	365,500	373,900	364,500	359,300	372,400	381,800	364,000
Education & Health Services	386,200	390,500	383,400	366,800	347,400	335,900	327,000	314,700	308,900	296,200
Mining and Logging/Construction	316,200	301,400	302,600	317,400	312,000	298,100	279,600	261,000	252,800	270,400
Manufacturing	228,200	234,100	231,500	245,300	255,300	252,800	244,600	228,200	217,500	225,000
Leisure & Hospitality	332,300	330,700	327,800	305,800	294,100	277,500	264,300	250,400	241,100	243,800
Financial Activities	163,800	156,200	154,500	152,100	148,100	143,200	141,000	137,100	136,200	140,000
Other Services	111,700	113,200	109,200	108,600	105,500	100,300	96,900	93,600	92,700	93,700
Information	31,400	32,200	31,200	32,900	33,300	32,700	31,500	31,900	32,500	34,900
<b>Total</b>	<b>3,131,600</b>	<b>3,061,200</b>	<b>3,001,900</b>	<b>2,980,000</b>	<b>2,931,300</b>	<b>2,799,000</b>	<b>2,702,900</b>	<b>2,601,000</b>	<b>2,542,900</b>	<b>2,544,000</b>

<b>Percent of Employees</b>										
Trade, Transportation, & Utilities	20.1%	19.7%	20.5%	20.5%	20.3%	20.2%	20.3%	20.3%	20.3%	20.3%
Professional & Business Services	16.7%	15.9%	15.3%	15.9%	15.9%	15.4%	15.2%	14.8%	14.3%	14.1%
Government	13.1%	13.5%	12.9%	12.3%	12.8%	13.0%	13.3%	14.3%	15.0%	14.3%
Education & Health Services	12.3%	12.8%	12.8%	12.3%	11.9%	12.0%	12.1%	12.1%	12.1%	11.6%
Mining and Logging/Construction	10.1%	9.8%	10.1%	10.7%	10.6%	10.7%	10.3%	10.0%	9.9%	10.6%
Manufacturing	7.3%	7.6%	7.7%	8.2%	8.7%	9.0%	9.0%	8.8%	8.6%	8.8%
Leisure & Hospitality	10.6%	10.8%	10.9%	10.3%	10.0%	9.9%	9.8%	9.6%	9.5%	9.6%
Financial Activities	5.2%	5.1%	5.1%	5.1%	5.1%	5.1%	5.2%	5.3%	5.4%	5.5%
Other Services	3.6%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.7%
Information	1.0%	1.1%	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%	1.3%	1.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: [http://www.bls.gov/ro6/fax/houston\\_ces.htm](http://www.bls.gov/ro6/fax/houston_ces.htm)

HOUSTON COMMUNITY COLLEGE SYSTEM  
FACULTY, STAFF AND ADMINISTRATORS STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 14

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Faculty</b>										
Full-Time	849	830	818	759	759	789	809	910	848	829
Part-Time	1,774	1,545	1,717	1,687	1,742	1,715	2,781	2,921	2,345	2,049
<b>Total</b>	<b>2,623</b>	<b>2,375</b>	<b>2,535</b>	<b>2,446</b>	<b>2,501</b>	<b>2,504</b>	<b>3,590</b>	<b>3,831</b>	<b>3,193</b>	<b>2,878</b>
<b>Percent</b>										
Full-Time	32.4%	34.9%	32.3%	31.0%	30.3%	31.5%	22.5%	23.8%	26.6%	28.8%
Part-Time	67.6%	65.1%	67.7%	69.0%	69.7%	68.5%	77.5%	76.2%	73.4%	71.2%
<b>Staff and Administrators</b>										
Full-Time	1,585	1,528	1,465	1,385	1,323	1,350	1,327	1,272	1,185	1,102
Part-Time	1,061	1,160	1,432	1,170	1,413	1,443	1,088	1,169	1,323	1,259
<b>Total</b>	<b>2,646</b>	<b>2,688</b>	<b>2,897</b>	<b>2,555</b>	<b>2,736</b>	<b>2,793</b>	<b>2,415</b>	<b>2,441</b>	<b>2,508</b>	<b>2,361</b>
<b>Percent</b>										
Full-Time	59.9%	56.8%	50.6%	54.2%	48.4%	48.3%	54.9%	52.1%	47.2%	46.7%
Part-Time	40.1%	43.2%	49.4%	45.8%	51.6%	51.7%	45.1%	47.9%	52.8%	53.3%
<b>Students per Full-Time*</b>										
Faculty	66.1	66.3	65.4	72.5	72.0	71.0	71.2	62.2	57.1	53.6
Staff and Administrat	35.4	36.0	36.5	39.7	41.3	41.5	43.4	44.5	40.9	40.3
<b>Average Annual Faculty Salary</b>	<b>\$ 73,136</b>	<b>\$ 70,528</b>	<b>\$ 68,504</b>	<b>\$ 65,038</b>	<b>\$ 64,962</b>	<b>\$ 63,366</b>	<b>\$ 63,473</b>	<b>\$ 62,533</b>	<b>\$ 62,833</b>	<b>\$ 60,378</b>

\* All figures are calculated from the CBM001&00A reports combined, see tables 16 and 17.  
Source: IPEDS Human Resources Survey, as of November 1st of each year.

HOUSTON COMMUNITY COLLEGE SYSTEM  
ANNUAL STUDENT ENROLLMENT TRENDS BY RESIDENCY CODE  
SEMESTER CREDIT HOUR (SCH)  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 15

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
In-District	51,590	53,400	54,157	56,532	57,203	57,755	59,567	58,896	55,721	45,144
Out-of-District	21,765	21,665	20,869	21,701	21,369	21,267	22,674	23,264	22,889	24,409
Out-of-State	9,671	10,365	10,270	9,684	8,871	9,137	10,101	10,389	9,671	9,261
Other/Unknown	8	17	9	85	17	69	14	12	14	-
<b>Unduplicated Enrollment</b>	<b>83,034</b>	<b>85,447</b>	<b>85,305</b>	<b>88,002</b>	<b>87,460</b>	<b>88,228</b>	<b>92,356</b>	<b>92,561</b>	<b>88,295</b>	<b>78,814</b>

ANNUAL STUDENT ENROLLMENT TRENDS BY CAREER TYPE  
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Semester Credit Hour (SCH)	83,034	85,447	85,305	88,002	87,460	88,228	92,356	92,561	88,295	78,814
Funded Continuing Education Unit (CEU)	14,480	16,701	16,753	18,170	16,344	17,901	16,971	17,134	18,197	18,152
Non-Funded Continuing Education	5,172	3,147	2,344	2,214	4,708	1,116	1,265	1,673	2,502	2,228
Adult HS ABE/ESL/GED	6,128	11,286	11,681	9,167	7,992	9,749	10,062	10,801	11,732	11,347
<b>Unduplicated Enrollment *</b>	<b>106,470</b>	<b>114,430</b>	<b>114,288</b>	<b>115,575</b>	<b>113,689</b>	<b>115,600</b>	<b>119,196</b>	<b>120,804</b>	<b>118,844</b>	<b>108,728</b>

Note:

\* The unduplicated enrollment total cannot be arrived at by summing the columns. This is because students may take courses in multiple career types.

Source: HCC OIR DataMart Files, end-of-term, FY 2009 - FY 2018.

HOUSTON COMMUNITY COLLEGE SYSTEM  
ENROLLMENT DETAILS  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 16

Student Classification*	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	29,322	52.2%	27,849	50.6%	26,282	49.2%	27,504	50.0%	28,599	52.4%	29,955	53.5%	32,304	56.1%	32,660	57.7%	28,401	58.7%	25,883	58.2%
Sophomore	15,287	27.2%	14,264	25.9%	14,734	27.6%	14,681	26.7%	14,414	26.4%	14,380	25.7%	14,529	25.2%	13,447	23.8%	10,695	22.1%	9,883	22.2%
Unclassified	5,137	9.2%	5,078	9.2%	5,221	9.8%	5,213	9.5%	4,904	9.0%	4,677	8.3%	4,437	7.7%	3,390	6.0%	2,374	4.9%	2,042	4.6%
Assoc. Degree	14	0.0%	15	0.0%	21	0.0%	30	0.1%	37	0.1%	53	0.1%	64	0.1%	120	0.2%	165	0.3%	177	0.4%
BS & Above	57	0.1%	57	0.1%	117	0.2%	118	0.2%	152	0.3%	171	0.3%	279	0.5%	361	0.6%	514	1.1%	644	1.4%
Continuing Ed. Only	6,318	11.3%	7,791	14.2%	7,093	13.3%	7,495	13.6%	6,515	11.9%	6,778	12.1%	6,002	10.4%	6,614	11.7%	6,256	12.9%	5,817	13.1%
<b>Total</b>	<b>56,135</b>	<b>100.0%</b>	<b>55,054</b>	<b>100.0%</b>	<b>53,468</b>	<b>100.0%</b>	<b>55,041</b>	<b>100.0%</b>	<b>54,621</b>	<b>100.0%</b>	<b>56,014</b>	<b>100.0%</b>	<b>57,615</b>	<b>100.0%</b>	<b>56,592</b>	<b>100.0%</b>	<b>48,405</b>	<b>100.0%</b>	<b>44,446</b>	<b>100.0%</b>
<b>Semester Hour Load**</b>																				
Less than 3	888	1.6%	506	0.9%	548	1.0%	650	1.2%	652	1.2%	660	1.2%	835	1.4%	748	1.3%	624	1.3%	613	1.4%
3-5 semester hrs	13,983	24.9%	13,975	25.4%	12,312	23.0%	12,503	22.7%	12,363	22.6%	13,116	23.4%	13,153	22.8%	13,516	23.9%	10,755	22.2%	10,229	23.0%
6-8 Semester hrs	14,796	26.4%	13,846	25.1%	13,712	25.6%	14,009	25.5%	13,915	25.5%	13,433	24.0%	14,622	25.4%	13,781	24.4%	11,575	23.9%	10,532	23.7%
9-11 semester hrs	10,092	18.0%	9,348	17.0%	9,694	18.1%	9,791	17.8%	9,717	17.8%	9,999	17.9%	10,856	18.8%	10,359	18.3%	8,750	18.1%	7,589	17.1%
12-14 semester hrs	8,708	15.5%	8,264	15.0%	8,787	16.4%	9,103	16.5%	9,933	18.2%	10,438	18.6%	10,645	18.5%	9,958	17.6%	8,950	18.5%	8,176	18.4%
15-17 semester hrs	1,257	2.2%	1,247	2.3%	1,205	2.3%	1,376	2.5%	1,381	2.5%	1,470	2.6%	1,364	2.4%	1,443	2.5%	1,341	2.8%	1,318	3.0%
18 & over	93	0.2%	77	0.1%	117	0.2%	114	0.2%	145	0.3%	120	0.2%	138	0.2%	173	0.3%	154	0.3%	172	0.4%
Continuing Ed. Only	6,318	11.3%	7,791	14.2%	7,093	13.3%	7,495	13.6%	6,515	11.9%	6,778	12.1%	6,002	10.4%	6,614	11.7%	6,256	12.9%	5,817	13.1%
<b>Total</b>	<b>56,135</b>	<b>100.0%</b>	<b>55,054</b>	<b>100.0%</b>	<b>53,468</b>	<b>100.0%</b>	<b>55,041</b>	<b>100.0%</b>	<b>54,621</b>	<b>100.0%</b>	<b>56,014</b>	<b>100.0%</b>	<b>57,615</b>	<b>100.0%</b>	<b>56,592</b>	<b>100.0%</b>	<b>48,405</b>	<b>100.0%</b>	<b>44,446</b>	<b>100.0%</b>
Average course load	7.4 SCH		7.4 SCH		7.6 SCH		7.7 SCH		7.7 SCH		7.8 SCH		7.8 SCH		7.8 SCH		7.9 SCH		7.8 SCH	
<b>Tuition Status***</b>																				
Texas Resident	30,707	54.7%	29,745	54.0%	29,791	55.7%	31,296	56.9%	31,806	58.2%	32,735	58.4%	32,896	57.1%	31,267	55.2%	26,003	53.7%	22,159	49.9%
(In-District)	12,198	21.7%	11,053	20.1%	10,541	19.7%	10,603	19.3%	10,592	19.4%	10,821	19.3%	12,056	20.9%	12,298	21.7%	10,446	21.6%	11,254	25.3%
(Out-of-District)	6,594	11.7%	6,151	11.2%	5,761	10.8%	5,234	9.5%	5,124	9.4%	5,302	9.5%	6,332	11.0%	6,170	10.9%	5,528	11.4%	5,061	11.4%
Non-Resident Tuition	318	0.6%	314	0.6%	282	0.5%	413	0.8%	584	1.1%	378	0.7%	329	0.6%	243	0.4%	172	0.4%	155	0.3%
Tuition Waiver	6,318	11.3%	7,791	14.2%	7,093	13.3%	7,495	13.6%	6,515	11.9%	6,778	12.1%	6,002	10.4%	6,614	11.7%	6,256	12.9%	5,817	13.1%
Continuing Ed. Only	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%	48,405	100.0%	44,446	100.0%

Notes: \* Data source is the CBM1&A report. Files were combined and unduplicated in favor of retaining SCH students. Students taking continuing education courses only are counted one time. SCH students taking SCH and CEU courses are counted one time as SCH. \*\* Data source same as above. SCH students taking SCH and CEU courses are counted one time as SCH. \*\*\* Data source same as above. Continuing education students are not classified as to residency status.

HOUSTON COMMUNITY COLLEGE SYSTEM  
STUDENT PROFILE  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 17

Gender	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	30,660	54.6%	29,532	53.6%	29,248	54.7%	30,007	54.5%	29,652	54.3%	30,881	55.1%	31,985	55.5%	30,865	54.5%	26,452	54.6%	24,173	54.4%
Male	25,475	45.4%	25,522	46.4%	24,220	45.3%	25,034	45.5%	24,969	45.7%	25,133	44.9%	25,630	44.5%	25,727	45.5%	21,953	45.4%	20,273	45.6%
Total	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%	48,405	100.0%	44,446	100.0%
Ethnic Origin																				
African American	15,199	27.1%	14,192	25.8%	14,695	27.5%	16,079	29.2%	15,631	28.6%	16,085	28.7%	17,346	30.1%	15,685	27.7%	11,558	23.9%	10,156	22.9%
Hispanic	19,674	35.0%	19,230	34.9%	18,336	34.3%	18,368	33.4%	18,346	33.6%	18,266	32.6%	17,812	30.9%	17,721	31.3%	14,160	29.3%	13,257	29.8%
White	8,364	14.9%	8,438	15.3%	8,781	16.4%	9,302	16.9%	9,564	17.5%	10,242	18.3%	10,912	18.9%	11,393	20.1%	9,506	19.6%	8,623	19.4%
Asian	5,676	10.1%	5,504	10.0%	5,341	10.0%	5,354	9.7%	5,542	10.1%	5,641	10.1%	6,107	10.6%	5,881	10.4%	4,832	10.0%	4,676	10.5%
Native American	93	0.2%	87	0.2%	104	0.2%	118	0.2%	118	0.2%	110	0.2%	131	0.2%	138	0.2%	121	0.2%	101	0.2%
Foreign	5,464	9.7%	5,257	9.5%	4,655	8.7%	4,040	7.3%	3,830	7.0%	3,884	6.9%	4,086	7.1%	4,270	7.5%	3,875	8.0%	3,654	8.2%
Unknown	1,665	3.0%	2,346	4.3%	1,556	2.9%	1,780	3.2%	1,590	2.9%	1,786	3.2%	1,221	2.1%	1,504	2.7%	4,353	9.0%	3,979	9.0%
Total	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%	48,405	100.0%	44,446	100.0%
Age																				
Under 18	5,788	10.3%	6,112	11.1%	4,283	8.0%	4,031	7.3%	3,962	7.3%	4,639	8.3%	2,908	5.0%	3,046	5.4%	1,886	3.9%	1,778	4.0%
18 - 21	17,018	30.3%	15,500	28.2%	14,982	28.0%	15,074	27.4%	16,041	29.4%	16,027	28.6%	17,222	29.9%	17,205	30.4%	15,275	31.6%	14,191	31.9%
22 - 24	8,636	15.4%	8,308	15.1%	8,562	16.0%	8,753	15.9%	8,949	16.2%	8,962	16.0%	9,760	16.9%	9,328	16.5%	8,303	17.2%	7,745	17.4%
25 - 35	15,757	28.1%	15,850	28.8%	15,997	29.9%	16,903	30.7%	15,741	28.8%	15,842	28.3%	17,194	29.8%	16,569	29.3%	14,186	29.3%	12,663	28.5%
36 - 50	6,792	12.1%	6,983	12.7%	7,154	13.4%	7,688	14.0%	7,477	13.7%	7,862	14.0%	8,055	14.0%	7,957	14.1%	6,749	13.9%	6,219	14.0%
51 & Over	2,139	3.8%	2,293	4.2%	2,482	4.6%	2,589	4.7%	2,531	4.6%	2,664	4.8%	2,464	4.3%	2,468	4.4%	1,967	4.1%	1,783	4.0%
Unknown	5	0.0%	8	0.0%	8	0.0%	3	0.0%	20	0.0%	18	0.0%	12	0.0%	19	0.0%	39	0.1%	67	0.2%
Total	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%	48,405	100.0%	44,446	100.0%
Average Age	26.5 *		26.8 *		26.8 *		27.4 *		27.1 *		27.4 *		27.4 *		27.5 *		27.3 *		27.2 *	

Note:  
\*Removed 'Unknown' age before calculating average.  
Source: Certified CBM004 & CBM00C.



HOUSTON COMMUNITY COLLEGE SYSTEM  
 FUNDABLE CONTACT HOURS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 18

Fiscal Year	Funded Contact Hours				Grand Total
	Semester Credit Hour			CEU	
	Academic	Voc Tech	Total		
2018	15,688,714	4,844,368	20,533,082	2,019,420	22,552,502
2017	15,443,656	5,298,512	20,742,168	2,296,406	23,038,574
2016	15,527,528	5,762,048	21,289,576	2,146,857	23,436,433
2015	15,873,248	6,122,448	21,995,696	2,290,228	24,285,924
2014	15,931,744	5,822,268	21,754,012	1,980,830	23,734,842
2013	16,237,296	5,744,810	21,982,106	1,933,271	23,915,377
2012	17,354,256	5,822,072	23,176,328	1,798,940	24,975,268
2011	17,802,080	5,924,078	23,726,158	1,914,445	25,640,603
2010	16,652,752	5,680,164	22,332,916	1,880,857	24,213,773
2009	14,345,992	4,883,890	19,229,882	1,810,761	21,040,643

Source: Certified CBM004 & CBM00C.

HOUSTON COMMUNITY COLLEGE SYSTEM  
 TRANSFERS TO SENIOR INSTITUTIONS  
 2016-2017 GRADUATES\*  
 (Includes Only Public Senior Colleges in Texas)  
 (Unaudited)

Table 19

	Total Student	Total	Total	Total of all	% of all
	Count	Student	Student	Transfer	Transfer
	Academic	Technical	Tech-Prep	Students	Students
1 Angelo State University	5	-	-	5	0.0%
2 Baylor College of Medicine	1	-	-	1	0.0%
3 Lamar University	134	11	1	146	1.3%
4 Midwestern State University	13	4	-	17	0.2%
5 Prairie View A&M University	272	20	1	293	2.7%
6 Sam Houston State University	330	10	-	340	3.1%
7 Stephen F. Austin State University	133	5	-	138	1.2%
8 Sul Ross State University	1	-	-	1	0.0%
9 Sul Ross State University - Rio Grande College	-	-	-	-	0.0%
10 Tarleton State University	15	-	-	15	0.1%
11 Texas A&M International University	6	-	-	6	0.1%
12 Texas A&M University	997	22	-	1,019	9.2%
13 Texas A&M University - Central Texas	2	-	-	2	0.0%
14 Texas A&M University - Commerce	10	2	-	12	0.1%
15 Texas A&M University - Corpus Christi	69	2	-	71	0.6%
16 Texas A&M University - Kingsville	34	1	-	35	0.3%
17 Texas A&M University - San Antonio	6	1	-	7	0.1%
18 Texas A&M University - Texarkana	-	-	-	-	0.0%
19 Texas A&M University at Galveston	47	4	-	51	0.5%
20 Texas A&M University System Health Science Center	19	-	-	19	0.2%
21 Texas Southern University	606	58	3	667	6.0%
22 Texas State University	336	10	-	346	3.1%
23 Texas Tech University	302	4	-	306	2.8%
24 Texas Tech University Health Sciences Center	20	-	-	20	0.2%
25 Texas Tech University Health Sciences Center - El Paso	3	-	-	3	0.0%
26 Texas Woman's University	117	4	-	121	1.1%
27 The University of Texas - Rio Grande Valley	10	-	-	10	0.1%
28 The University of Texas at Arlington	193	6	-	199	1.8%
29 The University of Texas at Austin	829	10	-	839	7.6%
30 The University of Texas at Dallas	127	2	-	129	1.2%
31 The University of Texas at El Paso	6	-	-	6	0.1%
32 The University of Texas at San Antonio	284	7	-	291	2.6%
33 The University of Texas at Tyler	231	2	1	234	2.1%
34 The University of Texas Health Science Center at Houston	115	20	-	135	1.2%
35 The University of Texas Health Science Center at San Antonio	5	-	-	5	0.0%
36 The University of Texas M.D. Anderson Cancer Center	53	5	-	58	0.5%
37 The University of Texas Medical Branch at Galveston	37	1	-	38	0.3%
38 The University of Texas of the Permian Basin	32	-	-	32	0.3%
39 The University of Texas Southwestern Medical Center	2	-	-	2	0.0%
40 The University of Texas-Rio Grande Valley - Medical School	1	-	-	1	0.0%
41 University of Houston	3,330	107	9	3,446	31.2%
42 University of Houston - Clear Lake	180	20	1	201	1.8%
43 University of Houston - Downtown	1,225	91	8	1,324	12.0%
44 University of Houston - Victoria	310	15	1	326	3.0%
45 University of North Texas	111	2	-	113	1.0%
46 University of North Texas at Dallas	2	-	-	2	0.0%
47 University of North Texas Health Science Center	8	-	-	8	0.1%
48 West Texas A&M University	6	1	-	7	0.1%
	<u>10,575</u>	<u>447</u>	<u>25</u>	<u>11,047</u>	<u>100.00%</u>

Source: Texas Higher Education Coordinating Board <http://www.txhighereddata.org/reports/performance/ctcasal/ctcadd/>

\* Data reflect the most recent year available from the THECB. There is a one year lag from the time students' graduate until they are located at the transfer institutions.

HOUSTON COMMUNITY COLLEGE SYSTEM  
CAPITAL ASSET INFORMATION  
LAST FIVE FISCAL YEARS  
(Unaudited)

Table 20

	2018	2017	2016	2015	2014
Number of Academic Buildings*	59	52	50	50	49
Square footage	3,738,088	3,174,752	2,938,234	2,925,810	2,921,680
Number of Administrative Buildings	1	1	1	1	1
Square footage	558,450	558,450	558,450	558,450	558,450
Number of Plant Facilities/Warehouses	7	6	6	6	6
Square footage	145,727	180,845	180,845	180,845	180,845
Number of Parking Structures	6	6	6	4	4
Square footage	1,413,861	1,413,861	1,413,861	1,056,211	1,082,259
Number of Libraries**	16	14	14	15	16
Square footage	159,290	149,831	149,831	149,831	136,741

Libraries

Number of Volumes					
Circulating books	266,934	260,723	255,605	252,646	248,133
Reference books	20,757	24,167	26,202	25,541	24,799
Media items	14,669	22,768	22,492	26,426	24,356
Magazines, journals, newspapers	423	464	527	415	589
Electronic books/digital video	295,504	282,510	242,580	207,507	186,540
Electronic journals	33,961	7,100	8,228	23,746	48,758
Total	<u>632,248</u>	<u>597,732</u>	<u>555,634</u>	<u>536,281</u>	<u>533,175</u>

Transportation

Bus	-	-	-	2	2
Cars	51	42	38	34	33
Golf Cart	21	19	24	24	23
Utility Carts	16	13	10	10	10
Motorcycle	1	1	1	1	1
Segway	-	-	3	3	3
Mobile Unit	2	2	2	2	3
Sports Utility Vehicle	12	11	5	5	4
Tractors	35	33	37	31	33
Trailers	45	40	45	45	45
Truck	19	19	19	19	16
Truck, Heavy	9	5	4	4	2
Fire Truck	2	2	2	2	2
Cargo Vans	15	14	18	22	19
15 Passenger Vans	2	2	2	2	2
Forklift	12	10	10	10	8
Total	<u>242</u>	<u>213</u>	<u>220</u>	<u>216</u>	<u>206</u>

Note:

\*Buildings include both capital and operating leases.

\*\*They are not free standing buildings and are already included in Academic Buildings.

**SINGLE AUDIT REPORTS AND SCHEDULES OF  
EXPENDITURES OF FEDERAL AND STATE OF TEXAS  
AWARDS**



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT  
AUDITING STANDARDS***

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Board of Trustees  
Houston Community College System  
Houston, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Houston Community College System (the “System”) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the System’s financial statements, and have issued our report thereon dated December 5, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Houston Community College Foundation (the “Foundation”) as described in our report on the System’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation, audited by other auditors, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the System’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the System’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 System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the System's 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 System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Intended purpose

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 System'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 System's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas  
December 5, 2018



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT  
CIRCULAR**

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Board of Trustees  
Houston Community College System  
Houston, Texas

**Report on compliance for each major federal and state program**

We have audited the compliance of the Houston Community College System (the “System”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *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, 2018. The System’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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to the System’s federal and state programs.

**Auditor’s responsibility**

Our responsibility is to express an opinion on compliance for each of the System’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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*. 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 System’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 System's compliance.

#### Opinion on each major federal and state program

In our opinion, the System 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, 2018.

#### Report on internal control over compliance

Management of the System 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 System's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal and state program to design audit 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the System's 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.

*Grant Thornton LLP*

Houston, Texas  
December 5, 2018

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2018

Schedule E

Federal Grantor/Cluster/Program Title/Grantor's Award Number	CFDA Number	Expenditures			Subrecipients Expenditures
		Direct Awards	Pass-Through Awards	Total	
<b>U. S. Department of Education</b>					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007	\$ 1,589,923	\$ -	\$ 1,589,923	\$ -
Federal Work-Study Program	84.033	1,256,566	-	1,256,566	-
Federal Pell Grant Program	84.063	86,650,261	-	86,650,261	-
Federal Direct Student Loans	84.268	81,646,184	-	81,646,184	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	7,933	-	7,933	-
Total		171,150,867	-	171,150,867	-
TRIO Cluster					
TRIO - Upward Bound	84.047A	300,450	-	300,450	-
	P047A 171239-17A				
TRIO - Upward Bound	84.047A	561,031	-	561,031	-
	P047A 171255-18				
TRIO - Educational Opportunities Centers	84.066A	240,361	-	240,361	46,001
	P066A 160447				
Total		1,101,842	-	1,101,842	46,001
Pass-Through From:					
Houston - Galveston Area Council					
Adult Education - Basic Grants to States	84.002A	-	678,691	678,691	336,614
	H-GAC 213-17				
Adult Education - Basic Grants to States	84.002A	-	2,896,175	2,896,175	1,028,028
	H-GAC 213-18				
Adult Education - Basic Grants to States	84.002A	-	363,105	363,105	-
	H-GAC 213-19				
Adult Education - Basic Grants to States	84.002A	-	54,641	54,641	-
	H-GAC 213-17				
Adult Education - Basic Grants to States	84.002A	-	414,614	414,614	-
	H-GAC 213-18				
Adult Education - Basic Grants to States	84.002A	-	55,147	55,147	-
	H-GAC 213-19				
Adult Education - Basic Grants to States	84.002A	-	4,936	4,936	-
	H-GAC 213-17				
Total		-	4,467,309	4,467,309	1,364,642
Region 6 Education Service Center					
Adult Education - Basic Grants to States	84.002A	-	24,972	24,972	-
Houston Independent School District					
Title 1 Grants to Local Educational Agencies	84.010	-	6,000	6,000	-
	1080803000				
Texas Workforce Commission					
Rehabilitation Services Vocational/Rehabilitation Grants to States	84.126A	-	32,223	32,223	-
Manpower Demonstration Research Corporation					
Education Research, Development and Dissemination	84.305A	-	1,594	1,594	-
Texas Education Agency					
Career and Technical Education-Basic Grants to States	84.048	-	70,345	70,345	-
	173922017110013				
Texas Higher Education Coordinating Board					
Career and Technical Education - Basic Grants to States	84.048	-	6,000	6,000	-
	19249				
Career and Technical Education - Basic Grants to States	84.048	-	1,847,457	1,847,457	-
	19241				
Education Research, Development and Dissemination	84.305H	-	6,060	6,060	-
	15584				
Education Research, Development and Dissemination	84.305H	-	37,186	37,186	-
	15526				
Total		-	2,031,837	2,031,837	-
<b>Total U.S. Department of Education</b>		<b>\$ 172,252,709</b>	<b>\$ 6,499,146</b>	<b>\$ 178,751,855</b>	<b>\$ 1,410,643</b>

See accompanying notes to Schedule of Expenditures of Federal Awards

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
YEAR ENDED AUGUST 31, 2018

Schedule E

Federal Grantor/Cluster/Program Title/Grantor's Award Number	CFDA Number	Expenditures			Subrecipients Expenditures
		Direct Awards	Pass-Through Awards	Total	
<b>U.S. Department of Commerce</b>					
Minority Business Development Agency - Business Center MB16OBD8050023	11.805	826,109	-	826,109	-
<b>Total U.S. Department of Commerce</b>		<b>826,109</b>	<b>-</b>	<b>826,109</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development</b>					
Pass-Through From: Houston Housing Authority Jobs-Plus Pilot Initiative TX005FJP000614	14.895	-	63,241	63,241	-
<b>Total U.S. Department of Housing and Urban Development</b>		<b>-</b>	<b>63,241</b>	<b>63,241</b>	<b>-</b>
<b>U.S. Department of Justice</b>					
Bulletproof Vest Partnership Program	16.607	8,254	-	8,254	-
<b>Total U.S. Department of Justice</b>		<b>8,254</b>	<b>-</b>	<b>8,254</b>	<b>-</b>
<b>U.S. Department of Labor</b>					
H-1B Job Training Grants A P-27829-15-60-A-48	17.268	860,304	-	860,304	442,275
Pass-Through From: Texas Education Agency WIOA Adult Program (Workforce Innovation and Opportunity Act)	17.258	-	30,062	30,062	-
Pass-Through From: Texas Workforce Commission WIOA Adult Program (Workforce Innovation and Opportunity Act) 3118ZOT001	17.258	-	261	261	-
WIOA Dislocated Worker Grants/WIA National Emergency Grants 2818NDW003	17.277	-	95,897	95,897	-
WIOA Dislocated Worker Formula Grants 2818A TP002	17.278	-	105,045	105,045	105,045
WIOA Dislocated Worker Formula Grants 2817WOS001	17.278	-	343,379	343,379	-
WIOA Dislocated Worker Formula Grants 2818WOS000	17.278	-	47,475	47,475	-
<b>Total U.S. Department of Labor</b>		<b>860,304</b>	<b>622,119</b>	<b>1,482,423</b>	<b>547,320</b>
<b>U.S. Department of State</b>					
Pass-Through From: Northern Virginia Community College Academic Exchange Programs- Undergraduate Programs S-ECA GD-16-CA-1061	19.009	-	93,060	93,060	-
Undergraduate Programs S-ECA GD-16-CA-1061	19.009	-	42,055	42,055	-
<b>Total U.S. Department of State</b>		<b>-</b>	<b>135,115</b>	<b>135,115</b>	<b>-</b>
<b>National Aeronautics and Space Administration</b>					
Pass-Through From: University of Texas at Austin Education UTA 17-000853	43.008	-	10,000	10,000	-
<b>Total National Aeronautics and Space Administration</b>		<b>-</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>
<b>Institute of Museum and Library Services</b>					
Pass-Through From: Texas State library & Archives Commission Grants to State 478-17010	45.310	-	53	53	-
Grants to State 723-18006	45.310	-	24,971	24,971	-
<b>Total Institute of Museum and Library Services</b>		<b>-</b>	<b>25,024</b>	<b>25,024</b>	<b>-</b>

See accompanying notes to Schedule of Expenditures of Federal Awards

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 YEAR ENDED AUGUST 31, 2018

Schedule E

Federal Grantor/Cluster/Program Title/Grantor's Award Number	CFDA Number	Expenditures			Subrecipients Expenditures
		Direct Awards	Pass-Through Awards	Total	
<b>National Science Foundation</b>					
Mathematical and Physical Sciences 1460564	47.049	211,720	-	211,720	13,152
Education and Human Resources 1501938	47.076	61,080	-	61,080	-
Pass-Through From: Texas Southern University Education and Human Resources 3285	47.076	-	42,873	42,873	-
<b>Total National Science Foundation</b>		<b>272,800</b>	<b>42,873</b>	<b>315,673</b>	<b>13,152</b>
<b>U. S. Department of Health and Human Services</b>					
Pass-Through From: University of Texas at Austin Substance Abuse and Mental Health Services - Projects UTA 17-000810	93.243	-	15,464	15,464	-
Substance Abuse and Mental Health Services - Projects UTA 12-001074	93.243	-	7,008	7,008	-
Total		-	22,472	22,472	-
Pass-Through From: Houston - Galveston Area Council Temporary Assistance for Needy Families H-GAC 213-17	93.558	-	25,359	25,359	-
Temporary Assistance for Needy Families H-GAC 213-18	93.558	-	290,488	290,488	-
Temporary Assistance for Needy Families H-GAC 213-19	93.558	-	14,446	14,446	-
Total		-	330,293	330,293	-
Texas Workforce Commission Temporary Assistance for Needy Families 2817SSF001	93.558	-	252,836	252,836	-
Temporary Assistance for Needy Families 2817SMP001	93.558	-	393	393	-
Temporary Assistance for Needy Families 2818ATP002	93.558	-	10,699	10,699	10,699
Temporary Assistance for Needy Families 2818SMP001	93.558	-	63,245	63,245	-
Total		-	327,173	327,173	10,699
<b>Total U. S. Department of Health and Human Services</b>		-	<b>679,938</b>	<b>679,938</b>	<b>10,699</b>
Corporation for National and Community Service AmeriCorps	94.006	97,598	-	97,598	-
<b>Total Corporation for National and Community Service</b>		<b>97,598</b>	-	<b>97,598</b>	-
<b>Total Expenditures of Federal Award</b>		<b>\$ 174,317,774</b>	<b>\$ 8,077,456</b>	<b>\$ 182,395,230</b>	<b>\$ 1,981,814</b>

See accompanying notes to Schedule of Expenditures of Federal Awards

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The Schedule of Expenditures of Federal Awards presents the federal grant activity of the System for the year ended August 31, 2018. The schedule is presented using the accrual basis of accounting. The expenditures reported in the schedule represent funds which have been expended by the System for the purposes of the award. The expenditures reported in the schedule may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The System has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the System utilizes an agency approved Indirect Recovery Rate, it has elected not to use the 10% de Minimis cost rate as permitted under the Uniform Guidance, Section 200.414.

NOTE 2 – FEDERAL ASSISTANCE RECONCILIATION

Revenues - Federal Grants and Contracts – per Schedule A	\$	14,618,765
Add: Non-Operating Federal Revenue - per Schedule C		88,168,184
Total Federal Revenues per Schedules A and C		102,786,949
Reconciling items:		
Add: Direct Student Loans		81,646,184
Less: Programs not subject to Federal Single Audit		(2,037,903)
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$	182,395,230

NOTE 3 – EXPENDITURES NOT SUBJECT TO FEDERAL SINGLE AUDIT

The following federal funds were not subject to federal single audit –

CFDA 64.027 Post 9/11 Veterans Educational Assistance	\$	2,037,903
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These funds were not subject to a federal single audit per the Catalog of Federal Domestic Assistance.

NOTE 4 – STUDENT LOANS PROCESSED AND ADMINISTRATIVE COSTS RECOVERED

Federal Grantor/CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Administrative Cost Recovered
U.S. Department Of Education: 84.268 Direct Loans	\$ 81,646,184	\$ -	\$ 81,646,184

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 5 – SUBRECIPIENTS

The following was a subrecipient of the U.S. Department of Education TRIO- Educational Opportunities Center Grant; CFDA 84.066A. This amount is included as an expenditure in the accompanying Schedule of Expenditures of Federal Awards.

Baker Ripley	\$ 46,001
Total Passed-through to Subrecipient	\$ 46,001

The following were subrecipients of the U.S. Department of Education Adult Education Basic Grant Program (Adult Education and Family Literacy Act), CFDA 84.002. These amounts are included as expenditures in the accompanying Schedule of Expenditures of Federal Awards.

Alliance for Multicultural Community Services	\$ 144,169
Association for Advancement of Mexican American	439,081
Baker Ripley	242,241
Chinese Community Center	133,842
Community Family Center	364,977
Houston Center for Literacy	29,807
Houston International University	10,525
Total Passed-through to Subrecipients	\$ 1,364,642

The following were subrecipients of the U.S. Department of Labor H-1B Job Training grant, CFDA 17.268. These amounts are included as expenditures in the accompanying Schedule of Expenditures of Federal Awards.

CVS Health Corporation	\$ 83,544
Dallas County Community College District	358,731
Total Passed-through to Subrecipients	\$ 442,275

The following was a subrecipient of the U.S. Department of Labor WIOA Dislocated Work Formula grant, CFDA 17.278. This amount is included as an expenditure in the accompanying Schedule of Expenditures of Federal Awards.

Joint Apprenticeship Training Committee	\$ 105,045
Total Passed-through to Subrecipient	\$ 105,045

The following were subrecipients of the National Science Foundation Mathematical and Physical Sciences grant, CFDA 47.049. These amounts are included as expenditures in the accompanying Schedule of Expenditures of Federal Awards.

Rice University	\$ 1,800
University of Houston	11,352
Total Passed-through to Subrecipients	\$ 13,152

The following was a subrecipient of the U.S. Department of Health and Human Services Temporary Assistance for Needy Family grant, CFDA 93.558. This amount is included as an expenditure in the accompanying Schedule of Expenditures of Federal Awards.

Joint Apprenticeship Training Committee	\$ 10,699
Total Passed-through to Subrecipient	\$ 10,699

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2018

Schedule F

State Grantor Program Title	Grantor's Number	Expenditures and Pass-Through Disbursements
<b>Texas Education Agency</b>		
2016-2018 Industry Clusters ECHS	170341187110013	\$ 75,937
<b>Total Texas Education Agency</b>		<b>75,937</b>
<b>Texas Higher Education Coordinating Board</b>		
Accelerate Texas - ABE Scaling & Sustaining Success	17041/14160	47,299
Work-Study Mentorship Program	15558	13,526
2017-18 Texas Work-Study Mentorship Program	18882	12,548
Texas Regional Alignment Network	19099	5,709
Texas Armed Services Scholarship Program	N/A	2,000
Texas College Work Study Program	N/A	203,639
Texas Educational Opportunity Grant	N/A	5,701,637
Pass-Through From:		
Austin Community College/Houston Center for Literacy		
2015-2016 Texas Innovative Adult Career Education Program	N/A	(3,855)
<b>Total Texas Higher Education Coordinating Board</b>		<b>5,982,503</b>
<b>Texas Workforce Commission</b>		
Apprenticeship Training Program	2818A TP002	235,024
FY17 Skills for Small Business Program	2817SSD002	4,470
Skills for Transition Program	2817 SDF006	3,180
Summer Manufacturing Company, LLC	2817SDF008	82,553
Texas Fast Start Program IV	2817GRF001	110,727
Pass-Through From:		
Houston - Galveston Area Council		
ABE - GED	213-18	595,013
ABE - GED	213-19	93,232
<b>Total Texas Workforce Commission</b>		<b>1,124,199</b>
<b>Texas State Board of Public Accountancy</b>		
Fifth Year Accounting Student	N/A	4,000
<b>Total Texas State Board of Public Accountancy</b>		<b>4,000</b>
<b>Texas Office of the Governor Criminal Justice Division</b>		
BG-Rifle Resistant Body Armor Grant Program	3512001	54,600
<b>Total Texas Office of the Governor Criminal Justice Division</b>		<b>54,600</b>
<b>Total State Financial Assistance</b>		<b>\$ 7,241,239</b>

See accompanying notes to Schedule of Expenditures of State of Texas Awards.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The Schedule of Expenditures of State of Texas Awards presents the activity of State of Texas awards programs of Houston Community College System (the “System”) for the year ended August 31, 2018. The accompanying Schedule of Expenditures of State of Texas Awards is presented using the accrual basis of accounting. See Note 2 in the Notes to Basic Financial Statements for the System’s significant accounting policies. The expenditures included in the schedule are reported for the System’s fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

NOTE 2 – STATE ASSISTANCE RECONCILIATION

State Grants and Contracts Revenue – per Schedule A	\$ 7,241,239
Reconciling items:	
None	-
Total State revenues per Schedule of Expenditures of State of Texas Awards	<u>\$ 7,241,239</u>

NOTE 3 – SUBRECIPIENTS

The following were subrecipients of the Texas Higher Education Coordinating Board Accelerate Texas ABE-Scaling & Sustaining Success Grant. These amounts are included as expenditures in the accompanying Schedule of Expenditures of State of Texas Awards.

Del Mar College	\$ 1,787
Galveston College	<u>9,590</u>
Total Passed-Through to Subrecipients	<u>\$ 11,377</u>

The following were subrecipients of the TWC Apprenticeship Training Program/Chap. 133 Grant. These amounts are included as expenditures in the accompanying Schedule of Expenditures of State of Texas Awards.

Sheet Metal Joint Apprentice Committee	\$ 48,187
Joint Apprenticeship Training Committee	126,268
Texas Ironworkers, Houston Branch	<u>7,819</u>
Total Passed-Through to Subrecipients	<u>\$ 182,275</u>



HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____	X	no
Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	_____	X	reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ X no

Federal and State of Texas Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	_____	X	no
Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	_____	X	reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with:

Uniform Guidance and State of Texas Single Audit Circular \_\_\_\_\_ yes \_\_\_\_\_ X no

Identification of Major Programs:

<u>Federal - CFDA Number</u>	<u>Name of Federal Programs</u>
Cluster of Programs – Student Financial Assistance:	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loan Program
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
11.805	Minority Business Development Agency - Business Center
17.268	H1-B Job Training Grants
84.002	Adult Education - Basic Grants to States

HOUSTON COMMUNITY COLLEGE SYSTEM  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
 FOR THE YEAR ENDED AUGUST 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS – CONTINUED

<u>State - Contract Number</u>	<u>Name of State Program</u>
N/A	Texas Educational Opportunity Grant

Dollar threshold used to distinguish between  
 Type A and type B programs:

Federal	\$750,000
State of Texas	\$300,000

Auditee qualified as low-risk auditee?

Federal	<u>  X  </u>	yes	<u>      </u>	no
State of Texas	<u>  X  </u>	yes	<u>      </u>	no

SECTION II – FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings required to be reported.