



Comprehensive Annual Financial Report

Fiscal Years Ended August 31, 2015 and 2014

The Woodlands, Texas

Trained Today, Hired Tomorrow

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED AUGUST 31, 2015 AND 2014

**Prepared by Administration and Finance
Lone Star College · 5000 Research Forest Drive · The Woodlands, Texas 77381**

**LONE STAR COLLEGE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEARS ENDED AUGUST 31, 2015 AND 2014**

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To the Board of Trustees:

I am pleased to submit to the Lone Star College (LSC) Board of Trustees and the citizens of the LSC service area our Comprehensive Annual Financial Report for the most recent fiscal year, September 1, 2014 through August 31, 2015.

Thanks to the fiscally conservative leadership of the Board, and strong internal management, the College continues to maintain a sound financial position, with a AAA credit rating from Standard and Poor's.



Enrollment grew from fall 2014 to fall 2015 for a total of 83,932 credit students, a 1% increase.

Prudent fiscal management, along with a strengthening of the local economy has enabled us to lower the tax rate for 2014-2015 by 7% and invest in several strategic initiatives in support of the College's commitment to student success to emphasize student outcomes and accountability for those outcomes.

Highlights include:

- **Reserves** maintained to support AAA bond rating;
- **Alternative funding** continues to increase;
- 21 **new full-time faculty** positions;
- Significant investment in **student success** initiatives;
- Moderate **cost of living adjustment** for full time employees and 4% increase for part time hourly employees;
- Significant increase in property values provided an opportunity to **lower the tax rate**;
- The gap between Lone Star's tax rate and the **state-wide average** continues to widen; and
- Funding for operations of new **square feet brought online** is included without a tax increase.

Our fiscal practices support our commitment to providing high quality education to our students at an affordable price without placing an undue burden on our taxpayers. Under the leadership of the LSC Board of Trustees, we look forward to continuing to operate in a fiscally sound manner with a continued focus on student success.

Sincerely,

Stephen C. Head
Chancellor



December 3, 2015

To: Chancellor Steve Head
Members of the Board of Trustees
Taxpayers of Harris and Montgomery Counties
Citizens of the Lone Star College Community

Respectfully submitted for your review is the comprehensive annual financial report of the Lone Star College (the “College”) for the fiscal years ended August 31, 2015 and August 31, 2014. The purpose of this report is to provide detailed information about the financial condition and performance of the College. Management assumes full 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

Lone Star College’s comprehensive annual financial report (CAFR) for the fiscal years ended August 31, 2015 and 2014 was prepared by the Administration and Finance Department. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as established by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) and comply with the Annual Financial Reporting Requirements for Texas Public Community Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The notes to the financial statements are considered an integral part of the financial statements and should be read in conjunction with them. Additionally, attention should be given to Management’s Discussion and Analysis, which provides readers with a narrative introduction, overview and analysis of the financial statements.

REPORTING ENTITY

The College is reporting as a special purpose government engaged solely in business-type activities (BTA). In accordance with GASB Statements 34 and 35, this reporting model is intended to align government financial statements with corporate financial statements.

COLLEGE PROFILE

Lone Star College has been opening doors to a better community for over 40 years. With its beginning in 1973, the College remains steadfast in its commitment to student success and credential completion. In 1972, residents in the Aldine, Humble and Spring Independent School Districts elected to create a junior college district, which became known as North Harris County College. The college opened its doors in the fall of 1973 and the 16-member staff welcomed 613 students to the first classes held at Aldine High School.

Fast forward 42 years and Lone Star College has grown to six colleges, multiple centers and two University Centers with 84,000 credit students and a total of more than 95,000 students. In 2008, Lone Star College became the new

name for the North Harris Montgomery Community College District. The original three school districts have been joined by eight others: New Caney in 1981, Tomball in 1982, Conroe in 1991, Willis and Splendora in 1996, Klein in 1998, and Cypress-Fairbanks and Magnolia in 2000.

Located in the North Houston metro area of Texas, the College serves an area of more than 1,400 square miles and is the largest and fastest growing community college in Texas, with six distinct member-colleges:

- Lone Star College-Cy-Fair
- Lone Star College-Kingwood
- Lone Star College-Montgomery
- Lone Star College-North Harris
- Lone Star College-Tomball
- Lone Star College-University Park



The College is governed by a nine member Board of Trustees who are elected to serve six year terms. The Chief Executive Officer of the College is the Chancellor. The Chancellor, through his executive team, is responsible for management of the daily operations of the College.

2015-2020 STRATEGIC PLAN

Lone Star College’s 2015-2020 Strategic Plan is based on feedback and recommendations from all members of the College’s community – faculty, staff, students and community stakeholders – and is designed to address our continuing student population growth and ensure student success.

MISSION

Lone Star College provides comprehensive educational opportunities and programs to enrich lives.

VISION

Lone Star College will be a model college globally recognized for achieving exceptional levels of success in student learning, student completion, gainful employment, equity and affordability.

GUIDING PRINCIPLES

1. **Access and Equity:** Lone Star College is committed to access and equity for all, regardless of socio-economic background, preparation for college or workforce, or disability.
2. **Student Learning and Success:** Lone Star College is committed to transformational changes with the purpose of maximizing student learning and success.
3. **Dignity and Respect:** Everyone — students, employees and the community — should be treated with dignity and respect.
4. **Community Value:** Lone Star College recognizes the respect the college holds in the community and values that reputation.
5. **Responsibility:** Lone Star College has an important fiduciary responsibility to taxpayers and all citizens.

STRATEGIC GOALS

Through the strategic planning process the College identified the following top 5 strategic goals.

- **Academic & Workforce Program Quality:** Provide high quality academic and workforce programs that enhance students' learning experience and prepare them for the 21st century workforce.
- **Student Success:** Promote student success by ensuring excellence in teaching, learning and student-centered support services.
- **Financial Responsibility & Accountability:** Ensure sound financial practices that are accountable to stakeholders and fairly allocate budget and resources.
- **Culture:** Nurture a culture that values and respects all Lone Star College members and encourages collaboration.
- **Partnerships:** Build strong partnerships with local ISDs and civic, charitable, higher education, industry and business organizations to promote student and community success.



CULTURAL BELIEFS

The LSC 20|20 task force, a team of 115 faculty and staff representatives from across LSC, developed six cultural beliefs to help clarify and focus our actions so we can achieve the desired results.

- **Students Matter** – I engage and support each student to achieve their goals.
- **Inspire Excellence** – I celebrate successes and value the contributions of all employees.
- **Act Intentionally** – I create goals and make decisions based on meaningful data.
- **Better Together** – I share knowledge and encourage collaboration to reach common goals.
- **No Fear!** – I am empowered to effect positive change.
- **Trust!** – I practice transparent communication, encourage dialogue and cultivate trust.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the local environment in which the College operates.

The College's geographic area is comprised of portions of Harris and Montgomery Counties. Harris County is a major component of the Houston-The Woodlands-Sugar Land-TX Metropolitan Statistical Area (MSA). Houston is the fourth largest city in the U.S. With a 2010 Census of 5,920,416 residents, the Houston MSA is expected to increase 19.8% to 7,089,920 by 2020.

| U.S. Comparative Population Growth Trends | | | |
|---|--------------------|--------------------|--------------------|
| | <u>1990 - 2000</u> | <u>2000 - 2010</u> | <u>2010 - 2020</u> |
| Houston | 25.2% | 26.1% | 19.8% |
| Texas | 22.8% | 20.6% | 15.6% |
| U.S. | 13.2% | 9.7% | 7.1% |

Houston has 26 Fortune 500 companies headquartered locally, with many other companies maintaining U.S. administrative headquarters in the Houston MSA. In 2015, Houston ranked third among U.S. cities with the most Fortune 500 headquarters, behind New York and Chicago.

Sources: U.S. Census Bureau, November 2015; Esri forecasts for 2015 and 2020; *Fortune Magazine 2015* and Greater Houston Partnership “Corporate Headquarters”



LONG-TERM FINANCIAL PLANNING

The College’s financial planning is comprised of three planning processes:

- Strategic Plan
- Facilities Master Plan
- Annual Budget

A five year master plan was updated in 2013 to accommodate the College’s facility needs through 2018. The budget is funded primarily through student, state and tax revenues. A methodology was developed to reward colleges for positive impact activities over which they have influence, but not to penalize for activities over which they have no control.

During the annual budget process an allocation model is used that:

- Provides adequate funding for basic needs of the colleges
- Recognizes the importance of a balanced full-time faculty ratio
- Fairly distributes discretionary funds
- Limits administrative spending
- Provides funds to support enrollment increases
- Provides incentive funding for improvements in key indicators

The budget is presented to the Board of Trustees for approval each August.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The College’s Board of Trustees selected the accounting firm of Whitley Penn, LLP, to perform its annual audit. In addition to meeting the requirements set forth in the state statutes, the audit was designed to meet the requirements of the Federal Single Audit Act. The auditor’s reports related to single audits are included in the Single Audit Section of the CAFR.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College for its comprehensive annual financial report for the fiscal year ended August 31, 2014. This was the 11th consecutive year the College has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles 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

Credit for this report must be given to the Board of Trustees for its oversight and unfailing support in maintaining the highest standards of integrity, transparency and accountability in the College's financial operations. We would particularly like to acknowledge the Chancellor and the Chancellor's executive leadership team for providing the resources necessary to prepare this financial report. The preparation of this report could not have been accomplished without the hard work and dedication of the entire staff of Administration and Finance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cynthia F. Gilliam". The signature is fluid and cursive, with a large initial "C" and "G".

Cynthia F. Gilliam
Vice Chancellor, Administration & Finance/Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Lone Star College System
Texas**

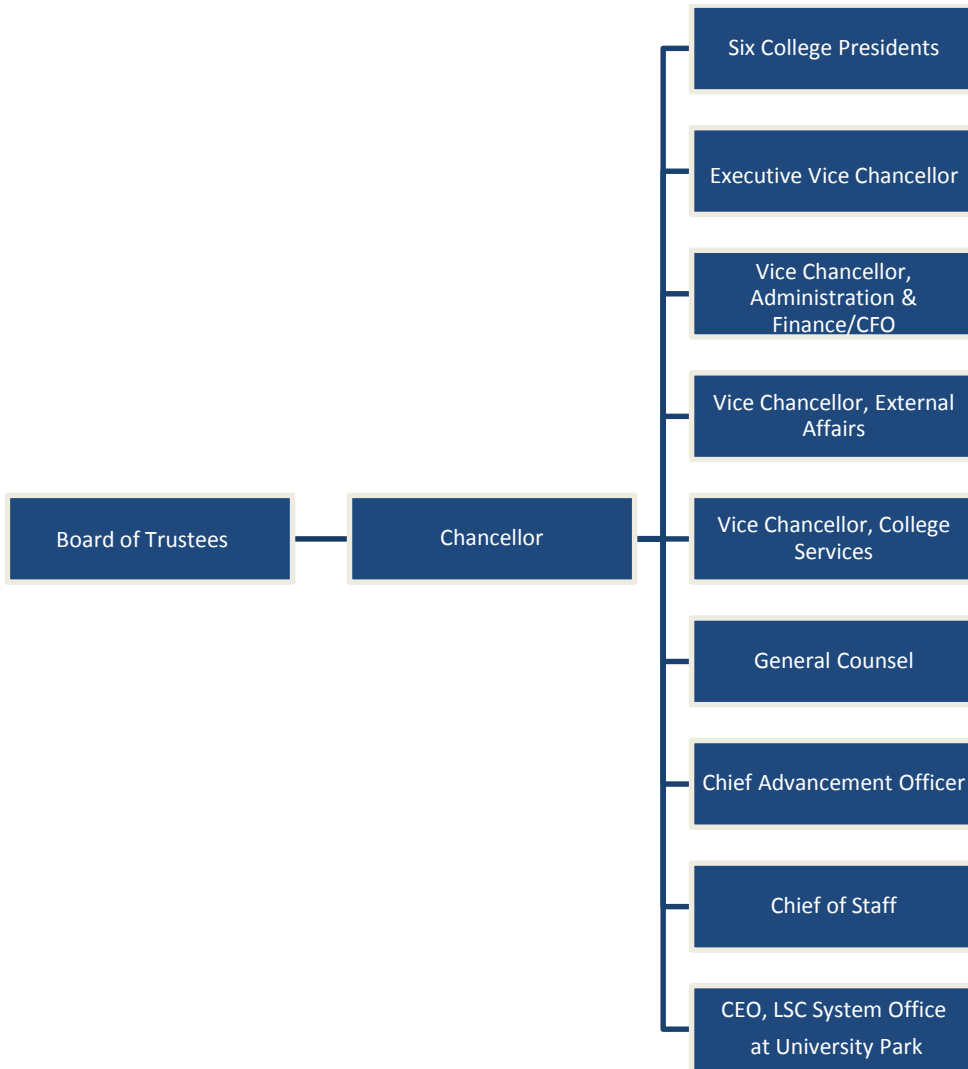
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2014

Executive Director/CEO



**LONE STAR COLLEGE
ORGANIZATIONAL CHART**





**ORGANIZATIONAL DATA
For the Fiscal Year 2015**

Board of Trustees

| | | <u>Term Expires May</u> |
|-----------------------|---------------------|-------------------------|
| Linda S. Good, J.D. | Chair | 2016 |
| Kyle A. Scott, Ph.D. | Vice Chair | 2018 |
| Ron Trowbridge, Ph.D. | Secretary | 2018 |
| Alton Smith, Ed.D. | Assistant Secretary | 2020 |
| David Holsey, D.D.S. | | 2018 |
| David A. Vogt | | 2016 |
| Ken E. Lloyd | | 2020 |
| Bob Wolfe, J.D., CPA | | 2016 |
| Art Murillo | | 2020 |

Principal Administrative Officers

| | |
|-----------------------|---|
| Dr. Stephen C. Head | Chancellor |
| Dr. Gerald Napoles | President, Lone Star College–North Harris |
| Dr. Katherine Persson | President, Lone Star College–Kingwood |
| Dr. Lee Ann Nutt | President, Lone Star College–Tomball |
| Dr. Rebecca Riley | President, Lone Star College–Montgomery |
| Dr. Deana Sheppard | Interim President, Lone Star College–CyFair |
| Shah Ardalan | President, Lone Star College–University Park |
| Dr. Austin Lane | Executive Vice Chancellor |
| Cynthia Gilliam | Vice Chancellor, Administration & Finance/CFO |
| Ray Laughter | Vice Chancellor, External Affairs |
| Link Alander | Vice Chancellor, College Services |
| Mario Castillo | General Counsel |
| Leah Goss | Chief Advancement Officer |
| Helen Clougherty | Chief of Staff |
| Rand W. Key | CEO, LSC System Office at University Park |

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lone Star College
The Woodlands, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees
Lone Star College
The Woodlands, Texas

Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the College adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of August 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 23 through 31 and pension information on pages 73 and 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College’s basic financial statements. The Supplemental Schedules A through D as required by the Texas Higher Education Coordinating Board’s (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Schedule of Expenditures of State Awards as required by the State of Texas Single Audit Circular contained in the Governor’s Office of Budget and Planning *Uniform Grant Management Standards*, and other information such as the introductory and statistical sections are also presented for additional analysis and are not a required part of the basic financial statements.

To the Board of Trustees
Lone Star College
The Woodlands, Texas

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Whitley Penn LLP".

Houston, Texas
December 3, 2015

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of Lone Star College (the “College”). The report consists of three basic financial statements that provide information on the College as a whole: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. These reports should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results is intended to provide the readers with an overview of the College’s financial activities. For purposes of the summary and discussion, the terms “2015”, “2014”, and “2013” refer to fiscal years ending August 31, 2015, August 31, 2014, and August 31, 2013, respectively.

Accounting Standards

The financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) standards. The college is considered to be a special-purpose government engaged in business-type activities.

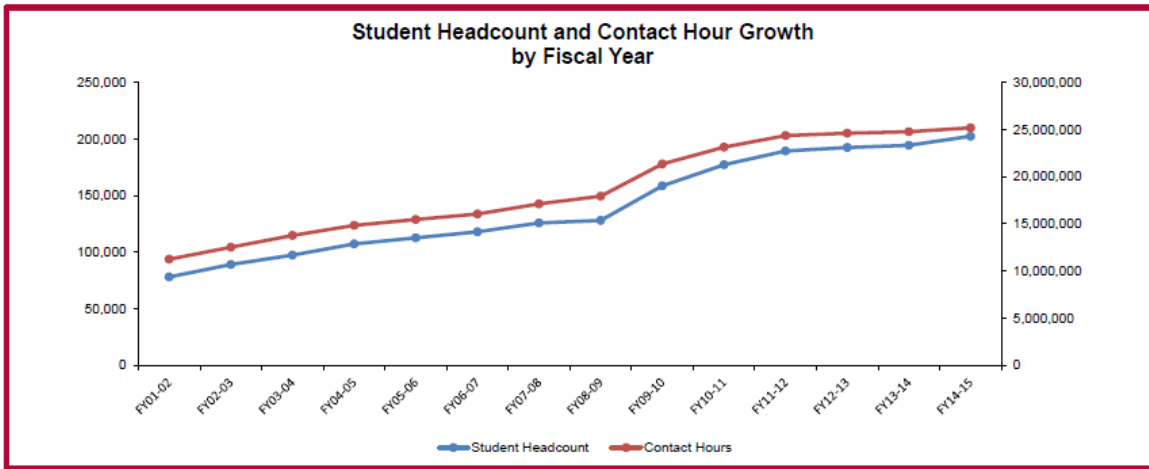
Financial and Enrollment Highlights - 2015

- Enrollment increased 4% while contact hours increased 2% during 2015.
- The College maintained its AAA rating from Standard & Poor’s on its general obligation debt.
- Total assets increased \$121 million, a 12% increase over 2014, due to an increase in cash and investments from bond proceeds.
- Operating expenses for educational activities increased \$33.6 million, which represents a 9% increase. The increases were related to the addition of new full-time faculty positions and the College’s continued emphasis on student success and completion.
- The College implemented a new governmental accounting standard which requires colleges and state agencies to record their proportional share of the state’s pension liability on their books. This accounts for the decrease in net position during 2015.

Financial and Enrollment Highlights - 2014

- Net position increased \$3 million, which represents a 1% increase over 2013.
- Construction in progress balances decreased to approximately \$28 million as various projects funded with bond proceeds were completed.
- The College maintained its AAA rating from Standard & Poor’s on its general obligation debt.
- Operating expenses for educational activities increased \$20 million, which represents a 6% increase. The increases were related to the addition of new full time faculty positions and the College’s continued emphasis on student success and completion.
- Enrollment and fundable contact hours remained steady during 2014.

The following chart depicts the growth in student headcount and contact hours by fiscal year:



¹Student headcount for each fiscal year is the total of fall, spring, and summer terms headcount.

Source: LSC Office of Analytics & Institutional Reporting

Statements of Net Position

The Statements of Net Position present the financial position of the College at the end of the fiscal year. The statements include assets, liabilities, deferred outflows and inflows and are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. A summary of the most recent three fiscal years' statements is shown below.

| | 2015 | August 31 2014 | 2013 |
|--|-------------------------|-----------------------|-----------------------|
| Current Assets: | | | |
| Cash and short-term investments | \$ 281,268,113 | \$ 170,647,032 | \$ 137,564,574 |
| Receivables, net | 47,161,219 | 47,810,809 | 45,245,178 |
| Inventory, prepaid expenses & other | 768,074 | 734,995 | 119,196 |
| Total current assets | <u>329,197,406</u> | <u>219,192,836</u> | <u>182,928,948</u> |
| Non-Current Assets: | | | |
| Capital assets, net | 780,509,924 | 769,918,536 | 767,525,376 |
| Total assets | <u>\$ 1,109,707,330</u> | <u>\$ 989,111,372</u> | <u>\$ 950,454,324</u> |
| Deferred outflows of resources | | | |
| Deferred outflows related to pensions | \$ 8,864,100 | \$ - | \$ - |
| Current Liabilities: | | | |
| Accounts payable & accrued liabilities | \$ 42,236,370 | \$ 37,771,732 | \$ 45,070,952 |
| Unearned revenues | 46,996,647 | 47,962,543 | 43,720,399 |
| Bonds payable-current portion | 25,812,704 | 25,831,137 | 21,386,811 |
| | <u>115,045,721</u> | <u>111,565,412</u> | <u>110,178,162</u> |
| Non-Current Liabilities: | | | |
| Accrued compensable absences | 5,295,422 | 6,455,039 | 5,994,855 |
| Net Pension Liability | 48,590,997 | - | - |
| Bonds payable-noncurrent portion | 714,738,144 | 595,507,280 | 561,668,624 |
| Total liabilities | <u>\$ 883,670,284</u> | <u>\$ 713,527,731</u> | <u>\$ 677,841,641</u> |
| Deferred inflows of resources | | | |
| Deferred inflows related to pensions | \$ 14,864,132 | \$ - | \$ - |
| Deferred inflows related to gain/loss on refunding | 1,445,282 | - | - |
| Total deferred inflows of resources | <u>\$ 16,309,414</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Position: | | | |
| Net Investment in capital assets | 198,560,069 | 178,160,052 | 178,498,298 |
| Restricted | 48,249,611 | 44,889,269 | 37,799,941 |
| Unrestricted | (28,217,948) | 52,534,320 | 56,314,444 |
| Total net position | <u>\$ 218,591,732</u> | <u>\$ 275,583,641</u> | <u>\$ 272,612,683</u> |

Statements of Net Position (Continued)

The increase in total current assets of \$110 million in 2015 relates to an increase in cash and short-term investments resulting from the investment of bond proceeds from the issuance of \$150 million in general obligation bonds for the College's capital program.

Total liabilities increased \$170 million during 2015. The increase is primarily relates to an increase in bonds payable from the 2015 bond issuance noted above and the recognition of a new pension liability described below.

During 2015, the College implemented a new accounting standard; GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The new standard requires all colleges and state agencies to recognize their share of the Teacher's Retirement System of Texas (TRS) pension liability on their financial statements. As a result, the College recognized a \$49 million liability to comply with this standard. The various rating agencies and bond counsel have assured all TRS participating entities that there will be no negative impact upon our bond rating from this accounting change. Without this change, unrestricted net position would be \$26 million at August 31, 2015.

Deferred outflows and inflows of resources are two new line items for 2015 which are related to the change in accounting principle described above. The decrease in total net position of \$57 million is also related to this change in accounting principle.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the operating results of the College, as well as the non-operating revenues and expenses. Ad valorem taxes for maintenance and operations, and state appropriations, while budgeted for operations, are not considered to be exchange transactions and are, therefore, classified as non-operating revenues according to generally accepted accounting principles. A summary of the most recent three fiscal years' statements is shown below.

| | August 31 | | |
|--|-----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2013 |
| Operating Revenues | | | |
| Student tuition and fees | \$ 77,564,764 | \$ 61,961,356 | \$ 59,682,149 |
| Grants & contracts | 15,053,707 | 13,842,872 | 13,484,181 |
| Auxiliary enterprises | 14,963,113 | 14,334,851 | 9,849,775 |
| Other | 2,779,531 | 2,238,929 | 1,467,289 |
| Total operating revenues | <u>110,361,115</u> | <u>92,378,008</u> | <u>84,483,394</u> |
| Operating Expenses | | | |
| Educational Activities | 392,942,852 | 359,331,547 | 339,152,298 |
| Auxiliary Activities | 14,088,379 | 12,307,062 | 8,621,387 |
| Depreciation Expense | 25,473,371 | 23,587,965 | 22,345,642 |
| Total operating expenses | <u>432,504,602</u> | <u>395,226,574</u> | <u>370,119,327</u> |
| Net Operating Loss | (322,143,487) | (302,848,566) | (285,635,933) |
| Non-Operating Revenues | | | |
| Ad-valorem taxes | 158,836,447 | 152,703,783 | 145,759,393 |
| State Appropriations | 90,002,374 | 85,708,997 | 75,961,961 |
| Federal Revenue, Non-Operating | 91,112,482 | 91,369,027 | 90,756,771 |
| Investment income | 662,925 | 450,967 | 556,004 |
| Interest and fees on capital asset - related debt | (23,738,073) | (27,106,038) | (22,791,859) |
| Other | 3,329,230 | 2,692,788 | (1,158,530) |
| Total non-operating revenues-net | 320,205,385 | 305,819,524 | 289,083,740 |
| Increase (Decrease) in Net Position | (1,938,102) | 2,970,958 | 3,447,807 |
| Net Position, Beginning of Year | 275,583,641 | 272,612,683 | 269,164,876 |
| Prior Period Adjustment, GASB 68 restatement | <u>(55,053,807)</u> | <u>-</u> | <u>-</u> |
| Net Position, End of Year | <u>\$ 218,591,732</u> | <u>\$ 275,583,641</u> | <u>\$ 272,612,683</u> |

Student tuition and fees revenue is reported net of scholarships and discounts. Tuition and fee revenue increased \$15.6 million for 2015, due to a fall 2014 increase in base tuition and technology fees. At \$42 per credit hour the College's tuition rate remains below the Texas average for community colleges.

For 2014, student tuition and fees increased \$2 million primarily due to an increase in differential fees.

Grants & contracts increased \$1.2 million for 2015 due to an increase in grant funding from the Texas Higher Education Coordinating Board and Texas Workforce Commission. Auxiliary enterprises and other revenue increased slightly.

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Expenses for educational activities increased \$34 million (9%) in 2015 and \$20 million (6%) in 2014. The most significant increase in 2015 was in scholarships, which increased by \$9.5 million. In 2014, the largest increase was in the instruction category. The College added new full-time faculty positions to maintain the current full-time/part-time ratio. In addition, enhancements were made to technology tools in reporting student outcomes as the College continues to place emphasis on student success and completion.

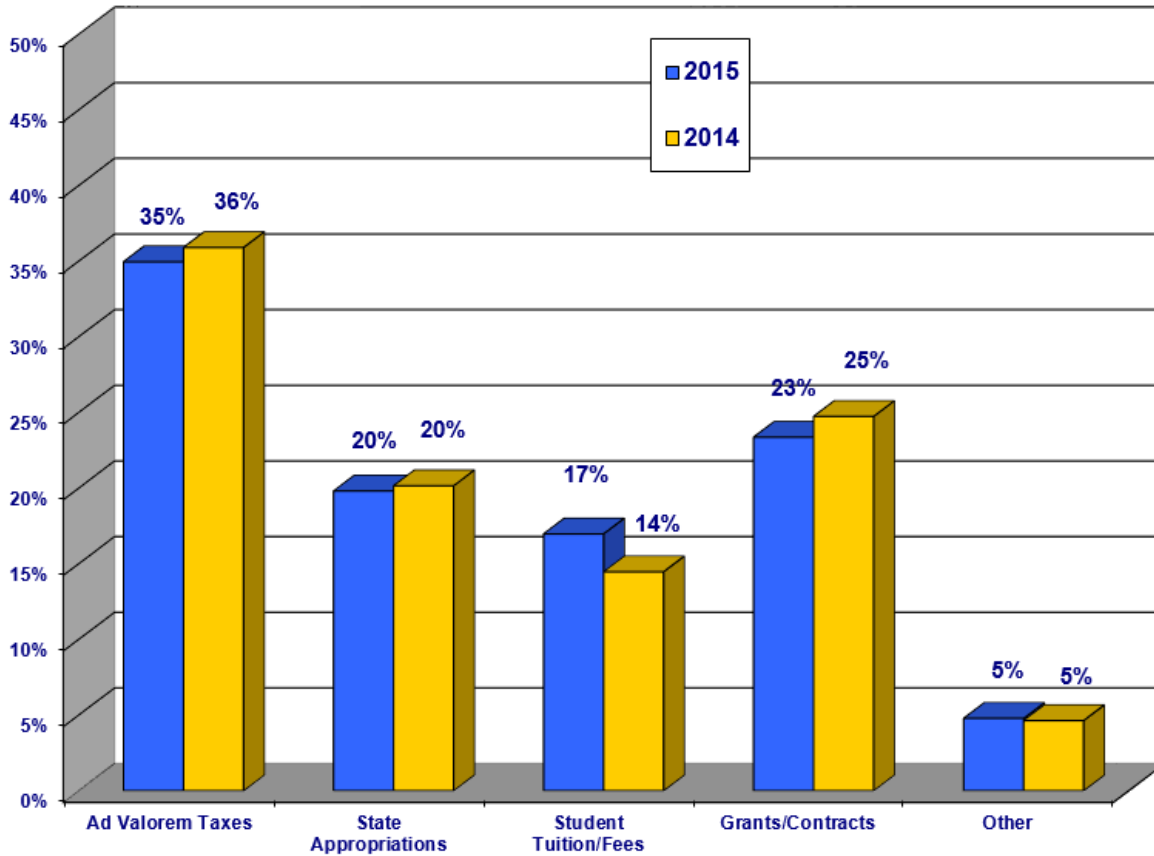
Tax revenues increased \$6 million in 2015 (\$7 million in 2014) as a result of a strengthening of the local economy and the addition of new properties. Investment income increased marginally in 2015 due to slightly better interest rates.

State appropriations increased \$4 million in 2015. The base appropriation stayed the same however, the state contribution for insurance and retirement increased. The 83rd legislature passed an appropriations act for the 2014-15 biennium which changed the method of funding for the state's 50 community colleges. Each college receives a base funding amount of \$500,000 per year. Additionally, each college receives an allocation based on contact hours and student success points.

Total Revenues

The College has four main sources of revenue: ad valorem taxes, state appropriations, student tuition and fees, and grants and contracts.

The following chart illustrates the breakdown of total revenues for the College.

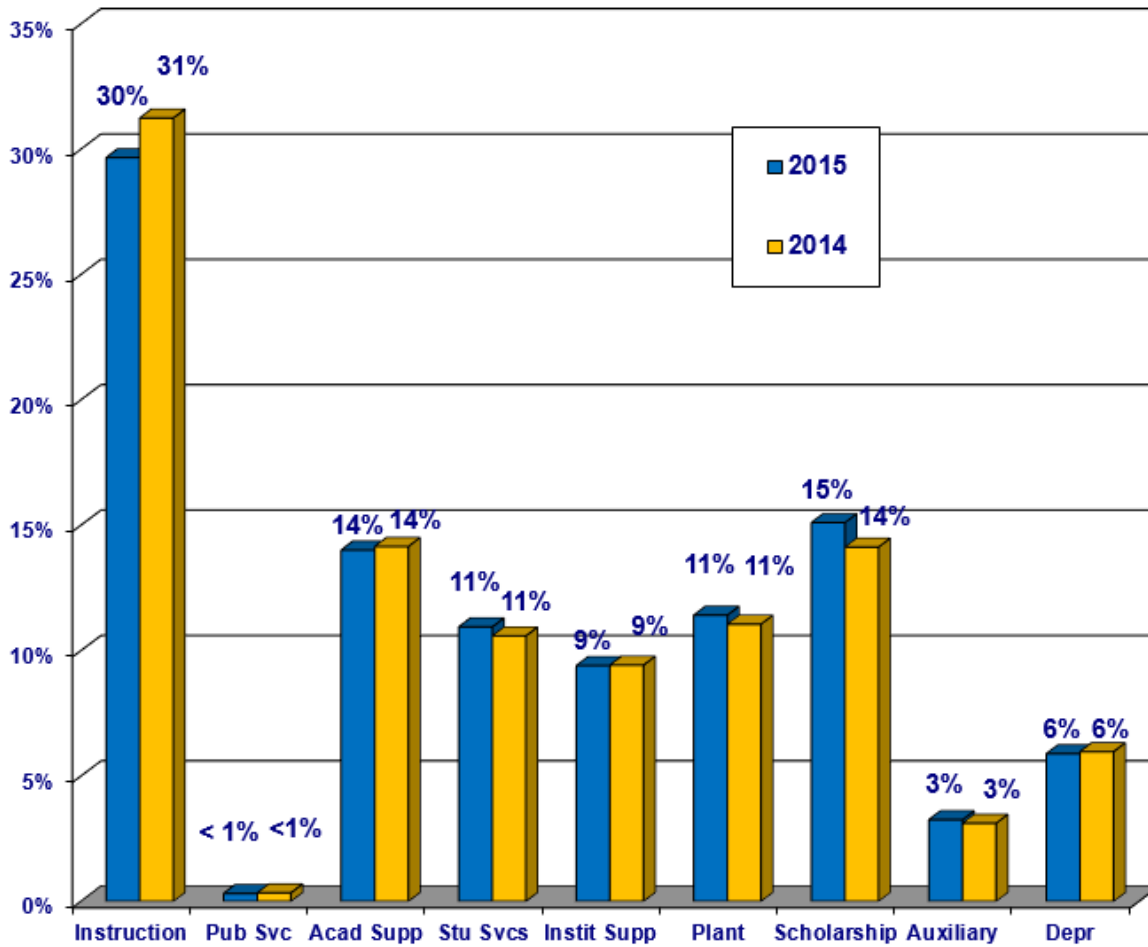


The largest source of revenue for both 2015 and 2014 for the College is ad valorem taxes which account for 35% and 36% of total revenues for 2015 and 2014, respectively. Auxiliary income comprises the majority of other revenues.

Total Expenses

Expenses for the College can be grouped into nine functional categories: instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships, auxiliary, and depreciation.

The following chart illustrates the breakdown of total expenses for the College.



At 30% and 31% of the total expenses for 2015 and 2014 respectively, instruction is by far the College's largest expense. All other expenses remained relatively consistent.

Capital Assets and Long-Term Debt Activity

As depicted in Footnote 5 to the financial statements, capital assets increased from \$770 million in 2014 to \$781 million in 2015. The following lists some of the major projects and changes that occurred during 2015 and 2014:

2015 Projects

Bond Projects

- Continued construction of the 85,000 square foot/\$20.2 million Creekside Satellite Center scheduled to open in January 2016.
- Completed \$8 million of renovation projects across the College.

Real Estate Transactions

- Acquired an 8.3 acre tract of land for \$3.8 million in the Kingwood area to support the Process Technology Satellite Center.
- Acquired a 135,000 square foot building on a 6.6 acre tract of land for \$15.5 million in the Cy-Fair area to support the information Technology Satellite Center.

2014 Projects

Bond Projects

- Completed construction of the 72,000 square foot/ \$16 million Energy and Manufacturing Institute Building (EMI) on the University Park campus.
- Completed construction of a 270 space/\$3.6 million parking garage at the Fairbanks Satellite Center.
- Completed \$2.5 million of renovation projects across the College.
- Continued construction on the 85,000 square foot/\$20.2 million Creekside Satellite Center.

Real Estate Transactions

- Acquired a 19 acre tract of land for \$.7 million in the Tomball area to support the Drilling Platform Training Center.
- Sold a 2.4 acre tract of land with a 30,000 square foot building for \$1.9 million that formerly housed the Conroe Center.

As detailed in Footnote 7 to the financial statements, financing for the above projects has been achieved through the issuance of long-term bonds.

Lone Star College
STATEMENTS OF NET POSITION
AUGUST 31, 2015 AND 2014

| ASSETS | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 262,828,989 | \$ 167,240,734 |
| Short-term investments | 18,439,124 | 3,406,298 |
| Accounts receivable, net | 47,161,219 | 47,810,809 |
| Inventories | 51,382 | 51,478 |
| Prepaid items | 716,692 | 683,517 |
| Total current assets | 329,197,406 | 219,192,836 |
| Noncurrent assets: | | |
| Capital assets, net | 780,509,924 | 769,918,536 |
| Total non-current assets | 780,509,924 | 769,918,536 |
| TOTAL ASSETS | 1,109,707,330 | 989,111,372 |
| Deferred outflows of resources | | |
| Deferred outflows related to pensions | \$ 8,864,100 | \$ - |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 36,942,522 | \$ 33,372,256 |
| Accrued compensable absences | 736,887 | 663,006 |
| Funds held for others | 4,556,961 | 3,736,470 |
| Unearned revenues | 46,996,647 | 47,962,543 |
| Bonds payable-current portion | 25,812,704 | 25,831,137 |
| Total current liabilities | 115,045,721 | 111,565,412 |
| Noncurrent liabilities: | | |
| Accrued compensable absences | 5,295,422 | 6,455,039 |
| Net Pension Liability | 48,590,997 | - |
| Bonds payable-noncurrent portion | 714,738,144 | 595,507,280 |
| Total non-current liabilities | 768,624,563 | 601,962,319 |
| TOTAL LIABILITIES | 883,670,284 | 713,527,731 |
| Deferred inflows of resources | | |
| Deferred inflows related to pensions | \$ 14,864,132 | \$ - |
| Deferred inflows related to gain/loss on refunding | 1,445,282 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 16,309,414 | - |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ 198,560,069 | \$ 178,160,052 |
| Restricted: | | |
| Expendable- | | |
| Restricted | 208,567 | 198,214 |
| Debt service | 48,041,044 | 44,691,055 |
| Unrestricted | (28,217,948) | 52,534,320 |
| TOTAL NET POSITION (Schedule D) | \$ 218,591,732 | \$ 275,583,641 |

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

Lone Star College
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Tuition and fees (net of discounts of \$38,302,512 in 2015 and \$45,019,459 in 2014) | \$ 77,564,764 | \$ 61,961,356 |
| Federal grants and contracts | 4,822,716 | 5,774,884 |
| State and local grants and contracts | 10,230,991 | 8,067,988 |
| Auxiliary enterprises | 14,963,113 | 14,334,851 |
| Other operating revenue | 2,779,531 | 2,238,929 |
| Total operating revenues (Schedule A) | <u>110,361,115</u> | <u>92,378,008</u> |
| OPERATING EXPENSES | | |
| Instruction | 128,275,969 | 123,466,195 |
| Public service | 1,363,609 | 1,339,559 |
| Academic support | 60,594,812 | 55,927,826 |
| Student services | 47,340,266 | 41,840,156 |
| Institutional support | 40,663,525 | 37,229,953 |
| Operation and maintenance of plant | 49,375,014 | 43,688,005 |
| Scholarships and fellowships | 65,329,657 | 55,839,853 |
| Auxiliary enterprises | 14,088,379 | 12,307,062 |
| Depreciation | 25,473,371 | 23,587,965 |
| Total operating expenses (Schedule B) | <u>432,504,602</u> | <u>395,226,574</u> |
| Operating loss | <u>(322,143,487)</u> | <u>(302,848,566)</u> |
| NON-OPERATING REVENUE (EXPENSES) | | |
| Ad-Valorem taxes | | |
| Maintenance and operations | 112,203,019 | 109,040,590 |
| General obligation bonds | 46,633,428 | 43,663,193 |
| State appropriations | 90,002,374 | 85,708,997 |
| Federal revenue, non-operating | 91,112,482 | 91,369,027 |
| Gifts | 1,902,809 | 297,500 |
| Investment income, net | 662,925 | 450,967 |
| Interest and fees on capital asset-related debt (net of capitalized interest costs of \$360,337 in 2015 and \$130,012 in 2014) | (23,738,073) | (27,106,038) |
| Loss on disposal of capital assets | (175,810) | (7,591) |
| Other non-operating revenues | 1,602,231 | 2,402,879 |
| Total non-operating revenue (Schedule C) | <u>320,205,385</u> | <u>305,819,524</u> |
| Increase (decrease) in net position | (1,938,102) | 2,970,958 |
| NET POSITION, BEGINNING OF YEAR | 275,583,641 | 272,612,683 |
| PRIOR PERIOD ADJUSTMENT, GASB 68 RESTATEMENT | <u>(55,053,807)</u> | <u>-</u> |
| NET POSITION, END OF YEAR | <u>\$ 218,591,732</u> | <u>\$ 275,583,641</u> |

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

Lone Star College
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from students and other customers | \$ 123,011,541 | \$ 114,533,623 |
| Receipts from grants and contracts | 14,426,237 | 15,686,309 |
| Payments to suppliers for goods and services | (93,536,663) | (96,704,392) |
| Payments to or on behalf of employees | (228,932,594) | (213,764,797) |
| Payments for scholarships and fellowships | (95,388,010) | (94,408,518) |
| Payments for internal loans issued to students | - | - |
| Receipts from internal loans for students | - | - |
| Other receipts | 4,151,633 | 2,723,567 |
| Net cash used by operating activities | <u>(276,267,856)</u> | <u>(271,934,208)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Receipts from state appropriations | 72,475,700 | 72,475,700 |
| Receipts from ad-valorem taxes | 112,711,889 | 109,723,443 |
| Receipts from non-operating Federal Revenue | 91,056,706 | 92,128,020 |
| Payments for Federal loans issued to students | (66,687,006) | (99,474,520) |
| Receipts from Federal loans for students | 66,460,593 | 99,485,412 |
| Net cash provided by non-capital financing activities | <u>276,017,882</u> | <u>274,338,055</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Receipts from ad-valorem taxes | 47,059,876 | 44,298,851 |
| Proceeds from capital debt | 257,056,539 | 60,624,285 |
| Paid for acquisition and construction of capital assets | (34,145,284) | (27,188,080) |
| Proceeds from sale of capital assets | 20,011 | 1,868,111 |
| Principal paid on capital debt and leases | (136,020,000) | (21,620,000) |
| Interest paid on capital debt and leases | (23,763,971) | (27,754,564) |
| Net cash used by financing activities | <u>110,207,171</u> | <u>30,228,603</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 3,000,000 | - |
| Interest on investments | 631,058 | 443,710 |
| Purchase of investments and related fees | (18,000,000) | (3,400,000) |
| Net cash provided by investing activities | <u>(14,368,942)</u> | <u>(2,956,290)</u> |
| Net Increase in Cash and Cash Equivalents | 95,588,255 | 29,676,160 |
| Cash and Cash Equivalents, Beginning of Year | <u>167,240,734</u> | <u>137,564,574</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 262,828,989</u> | <u>\$ 167,240,734</u> |

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

Lone Star College
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-------------------------|
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities | | |
| Operating loss | \$ (322,143,487) | \$ (302,848,566) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation expense | 25,473,371 | 23,587,965 |
| Bad debt expense | 366,679 | 636,712 |
| Payments made directly by state for benefits | 17,526,674 | 13,233,297 |
| Changes in assets and liabilities | | |
| Receivables, net | 216,003 | (4,467,801) |
| Inventories | 96 | (4,004) |
| Prepaid items | (33,175) | (611,796) |
| Deferred outflows | (8,864,100) | - |
| Accounts payable and accrued liabilities | 3,657,240 | (7,124,887) |
| Unearned revenue | (603,233) | 5,095,217 |
| Funds held for others | 820,491 | 81,465 |
| Accrued compensable absences | (1,085,736) | 488,190 |
| Net Pension Liability | (6,462,809) | - |
| Deferred inflows | 14,864,130 | - |
| Total adjustments | <u>45,875,631</u> | <u>30,914,358</u> |
| Net cash used by operating activities | <u>\$ (276,267,856)</u> | <u>\$ (271,934,208)</u> |
| NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| Payments made directly by state for benefits | \$ 17,526,674 | \$ 13,233,297 |
| Net Pension Liability | (462,779) | - |
| Gain/Loss on Refunding | (1,445,282) | - |
| Net Non-cash Investing, Capital, and Financing Activities | <u>\$ 15,618,613</u> | <u>\$ 13,233,297</u> |

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

LONE STAR COLLEGE

Notes to Financial Statements

For the Fiscal Years Ended
August 31, 2015 and 2014

1. REPORTING ENTITY

Lone Star College was established in 1972 as a junior college district, in accordance with the laws of the State of Texas, to serve the educational needs of the northern part of Harris County and the southern part of Montgomery County, Texas. The College encompasses the Aldine, Conroe, Cypress-Fairbanks, Humble, Klein, Magnolia, New Caney, Splendora, Spring, Tomball and Willis Independent School Districts. The College is a comprehensive, public, two-year institution offering academic, general, occupational, developmental, and continuing adult education programs through a network of colleges. The colleges of LSC-North Harris, LSC-Kingwood, LSC-Tomball, LSC-Montgomery, LSC-CyFair, and LSC-University Park comprise the College.

The College is considered to be a special-purpose government engaged in business-type activities. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statements No. 14 and No. 34), was effective for financial statements for periods beginning after June 15, 2012. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. GASB Statement No. 61 has been applied as required in the preparation of these financial statements and no component unit information is required to be included.

The Lone Star College Foundation (the "Foundation") is a legally separate not-for-profit corporation controlled by a separate board of trustees, whose sole purpose is to advance and assist in the development, growth and operation of the College. The College does not fund; nor is the College obligated to pay debt related to the Foundation. The financial position of the Foundation as of August 31, 2015 and 2014 and the cost of services provided by the College to the Foundation during the years then ended are not significant to the College. The Foundation has therefore not been included as a component unit in the financial statements of the College.

The University Center is a partnership of four year universities and the campuses of the College providing bachelor's degrees, master's degrees and continuing professional studies. The universities are responsible for their degrees and support the instructional, facilities and shared support services costs. The operational costs of instruction, facilities and services are shared pro-rata by the four-year universities based on enrollment. A cost sharing arrangement exists between the parties in order to provide a particular service to the community. A cost sharing arrangement does not qualify as a component unit under GASB Statement No. 61.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements also comply with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College is reported as a special-purpose government engaged in business-type activities.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. All revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

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

Title IV, Higher Education Act Program Funds

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

Other Tuition Discounts

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

Budgetary Data

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an

original maturity date greater than three months but less than one year at time of purchase. The College has designated public funds investment pools comprised of \$202,062,100 and \$42,310,558 at 2015 and 2014, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase. The College had no long-term investments at August 31, 2015 and 2014.

Inventories

Inventories consist of food service supplies. Inventories are valued at cost under the “first-in, first-out” method and are charged to expense as consumed.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations 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 the useful life of the asset are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 50 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. Typical deferred inflows for community colleges are deferred charges on refunding debt and related to pensions. All community colleges will have amounts in Deferred Inflows of Resources called “Deferred inflows related to pensions.” Changes in the net pension liability not included in pension expense in the current year are required to be reported as deferred outflows of resources or deferred inflows of resources related to pension. These deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. All community colleges will have amounts in Deferred Outflows of Resources called “Deferred outflows related to pensions”. Changes in the net pension liability not included in pension expense in the current year are required to be reported as deferred outflows of resources or deferred inflows of resources related to pension. This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6.94 years.

Unearned Revenues

A portion of tuition and fee revenue and federal, state, and local grants at August 31, 2015 and 2014, related to the period after August, and therefore have been reported as unearned revenues at August 31, 2015 and 2014, respectively.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity (BTA) and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees and federal grants and contracts. The major non-operating revenue sources are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal non-operating expense is long-term debt interest and fees. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed. The bookstore and some food service facilities are operated by a third party contractor.

Pensions

For the year ended August 31, 2015, the College implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined based on the flow of economic resource 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, and liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

Prior Year Restatement

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

GASB 68 states that "if restatement of all prior period presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated and the reason for not restating prior periods presented should be explained." Since community colleges do not have all of the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions required to properly restate 2014 financial statements, the restatement will be made directly to the beginning net position in the 2015 financial statements as a cumulative effect of a change in accounting principle.

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

New GASB Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*; an amendment of GASB Statement No. 27, was implemented in fiscal year 2015. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued for implementation in fiscal year 2015 but is not applicable to the College.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date- an amendment of GASB Statement No. 68* was implemented in fiscal year 2015. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

GASB Statement No. 72, *Fair Value Measurement and application*. The requirements of this statement will provide guidance for determining a fair value measurement for financial reporting purposes. Implementation of this statement is planned for fiscal year 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and related assets that are not within the scope of GASB Statement 68, and amendments to certain provisions of GASB Statement 67 and 68*. This statement was issued for implementation in fiscal year 2016. This statement will likely not be applicable to the College.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement improve financial reporting and as a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. Implementation of this statement is planned for fiscal year 2016.

3. AUTHORIZED INVESTMENTS

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (PFIA) (Sec. 2256.001 Texas Government Code) and as authorized by Board policy. The College's Board of Trustees has adopted a written investment policy regarding the investment of its funds as defined in the PFIA. Such investments include (1) Obligations of the United States or its agencies, (2) Certificates of deposit and other forms of deposit issued by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner consistent with State law and the Investment Policy, (3) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States government, (4) Direct obligations of the State of Texas, or its agencies and instrumentalities, (5) Obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent, (6) Fully collateralized repurchase agreements with a defined termination date secured by a combination of cash and obligations of the United States government or its agencies, (7) SEC registered Money Market Mutual Funds continuously rated AAAM, (8) Local government investment pools in Texas, (9) Commercial paper with a maximum maturity of 180 days, rated A1/P1 or equivalent.

4. DEPOSITS AND INVESTMENTS

Cash and cash equivalents included on Exhibit 1, Statements of Net Position, consist of:

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|
| Demand Deposits | \$ 958,081 | \$ 1,138,044 |
| Petty Cash on Hand | 39,166 | 38,817 |
| Investment 457 (f) plan & Frost Investment | 546,480 | 390,397 |
| External Investment Pools | 202,062,100 | 42,310,558 |
| Certificates of Deposit | 33,476,001 | 88,194,593 |
| Money Market | <u>25,747,161</u> | <u>35,168,325</u> |
| Total Cash and Cash Equivalents | <u>\$ 262,828,989</u> | <u>\$ 167,240,734</u> |

Reconciliation of Deposits and Investments to Statements of Net Position (Exhibit 1):

| | <u>Fair Value at August 31,</u> | |
|---------------------------------------|---------------------------------|-----------------------|
| | <u>2015</u> | <u>2014</u> |
| U. S. Agency Notes and Bonds | \$ 18,439,124 | \$ 3,406,298 |
| Certificates of Deposit | 33,476,001 | 88,194,593 |
| Cash and Deposits | <u>229,352,988</u> | <u>79,046,141</u> |
| Total Deposits and Investments | <u>\$ 281,268,113</u> | <u>\$ 170,647,032</u> |
| | | |
| Cash and Cash Equivalents (Exhibit 1) | \$ 262,828,989 | \$ 167,240,734 |
| Short Term Investments (Exhibit 1) | <u>18,439,124</u> | <u>3,406,298</u> |
| Total Deposits and Investments | <u>\$ 281,268,113</u> | <u>\$ 170,647,032</u> |

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|--|-----------------------|--|
| External Investment Pools | \$ 202,062,100 | 0.11 |
| Money Market | 25,747,161 | 0.08 |
| U. S. Agency Notes and Bonds | 18,439,124 | 1.34 |
| Certificate of Deposits | 33,476,001 | 0.52 |
| Investment 457 (f) Plan & Frost Investment | <u>546,480</u> | |
| Total Fair Value | <u>\$ 280,270,866</u> | <u>0.24</u> |

Interest Rate Risk - In accordance with State of Texas law and the College's investment policy, the College does not purchase any investments with maturities greater than three years. The College manages its exposure to declines in fair value by limiting the weighted-average maturity of its investment portfolio to approximately one year or less.

Credit Risk and Concentration of Credit Risk - In accordance with State of Texas law and the College's investment policy, investments in mutual funds and investment pools must be rated at least "AAA" and commercial paper must be rated at least "A-1" or "P-1". To reduce market risk the College has established portfolio diversification requirements by issuer and/or type of investment. The College's portfolio is within the stated parameters at August 31, 2015.

The credit quality (ratings) and concentration of the College’s portfolio as of August 31, 2015 are as follows:

| Security | Credit Rating | Concentration | |
|--|---------------|---------------|-------|
| | | Actual | Limit |
| Cash and External Investment Pools | AAA | 72.10% | 100% |
| Money Market | AAA | 9.19% | 100% |
| U.S. Agencies and Bonds | AAA | 6.58% | 90% |
| Certificates of Deposit | | 11.94% | 90% |
| Investment 457 (f) Plan & Frost Investment | | 0.19% | |

The State of Texas Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State of Texas 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 of Texas 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 fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same value as the value in TexPool shares.

The First Public (Lone Star Investment Pool) 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. First Public is governed by trustees comprised of active participants in First Public. The Board of Trustees for First Public 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. First Public is rated AAA by Standard & Poor’s.

Local Government Investment Cooperative (“LOGIC” or the “Cooperative”) was organized in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Participation in the Cooperative is limited to those eligible Government Entities which have become parties to the Participation Agreement. The Cooperative’s governing body is a six-member Board of Directors (the “Board”) comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Cooperative. The Board has entered into a contract with First Southwest Asset Management, Inc. and JPMorgan Asset Management, Inc. to provide administrative, investment management fund accounting, transfer agency, participant and marketing services for the Cooperative. In compliance with the Public Funds Investment Act, all portfolios will maintain a AAA or equivalent rating from at least one nationally recognized rating agency. LOGIC has been assigned a rating of AAAM by Standard & Poor’s.

5. CAPITAL ASSETS

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

| | Balance August 31, 2014 | Increase | Decrease | Balance August 31, 2015 |
|--|----------------------------|----------------------|-----------------------------|----------------------------|
| <u>Not Depreciated</u> | | | | |
| Land | \$ 77,295,737 | \$ 5,395,866 | \$ (40,930) | \$ 82,650,673 |
| Construction-in-Progress | 27,784,664 | 24,204,741 | (26,100,352) | 25,889,053 |
| Subtotal | <u>105,080,401</u> | <u>29,600,607</u> | <u>(26,141,282)</u> | <u>108,539,726</u> |
| <u>Buildings and Other Capital Assets</u> | | | | |
| Buildings and Building Improvements | 696,364,247 | 10,628,755 | - | 706,993,002 |
| Other Real Estate Improvements | <u>44,860,191</u> | <u>8,379,861</u> | <u> </u> | <u>53,240,052</u> |
| Total Buildings & Other Real Estate Improvements | 741,224,438 | 19,008,616 | - | 760,233,054 |
| Library Books | 14,217,818 | 364,325 | (756,783) | 13,825,360 |
| Furniture, Machinery, Vehicles & Other | 71,302,203 | 14,247,510 | (1,592,138) | 83,957,575 |
| Total Buildings and Other Capital Assets | <u>826,744,459</u> | <u>33,620,451</u> | <u>(2,348,921)</u> | <u>858,015,989</u> |
| <u>Accumulated Depreciation</u> | | | | |
| Buildings and Building Improvements | 107,805,085 | 12,647,754 | - | 120,452,839 |
| Other Real Estate Improvements | <u>4,762,410</u> | <u>861,543</u> | <u> </u> | <u>5,623,953</u> |
| Total Buildings & Other Real Estate Improvements | 112,567,495 | 13,509,297 | - | 126,076,792 |
| Library Books | 10,191,839 | 551,798 | (756,784) | 9,986,853 |
| Furniture, Machinery, Vehicles & Other | <u>39,146,990</u> | <u>11,412,276</u> | <u>(577,120)</u> | <u>49,982,146</u> |
| Total Accumulated Depreciation | <u>161,906,324</u> | <u>25,473,371</u> | <u>(1,333,904)</u> | <u>186,045,791</u> |
| Net Capital Assets | <u>\$ 769,918,536</u> | <u>\$ 37,747,687</u> | <u>\$ (27,156,299)</u> | <u>\$ 780,509,924</u> |

5. CAPITAL ASSETS

(Continued)

Capital assets activity for the year ended August 31, 2014 was as follows:

| | Balance August 31, 2013 | Increase | Decrease | Balance August 31, 2014 |
|--|----------------------------|----------------------|-----------------------------|----------------------------|
| <u>Not Depreciated</u> | | | | |
| Land | \$ 76,784,401 | \$ 717,967 | \$ (206,631) | \$ 77,295,737 |
| Construction-in-Progress | 31,731,276 | 2,575,487 | (6,522,099) | 27,784,664 |
| Subtotal | <u>108,515,677</u> | <u>3,293,454</u> | <u>(6,728,730)</u> | <u>105,080,401</u> |
| <u>Buildings and Other Capital Assets</u> | | | | |
| Buildings and Building Improvements | 676,699,152 | 21,424,165 | (1,759,070) | 696,364,247 |
| Other Real Estate Improvements | <u>42,886,096</u> | <u>1,974,095</u> | <u> </u> | <u>44,860,191</u> |
| Total Buildings & Other Real Estate Improvements | 719,585,248 | 23,398,260 | (1,759,070) | 741,224,438 |
| Library Books | 14,103,728 | 392,810 | (278,720) | 14,217,818 |
| Furniture, Machinery, Vehicles & Other | 64,202,482 | 7,467,542 | (367,821) | 71,302,203 |
| Total Buildings and Other Capital Assets | <u>797,891,458</u> | <u>31,258,612</u> | <u>(2,405,611)</u> | <u>826,744,459</u> |
| <u>Accumulated Depreciation</u> | | | | |
| Buildings and Building Improvements | 95,659,911 | 12,241,483 | (96,309) | 107,805,085 |
| Other Real Estate Improvements | <u>3,988,196</u> | <u>774,214</u> | <u> </u> | <u>4,762,410</u> |
| Total Buildings & Other Real Estate Improvements | 99,648,107 | 13,015,697 | (96,309) | 112,567,495 |
| Library Books | 9,894,237 | 576,322 | (278,720) | 10,191,839 |
| Furniture, Machinery, Vehicles & Other | <u>29,339,415</u> | <u>9,995,946</u> | <u>(188,371)</u> | <u>39,146,990</u> |
| Total Accumulated Depreciation | <u>138,881,759</u> | <u>23,587,965</u> | <u>(563,400)</u> | <u>161,906,324</u> |
| Net Capital Assets | <u>\$ 767,525,376</u> | <u>\$ 10,964,101</u> | <u>\$ (8,570,941)</u> | <u>\$ 769,918,536</u> |

6. LONG-TERM LIABILITIES

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

| | Balance August 31, 2014 | Additions | Reductions | Balance August 31, 2015 | Current Portion |
|------------------------------|-------------------------------|-----------------------|-------------------------|-------------------------------|----------------------|
| Bonds | | | | | |
| General obligation bonds | \$ 473,184,077 | \$ 268,390,666 | \$ (144,670,496) | 596,904,247 | \$ 21,089,054 |
| Revenue bonds | 119,850,204 | - | (2,963,501) | 116,886,703 | 3,084,148 |
| Maintenance tax note bonds | 28,304,136 | - | (1,544,238) | 26,759,898 | 1,639,502 |
| Subtotal | 621,338,417 | 268,390,666 | (149,178,235) | 740,550,848 | 25,812,704 |
| Accrued compensable absences | 7,118,045 | 20,557 | (1,106,293) | 6,032,309 | 736,887 |
| Net Pension Liability | - | 48,590,997 | - | 48,590,997 | N/A |
| Total long-term liabilities | <u>\$ 628,456,462</u> | <u>\$ 317,002,220</u> | <u>\$ (150,284,528)</u> | <u>\$ 795,174,154</u> | <u>\$ 26,549,591</u> |

Long-term liability activity for the year ended August 31, 2014 was as follows:

| | Balance August 31, 2013 | Additions | Reductions | Balance August 31, 2014 | Current Portion |
|------------------------------|-------------------------------|----------------------|------------------------|-------------------------------|----------------------|
| Bonds | | | | | |
| General obligation bonds | \$ 490,698,803 | \$ - | \$ (17,514,726) | \$ 473,184,077 | \$ 21,323,397 |
| Revenue bonds | 62,603,606 | 60,624,285 | (3,377,687) | 119,850,204 | 2,963,501 |
| Maintenance tax note bonds | 29,753,026 | - | (1,448,890) | 28,304,136 | 1,544,239 |
| Subtotal | 583,055,435 | 60,624,285 | (22,341,303) | 621,338,417 | 25,831,137 |
| Accrued compensable absences | 6,629,855 | 1,158,412 | (670,222) | 7,118,045 | 663,006 |
| Total long-term liabilities | <u>\$ 589,385,106</u> | <u>\$ 61,782,697</u> | <u>\$ (23,011,525)</u> | <u>\$ 628,456,462</u> | <u>\$ 26,494,143</u> |

7. BONDS PAYABLE

General information related to bonds payable (including unamortized premium/discount) is summarized below:

| Series | Purpose | Maturity Date | Interest Rate | Original Issue Amount | Repayment Source | Amount Outstanding | |
|-----------------------------------|------------------|---------------|------------------|-----------------------|------------------|-----------------------|-----------------------|
| | | | | | | 8/31/2015 | 8/31/2014 |
| Revenue Bonds | | | | | | | |
| 2007 Rev | Construction | 2008 - 2038 | 4.00% - 5.00% | 29,900,000 | Pledged Rev | 24,047,588 | 24,854,399 |
| 2011 Rev Ref | Refunding | 2012 - 2025 | 1.75% - 4.00% | 7,980,000 | Pledged Rev | 6,142,660 | 6,670,841 |
| 2012 Rev Ref | Refunding | 2013 - 2028 | 2.00% - 4.00% | 8,155,000 | Pledged Rev | - | 8,333,515 |
| 2012 B1&B2 Rev | Construction | 2020 - 2031 | 1.125% - 1.250%* | 20,285,000 | Pledged Rev | 27,460,654 | 20,285,000 |
| 2013 Rev | Construction | 2014 - 2043 | 1.250% - 5.00% | 58,145,000 | Pledged Rev | 59,235,801 | 59,706,449 |
| Total Revenue | | | | | | \$ 116,886,703 | \$ 119,850,204 |
| General Obligation Bonds | | | | | | | |
| 2003 GO | Constr/Refunding | 2004 - 2028 | 2.50% - 5.00% | 36,464,997 | Ad Val Tax | - | 773,350 |
| 2005A GO Ref | Refunding | 2006 - 2026 | 3.00% - 5.00% | 47,645,000 | Ad Val Tax | - | 30,336,834 |
| 2008 GO | Construction | 2009 - 2038 | 3.50% - 5.25% | 149,780,000 | Ad Val Tax | 91,638,532 | 131,870,333 |
| 2009 GO | Construction | 2009 - 2034 | 2.50% - 5.00% | 144,520,000 | Ad Val Tax | 107,559,619 | 138,329,737 |
| 2010A GO | Construction | 2010 - 2025 | 2.00% - 5.00% | 110,625,000 | Ad Val Tax | 87,639,221 | 123,276,778 |
| 2010B GO Ref | Refunding | 2010 - 2025 | 2.00% - 5.00% | 8,470,000 | Ad Val Tax | - | 5,772,602 |
| 2011 GO Ref | Refunding | 2018 - 2027 | 3.00% - 5.00% | 25,305,000 | Ad Val Tax | 29,186,397 | 29,186,397 |
| 2012 GO Ref | Refunding | 2013 - 2028 | 1.50% - 5.00% | 21,420,000 | Ad Val Tax | 12,489,812 | 13,638,046 |
| 2015A GO | Construction | 2020 - 2045 | 2.50% - 5.00% | 134,870,000 | Ad Val Tax | 151,096,428 | - |
| 2015B GO Ref | Refunding | 2020 - 2027 | 2.00% - 5.00% | 97,455,000 | Ad Val Tax | 117,294,238 | - |
| Total General Obligation | | | | | | \$ 596,904,247 | \$ 473,184,077 |
| Maintenance Tax Note Bond | | | | | | | |
| 2009 MTN | Constr/Energy | 2009 - 2027 | 2.00% - 5.00% | 30,740,000 | Ad Val Tax | 26,759,898 | 28,304,136 |
| Total Tax Maintenance Note | | | | | | \$ 26,759,898 | \$ 28,304,136 |

Debt service requirements at August 31, 2015 were as follows:

| For the Year Ended August 31, | General Obligation Bonds | | Revenue Bonds | | Maintenance Tax Notes | | Total Bonds | |
|-------------------------------|--------------------------|----------------|----------------|---------------|-----------------------|--------------|----------------|----------------|
| | Principal | Interest | Principal | Interest** | Principal | Interest | Principal | Interest |
| 2016 | \$ 20,230,000 | \$ 29,144,438 | \$ 2,945,000 | \$ 4,444,088 | \$ 1,525,000 | \$ 1,071,838 | \$ 24,700,000 | \$ 34,660,364 |
| 2017 | 22,795,000 | 25,151,725 | 3,575,000 | 5,409,694 | 1,625,000 | 1,022,556 | 27,995,000 | 31,583,975 |
| 2018 | 26,625,000 | 24,093,350 | 3,680,000 | 5,268,519 | 1,735,000 | 961,450 | 32,040,000 | 30,323,319 |
| 2019 | 27,925,000 | 22,777,775 | 2,785,000 | 5,130,644 | 1,840,000 | 896,850 | 32,550,000 | 28,805,269 |
| 2020 | 31,920,000 | 21,282,650 | 3,310,000 | 5,007,781 | 1,950,000 | 827,950 | 37,180,000 | 27,118,381 |
| 2021 - 2025 | 123,105,000 | 84,988,875 | 18,480,000 | 22,609,719 | 11,460,000 | 2,739,000 | 153,045,000 | 110,337,594 |
| 2026 - 2030 | 95,890,000 | 59,841,550 | 27,530,000 | 17,817,697 | 5,430,000 | 274,750 | 128,850,000 | 77,933,997 |
| 2031 - 2035 | 99,155,000 | 36,115,625 | 22,075,000 | 9,704,825 | - | - | 121,230,000 | 45,820,450 |
| 2036 - 2040 | 57,770,000 | 14,748,625 | 18,745,000 | 4,803,488 | - | - | 76,515,000 | 19,552,113 |
| 2041 - 2045 | 39,870,000 | 4,114,400 | 10,430,000 | 799,500 | - | - | 50,300,000 | 4,913,900 |
| Sub Total | \$ 545,285,000 | \$ 322,259,013 | \$ 113,555,000 | \$ 80,995,955 | \$ 25,565,000 | \$ 7,794,394 | \$ 684,405,000 | \$ 411,049,362 |
| Net Premium | 51,619,247 | - | 3,331,703 | - | 1,194,898 | - | 56,145,848 | - |
| Total | 596,904,247 | 322,259,013 | 116,886,703 | 80,995,955 | 26,759,898 | 7,794,394 | 740,550,848 | 411,049,362 |

* 2012B-1 at 1.125% and 2012B-2 at 1.250% to August 14, 2016, the end of the Initial Rate Period. Thereafter, the Bonds will convert to bear interest at a Term Rate, Variable Rate, Flexible Rate, or Fixed Rate, determined by a remarketing agent to be selected by the College before the end of the Initial Rate Period.

** Debt Service calculates interest on the Variable Bonds at 1.125% on the Series 2012B-1 Bonds and 1.250% on the Series 2012B-2 Bonds for the initial rate period through August 14, 2016, and then adjusts to a budgeted 6.50% thereafter.

Bonds Payable (Continued)

General Obligation Bonds:

- Limited Tax General Obligation Bonds, Series 2015A
 - Construction and equipment of buildings and to purchase sites
 - Issued April 29, 2015
 - Total authorized \$134,870,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 is \$134,870,000
- Limited Tax General Obligation Refunding Bonds, Series 2015B
 - Refund all or a portion of Series 2003, 2005A Ref, 2008, 2009 and 2010A
 - Issued April 29, 2015
 - Total authorized \$97,455,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 is \$97,455,000
- Limited Tax General Obligation Refunding Bonds, Series 2012
 - To refund the remaining of Series 2002 and a portion of Series 2003
 - Issued June 14, 2012
 - Total authorized \$21,420,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$10,530,000 and \$11,610,000, respectively.
- Limited Tax General Obligation Refunding Bonds, Series 2011
 - To refund a portion of Series 2002
 - Issued October 5, 2011
 - Total authorized \$25,305,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$25,305,000 and \$25,305,000, respectively (principal payments to begin 2018).
- Limited Tax General Obligation Bonds, Series 2010A
 - Construction and equipment of buildings including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
 - Issued June 17, 2010
 - Total authorized \$110,625,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$81,400,000 and \$110,125,000, respectively.
- Limited Tax General Obligation Refunding Bonds, Series 2010B
 - To refund Series 2001
 - Issued June 17, 2010
 - Total authorized \$8,470,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$0 and \$5,070,000, respectively.
 - Refunded in Series 2015B Bonds
- Limited Tax General Obligation Bonds, Series 2009
 - Construction and equipment of buildings, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
 - Issued September 16, 2009
 - Total authorized \$144,520,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$103,520,000 and \$132,120,000, respectively.

Bonds Payable (Continued)

- Limited Tax General Obligation Bonds, Series 2008
 - Construction and equipment of buildings, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
 - Issued September 10, 2008
 - Total authorized \$149,780,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$92,205,000 and \$130,815,000, respectively.
- Limited Tax General Obligation Refunding Bonds, Series 2005A
 - Refund Series 1999 and Series 2001
 - Issued May 11, 2005
 - Total authorized \$47,645,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$0 and \$29,405,000, respectively.
 - Refunded in Series 2015B Bonds
- Limited Tax General Obligation Building and Refunding Bonds, Series 2003
 - Construct, improve, renovate and equip certain facilities and acquisition of sites.
 - Issued December 4, 2003
 - Total authorized \$36,464,997; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$0 and \$210,000, respectively.
 - Refunded in Series 2015B Bonds

Revenue Bonds:

- Revenue Financing Bonds, Series 2013
 - Acquire, construct, improve, equip and maintain buildings, property, and facilities.
 - Issued October 17, 2013
 - Total issued \$58,145,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$56,775,000 and \$57,230,000, respectively.
- Variable Rate Revenue Financing Bonds, Series 2012B-1
 - Acquire, construct, improve, and equip certain buildings, property, and facilities.
 - Issued October 23, 2012
 - Total issued \$11,775,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$11,775,000 and \$11,775,000, respectively (principal payments to begin 2020).
- Variable Rate Revenue Financing Bonds, Series 2012B-2
 - Acquire, construct, improve, and equip certain buildings, property, and facilities.
 - Issued October 23, 2012
 - Total issued \$8,510,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$8,510,000 and \$8,510,000, respectively (principal payments to begin 2020).
- Revenue Financing Refunding Bonds, Series 2012
 - Refund Series 2003 and Series 2003A Bonds
 - Issued June 14, 2012
 - Total issued \$8,155,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees

Bonds Payable (Continued)

- Outstanding principal balance as of August 31, 2015 and 2014 is \$6,640,000 and \$7,765,000, respectively.

- Revenue Financing Refunding Bonds, Series 2011
 - Refund Series 2000
 - Issued October 5, 2011
 - Total issued \$7,980,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$5,955,000 and \$6,465,000, respectively.

- Revenue Financing Bonds, Series 2007
 - Acquisition, construction, improvement, equipment, and/or maintenance of property, buildings and facilities
 - Issued May 3, 2007
 - Total issued \$29,900,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$23,900,000 and \$24,700,000, respectively.

Maintenance Tax Notes:

- Maintenance Tax Note, Series 2009
 - Acquire, finance, install, renovate, and rehabilitate certain facilities for the purpose of energy conservation, mechanical upgrades and projects.
 - Issued December 3, 2009
 - Total issued \$30,740,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2015 and 2014 is \$25,565,000 and \$26,995,000, respectively.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the System performed calculations of excess investment earnings on various bonds and financings and at August 31, 2015 does not expect to incur a liability.

Pledged Revenue

The revenue pledged as security for the life of the revenue bond debt service includes a portion of tuition and fees, investment income and auxiliary revenues. The bond covenants require the pledge of tuition, allowable by state law, and other revenue sources to maintain a minimum debt service coverage ratio of 1.25. The pledged revenues amounted to \$68,897,858 and \$65,220,200 for the years ended August 31, 2015 and 2014, respectively. The pledged revenue amount equates to 69.1% and 65.6% of the above total revenue streams, respectively. Debt service on the revenue bonds was \$9,967,350 and \$9,936,876 for the years ended August 31, 2015 and 2014, and the debt service coverage ratio was 6.91 and 6.56, respectively. Revenue bonds are payable in annual installments varying from \$210,000 to \$4,390,000 with interest rates from 1.125% to 5.00% and the final installment due in 2043. The College was in compliance with all bond covenants for the years ended August 31, 2015 and 2014.

8. REFUNDING & DEFEASED BONDS OUTSTANDING

REFUNDING BONDS

On April 29, 2015 the College issued \$232,325,000 of Limited Tax General Obligation Bonds. The issue consisted of \$134,870,000 of Limited Tax General Obligation Bonds, Series 2015A with a premium of \$16,226,428, and \$97,455,000 of Limited Tax General Obligation Refunding Bonds, Series 2015B with a reoffering premium of \$19,839,238. The Refunding Bonds mature serially through 02/15/2027. Interest rates on these bonds range from 2.00% to 5.00%. After payment of \$771,530 in underwriter's discount and cost of issuance expense, the net refunding proceeds were applied to refund \$109,365,000, in part or in whole, of the following outstanding bonds:

Limited Tax General Obligation Building & Refunding Bonds, Series 2003 (\$195,000)

Limited Tax Refunding Bonds, Series 2005A (\$25,410,000)

Limited Tax General Obligation Bonds, Series 2008 (\$35,635,000)

Limited Tax General Obligation Bonds, Series 2009 (\$25,000,000)

Limited Tax General Obligation Bonds, Series 2010A (\$23,125,000)

The net refundings have an average interest rate of 5.02%. The aggregate debt service payments of the refunding bonds (\$136,440,203) are \$17,798,130 less than the aggregate debt service payments of the refunded bonds (\$154,238,333). The net present value of the savings, adjusted for cash paid out for the refunding transaction, is \$12,989,334. The accounting gain that resulted from the bond refunding is \$1,445,282 and is being amortized over the life of the new debt using the straight line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2015.

DEFEASED BONDS

The College did defease a portion of a Limited Liability General Obligation Bond, Series 2010A. The bond was redeemed October 30, 2014 as a conditional redemption for the total amount of \$2,700,000. The original maturity was 8/15/25 with an interest rate of 5.00%.

DEFEASED BONDS OUTSTANDING

The liability for the bonds below does not appear on the College's financial statement as of August 31, 2015 as these bonds are considered legally defeased.

| Bond Issue | Year Refunded | Defeased Bonds | Par Value Outstanding | Call Date |
|--------------------------------------|---------------|----------------|-----------------------|-----------|
| General Obligation Bond, Series 2008 | 2015 | \$35,635,000 | \$35,635,000 | 8/15/2018 |
| General Obligation Bond, Series 2009 | 2015 | \$25,000,000 | \$25,000,000 | 8/15/2019 |

9. OPERATING LEASES

The College leases certain of its educational facilities, offices and other equipment. These lease agreements have clauses which allow the College to terminate the agreement if funding becomes unavailable or the Board does not approve funding. Rent expense for the years ended August 31, 2015 and 2014 was \$1,306,483 and \$1,119,646, respectively. Future minimum lease payments are as follows:

| For the Year Ended | |
|-------------------------------------|---------------------|
| <u>August 31,</u> | <u>Total</u> |
| 2016 | \$ 1,096,493 |
| 2017 | 981,117 |
| 2018 | 954,162 |
| 2019 | 952,479 |
| 2020 | 892,109 |
| 2021-2026 | 1,429,983 |
| Total future minimum lease payments | <u>\$ 6,306,343</u> |

10. EMPLOYEES' RETIREMENT PLANS

The state of Texas has joint contributory retirement plans for almost all its employees. Within the first 90 days of employment, higher education employees make an irrevocable choice to be covered by either the Teacher Retirement System (TRS) or the Optional Retirement Plan (ORP).

Teacher Retirement System (Defined Benefit Plan)

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

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

Contribution Rates

| | <u>2014</u> | <u>2015</u> |
|--|---------------------|--------------------|
| Member | 6.4% | 6.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| | | |
| College Contributions | \$4,611,953 | \$4,954,156 |
| Member Contributions | \$7,619,894 | \$8,778,069 |
| State of Texas (NECE) On-behalf Contributions | \$ 3,417,402 | \$3,704,050 |

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

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

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

A. *Actuarial Assumptions*

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|------------------------------|
| Valuation Date | August 31, 2014 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, |
| Open | |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 5 year Market Value |
| Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return* | 8.00% |
| Salary Increases* | 4.25% to 7.25% |
| Weighted-Average at Valuation Date | 5.55% |
| Payroll Growth Rate | 3.50% |

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

B. *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return* |
|-------------------------------|-------------------|-----------------------------|---|
| Global Equity | | | |
| U.S. | 18% | 7.0% | 1.4% |
| Non-U.S. Developed | 13% | 7.3% | 1.1% |
| Emerging Markets | 9% | 8.1% | 0.9% |
| Directional Hedge Funds | 4% | 5.4% | 0.2% |
| Private Equity | 13% | 9.2% | 1.4% |
| Stable Value | | | |
| U.S Treasuries | 11% | 2.9% | 0.3% |
| Absolute Return | 0% | 4.0% | 0.0% |
| Stable Value Hedge Funds | 4% | 5.2% | 0.2% |
| Cash | 1% | 2.0% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3% | 3.1% | 0.0% |
| Real Assets | 16% | 7.3% | 1.5% |
| Energy and Natural Resources | 3% | 8.8% | 0.3% |
| Commodities | 0% | 3.4% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5% | 8.9% | 0.4% |
| Alpha | | | 1.0% |
| Total | <u>100%</u> | | <u>8.7%</u> |

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

C. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|---|-------------------------------------|----------------------|-------------------------------------|
| College's proportionate share of the net pension liability: | \$ 86,829,166 | \$ 48,590,997 | \$ 19,995,969 |

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

At August 31, 2015, the College reported a liability of \$48,590,997 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

| | |
|---|----------------------|
| The College's Proportionate share of the collective net pension liability | \$ 48,590,997 |
| State's proportionate share that is associated with the College | <u>36,082,142</u> |
| Total | <u>\$ 84,673,139</u> |

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .1819112%. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial, and, therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the College recognized pension expense of \$3,417,402 and revenue of \$3,417,402 based on the State's measurement date of August 31, 2014.

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

| Year ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2016 | \$ (3,055,391) |
| 2017 | \$ (3,055,391) |
| 2018 | \$ (3,055,391) |
| 2019 | \$ 657,458 |
| Thereafter | \$ 609,920 |

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Total net amounts per August 31, 2014 measurement date | \$ 3,909,944 | \$ 14,864,132 |
| Contributions paid to TRS subsequent to the measurement date | <u>4,954,156</u> | <u>\$ -</u> |
| Total | <u>\$ 8,864,100</u> | <u>\$ 14,864,132</u> |

Optional Retirement Plan (Defined Contribution Plan)

Plan Description. The state has also established an ORP for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. The ORP 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. Benefits fully vest after one year plus one day of employment. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

| <u>Optional Retirement Plan Contribution Rates</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Member Contribution | 6.65% | 6.65% |
| State Contribution | 6.60% | 6.60% |
| College Contribution for Participants Enrolled Prior to September 1, 1995 | 1.90% | 1.90% |

Retirement Plan Expense

Below is a summary of ORP retirement plan expense for fiscal years ended August 31, 2015 and 2014.

| <u>ORP Retirement Plan Expense</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Actual cost of ORP Retirement Benefits | 3,765,530 | 3,873,668 |
| College Contribution for ORP Retirement Benefits | 2,557,016 | 2,629,359 |
| State Legislative Appropriation Expended for ORP | 1,208,514 | 1,244,309 |

11. COMPENSABLE ABSENCES

Full-time non-faculty employees on a twelve month work schedule are eligible for paid annual leave. Eligible employees accrue vacation leave at different rates depending on their length of service and position. Accrual rates range from 8 hours per month to 13.33 hours per month. The College's policy is to allow employees to carry their accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours accrued equal to 400 hours. Eligible employees are entitled to payment for all accumulated annual leave up to the maximum allowed at the time employment with the College is terminated. The College recognizes an accrued liability for the unpaid compensated absences in the amounts of \$6,032,309 and \$7,118,045 for the fiscal years ended August 31, 2015 and 2014, respectively.

Sick leave, which is accumulated to a maximum of 600 hours, is earned at the rate of 8 hours per month. Full time employees eligible to participate in the sick leave plan are those who work a 12 month schedule and who work at least 20 hours per week. It is paid to an employee who misses work due to illness. The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements because the benefit is budgeted annually and employees are not compensated upon termination for accrued sick leave balances.

12. PENDING LAWSUITS AND CLAIMS

On August 31, 2015, various lawsuits and claims involving the College were pending. The ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time. This liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

13. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015 and 2014 were as follows:

| | August 31 | |
|---------------------------------------|---------------------|---------------------|
| | 2015 | 2014 |
| Student Receivables | 39,231,737 | 38,368,304 |
| Taxes Receivable | 5,406,195 | 5,592,851 |
| Federal Receivable | 1,689,128 | 1,459,754 |
| Accounts Receivable | 1,694,841 | 1,806,825 |
| Interest Receivable | | 959 |
| Other Receivables | 2,240,920 | 3,317,039 |
| Subtotal | 50,262,821 | 50,545,733 |
| Allowance for Doubtful Accounts | (3,101,602) | (2,734,923) |
| Total Accounts Receivable, Net | \$47,161,219 | \$47,810,809 |

Payables at August 31, 2015 and 2014 were as follows:

| | August 31 | |
|---|---------------------|---------------------|
| | 2015 | 2014 |
| Vendors Payable | 24,852,543 | 22,398,478 |
| Salaries and Benefits Payable | 3,395,103 | 2,633,143 |
| Students Payable | 1,142,092 | 1,559,603 |
| Accrued Interest | 1,968,636 | 1,615,707 |
| Other Payables | 5,584,148 | 5,165,325 |
| Total Accounts Payable and Accrued Liabilities | \$36,942,522 | \$33,372,256 |

14. FEDERAL AND STATE CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are disclosed on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2015 and 2014 for which monies have not been received nor funds expended totaled \$66,215,626 and \$108,990,253, respectively. Of these amounts, \$61,919,868 and \$103,650,554 were from Federal Contract and Grant Awards; \$4,295,758 and \$5,339,699 were from State Contract and Grant Awards for the fiscal years ended 2015 and 2014, respectively.

15. RISK MANAGEMENT

The College is exposed to various risks of loss related to property damage, personal injury, professional errors and omissions and natural disasters. Significant losses for these risks are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the past three years. The College did not maintain or operate a self-insured insurance plan during the years ended August 31, 2015 and 2014.

16. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums.

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

| HealthSelect of Texas Plan | 2015 State/Employer Contribution | 2015 Annualized Contribution | 2014 State/Employer Contribution | 2014 Annualized Contribution |
|-----------------------------------|---|-------------------------------------|---|-------------------------------------|
| Member Only | \$537.66 | \$6,451.92 | \$503.14 | \$6,037.68 |

The cost of retirees and active employees' health care is provided:

| <u>Cost of Providing Health Care Insurance</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|
| Number of Retirees | 402 | 370 |
| Cost of Health Benefits for Retirees | \$2,995,654 | \$2,541,171 |
| Number of Active Full Time Employees | 2,456 | 2,318 |
| Cost of Health Benefits for Active Full Time Employees | \$20,534,925 | \$18,421,601 |
| State Appropriation for Health Insurance | \$9,266,329 | \$8,633,493 |
| College Expense | \$14,264,250 | \$12,329,279 |

17. AD VALOREM TAX

The College’s ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College’s taxing jurisdiction. The College’s taxable values at August 31, 2015 and 2014 are as follows:

| | | |
|---------------------------------------|--------------------------|--------------------------|
| Assessed Valuation of the College | \$162,036,777,808 | \$ 145,894,831,103 |
| Less: Exemptions | (13,195,229,250) | (12,841,988,965) |
| Less: Abatements | - | - |
| Net Assessed Valuation of the College | <u>\$148,841,548,558</u> | <u>\$133,052,842,138</u> |

Tax rates for the years ending August 31, 2015 and 2014 are as follows:

| | 2015 | | | 2014 | | |
|---|----------------------|-----------------|----------|----------------------|-----------------|----------|
| | Current Operation | Debt Service | Total | Current Operation | Debt Service | Total |
| Authorized Tax Rate per \$100 valuation | \$0.3000 | \$0.5000 | \$0.8000 | \$0.3000 | \$0.5000 | \$0.8000 |
| Assessed Tax Rate per \$100 valuation | \$0.0765 | \$0.0316 | \$0.1081 | \$0.0825 | \$0.0335 | \$0.1160 |

Taxes levied for the year ended August 31, 2015 and 2014 amounted to \$159,800,780 and \$153,420,832, respectively (which includes any penalty and interest assessed, if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed.

Taxes collected for the years ended August 31, 2015 and 2014 are as follows:

| | 2015 | | | 2014 | | |
|----------------------|-----------------------|---------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Current Operations | Debt Service | Total | Current Operations | Debt Service | Total |
| Current Taxes | \$111,532,805 | \$46,070,366 | \$157,603,171 | \$ 107,978,314 | \$ 43,826,213 | \$ 151,804,527 |
| Delinquent Taxes | 757,237 | 331,876 | 1,089,113 | 967,065 | (352,995) | 614,070 |
| Penalties & Interest | 437,487 | 180,559 | 618,046 | 454,945 | 183,468 | 638,413 |
| Total | <u>\$112,727,529</u> | <u>\$46,582,801</u> | <u>\$159,310,330</u> | <u>\$ 109,400,324</u> | <u>\$ 43,656,686</u> | <u>\$ 153,057,010</u> |

Tax collections for the years ended August 31, 2015 and 2014 were 98.62% and 98.95%, respectively, of the current tax levy. The use of tax proceeds is restricted for the use of maintenance and general obligation debt service.

18. INCOME TAXES

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

19. RELATED PARTIES

The Lone Star College Foundation (the Foundation) is a nonprofit organization with the purpose of supporting the educational and other activities of Lone Star College (LSC). LSC does not fund; nor is LSC obligated to pay debt related to the Foundation. However, LSC does have the ability to significantly influence the policies of the Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted restricted gifts of \$2,525,677 and \$1,922,642 to the College during the years ended August 31, 2015 and 2014, respectively. The College furnished certain services, such as office space, utilities and some staff assistance, to the Foundation which totaled \$503,275 and \$322,409 for 2015 and 2014, respectively. There were no related receivables for the years ended August 31, 2015 and 2014.

20. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

(In accordance with GASB Statement No. 45)

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

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

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

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS Board of Trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB Statement No. 45.

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

The College's contributions to SRHP for the years ended August 31, 2015, 2014 and 2013 were \$2,995,654, \$2,541,171, and \$2,251,568 respectively. This equaled the required contributions each year and no employee contributions were required.

**LONE STAR COLLEGE
SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2015**

| Fiscal year ending August 31 * | 2015 ** |
|--|-----------------------------|
| College's proportionate share of the net pension liability (%) | 0.1819112% |
| College's proportionate share of net pension liability (\$) | \$ 48,590,997 |
| State's proportionate share of net pension liability associated with the college | <u>36,082,142</u> |
| Total | <u><u>\$ 84,673,139</u></u> |
| College's covered employee payroll | \$ 130,111,706 |
| College's proportionate share of the net pension liability as a percentage of its covered employee payroll | 37.35% |
| TRS net position as a percentage of total pension liability *** | 83.25% |
| Plan's net pension liability as a percentage of covered employee payroll *** | 72.89% |

* The amounts presented above are as of the measurement date of the collective net pension liability, which is the prior fiscal year's 8/31.

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

*** Per TRS CAFR

The accompanying notes are an integral part of this schedule.

**LONE STAR COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

| | <u>2015</u> |
|---|--------------------|
| Legally required contributions | \$ 4,954,156 |
| Actual contributions | <u>(4,954,156)</u> |
| Contributions deficiency (excess) | <u>\$ -</u> |
| College's covered employee payroll | \$ 130,111,706 |
| Contributions as a percentage of covered employee payroll | 3.81% |

1: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the College's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

The accompanying notes are an integral part of this schedule.

**LONE STAR COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

Notes to Required Supplementary Information

Changes in Assumptions. Modifications to the actuarial methods and assumptions are based on a study of actual experience as adopted on April 8, 2011. The assumptions and methods used in the current valuation are the same except for the following modifications:

- Small reductions in the rates of retirements at most age and service combinations.
- Decrease in the post-retirement rates of mortality for both males and females.
- The salary increase assumption in the first year of employment was reduced.
- The method for determining the actuarial value of assets was modified to a method that sets the actuarial value of assets as the expected actuarial value of assets plus 20% of the difference between the actual market value of the assets and the expected actuarial value of assets.

Amounts reported for 2014 reflect the adoption of a new mortality assumption that the average life expectancy for members over 65 years of age will increase by roughly nine months over the next four years.

SCHEDULE A

LONE STAR COLLEGE
 SCHEDULE OF OPERATING REVENUES
 YEAR ENDED AUGUST 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

| | Unrestricted | Restricted | Educational Activities | Auxiliary Enterprises | 2015 Total | 2014 Total |
|---|---------------------|------------|---------------------------|--------------------------|---------------------|---------------------|
| Tuition | | | | | | |
| State funded courses | | | | | | |
| In-district resident tuition | \$ 48,419,597 | \$ - | \$ 48,419,597 | \$ - | \$ 48,419,597 | \$ 45,531,061 |
| Out-of-district resident tuition | 15,929,264 | - | 15,929,264 | - | 15,929,264 | 14,124,595 |
| Non-resident tuition | 6,418,581 | - | 6,418,581 | - | 6,418,581 | 5,518,356 |
| TPEG -credit (set aside)* | (4,344,619) | - | (4,344,619) | - | (4,344,619) | (4,199,446) |
| State-funded continuing education | 2,823,194 | - | 2,823,194 | - | 2,823,194 | 2,497,804 |
| TPEG -non-credit (set aside)* | (254,960) | - | (254,960) | - | (254,960) | (187,138) |
| Non-state funded continuing education | 5,046,072 | - | 5,046,072 | - | 5,046,072 | 4,757,056 |
| Total tuition | <u>74,037,129</u> | <u>-</u> | <u>74,037,129</u> | <u>-</u> | <u>74,037,129</u> | <u>68,042,288</u> |
| Fees | | | | | | |
| Registration fee | 2,035,539 | - | 2,035,539 | - | 2,035,539 | 1,949,109 |
| Student activity fee | 2,632,727 | - | 2,632,727 | - | 2,632,727 | 2,595,183 |
| Laboratory fee | 1,312,487 | - | 1,312,487 | - | 1,312,487 | 1,310,193 |
| Technology fee | 11,827,388 | - | 11,827,388 | - | 11,827,388 | 9,047,366 |
| General use fee | 9,182,871 | - | 9,182,871 | - | 9,182,871 | 9,038,528 |
| Distance learning fee | 4,580,706 | - | 4,580,706 | - | 4,580,706 | 4,401,070 |
| Infrastructure fee | 2,631,500 | - | 2,631,500 | - | 2,631,500 | 2,546,160 |
| Differential tuition fee | 5,844,396 | - | 5,844,396 | - | 5,844,396 | 6,075,356 |
| Incidental fee | 1,325,462 | - | 1,325,462 | - | 1,325,462 | 1,028,004 |
| Other fees | 457,071 | - | 457,071 | - | 457,071 | 947,558 |
| Total fees | <u>41,830,147</u> | <u>-</u> | <u>41,830,147</u> | <u>-</u> | <u>41,830,147</u> | <u>38,938,527</u> |
| Scholarship allowances and discounts | | | | | | |
| Scholarship allowances | (311,025) | - | (311,025) | - | (311,025) | (1,311,472) |
| Remissions and exemptions - state | (6,515,958) | - | (6,515,958) | - | (6,515,958) | (5,347,207) |
| Remissions and exemptions - local | (1,728,201) | - | (1,728,201) | - | (1,728,201) | (1,103,587) |
| TPEG allowances | (1,173,403) | - | (1,173,403) | - | (1,173,403) | (2,171,352) |
| State grants to students | (860,235) | - | (860,235) | - | (860,235) | (39,555) |
| Federal grants to students | (27,713,690) | - | (27,713,690) | - | (27,713,690) | (35,046,286) |
| Other | - | - | - | - | - | - |
| Total scholarship allowances and discounts | <u>(38,302,512)</u> | <u>-</u> | <u>(38,302,512)</u> | <u>-</u> | <u>(38,302,512)</u> | <u>(45,019,459)</u> |
| Total net tuition and fees | <u>77,564,764</u> | <u>-</u> | <u>77,564,764</u> | <u>-</u> | <u>77,564,764</u> | <u>61,961,356</u> |

SCHEDULE A (Continued)

LONE STAR COLLEGE

SCHEDULE OF OPERATING REVENUES

YEAR ENDED AUGUST 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

| | Unrestricted | Restricted | Educational Activities | Auxiliary Enterprises | 2015 Total | 2014 Total |
|-------------------------------------|----------------------|----------------------|---------------------------|--------------------------|-----------------------|----------------------|
| Additional operating revenues | | | | | | |
| Federal grants and contracts | - | 4,822,716 | 4,822,716 | - | 4,822,716 | 5,774,884 |
| State grants and contracts | - | 4,657,167 | 4,657,167 | - | 4,657,167 | 3,456,070 |
| Local grants and contracts | 1,884,846 | 3,688,978 | 5,573,824 | - | 5,573,824 | 4,611,918 |
| Other operating revenue | 2,779,531 | - | 2,779,531 | - | 2,779,531 | 2,238,929 |
| Total additional operating revenues | 4,664,377 | 13,168,861 | 17,833,238 | - | 17,833,238 | 16,081,801 |
| Auxiliary enterprises | | | | | | |
| Food service | - | - | - | 1,815,691 | 1,815,691 | 1,742,298 |
| Bookstore | - | - | - | 2,672,613 | 2,672,613 | 2,489,392 |
| Child care fees | - | - | - | 2,050,394 | 2,050,394 | 1,061,699 |
| Special events | - | - | - | 614,310 | 614,310 | 654,991 |
| Tenant Related | - | - | - | 6,150,687 | 6,150,687 | 6,823,669 |
| Other | - | - | - | 1,659,418 | 1,659,418 | 1,562,802 |
| Total auxiliary enterprises | - | - | - | 14,963,113 | 14,963,113 | 14,334,851 |
| Total operating revenues | <u>\$ 82,229,141</u> | <u>\$ 13,168,861</u> | <u>\$ 95,398,002</u> | <u>\$ 14,963,113</u> | <u>\$ 110,361,115</u> | <u>\$ 92,378,008</u> |
| | | | | (Exhibit 2) | (Exhibit 2) | |

* In accordance with Education Code 56.033, \$4,599,579 and \$4,386,584 was set aside for Texas Public Education Grants in 2015 and 2014, respectively.

LONE STAR COLLEGE

SCHEDULE OF OPERATING EXPENSES BY OBJECT

YEAR ENDED AUGUST 31, 2015 (with Memorandum Totals for the Year Ended August 31, 2014)

| | Operating Expenses | | | | 2015 Total | 2014 Total |
|--|-----------------------|---------------|---------------|-------------------|----------------|----------------|
| | Salaries and Wages | Benefits | | Other Expenses | | |
| | | State | Local | | | |
| Unrestricted educational activities | | | | | | |
| Instruction | \$ 94,474,158 | \$ - | \$ 8,485,181 | \$ 12,380,433 | \$ 115,339,772 | \$ 111,138,528 |
| Public service | 577,183 | - | 101,050 | 114,003 | 792,236 | 925,127 |
| Academic support | 35,741,372 | - | 4,365,309 | 15,595,741 | 55,702,422 | 52,202,449 |
| Student services | 29,506,675 | - | 3,770,521 | 10,403,519 | 43,680,715 | 38,939,042 |
| Institutional support | 20,473,084 | - | 4,305,461 | 12,343,819 | 37,122,364 | 35,345,593 |
| Operation and maintenance of plant | 13,971,484 | - | 4,067,096 | 31,324,326 | 49,362,906 | 43,687,805 |
| Total unrestricted educational activities: | 194,743,956 | - | 25,094,618 | 82,161,841 | 302,000,415 | 282,238,544 |
| Restricted educational activities | | | | | | |
| Instruction | 2,857,842 | 6,995,742 | 355,178 | 2,727,435 | 12,936,197 | 12,327,667 |
| Public service | 258,441 | 74,368 | 53,736 | 184,828 | 571,373 | 414,432 |
| Academic support | 278,611 | 3,780,248 | 46,146 | 787,385 | 4,892,390 | 3,725,377 |
| Student services | 358,071 | 3,196,450 | 45,027 | 60,003 | 3,659,551 | 2,901,114 |
| Institutional support | - | 3,479,866 | - | 61,295 | 3,541,161 | 1,884,360 |
| Operation and maintenance of plant | - | - | - | 12,108 | 12,108 | 200 |
| Scholarships and fellowships | - | - | - | 65,329,657 | 65,329,657 | 55,839,853 |
| Total restricted educational activities | 3,752,965 | 17,526,674 | 500,087 | 69,162,711 | 90,942,437 | 77,093,003 |
| Total educational activities | 198,496,921 | 17,526,674 | 25,594,705 | 151,324,552 | 392,942,852 | 359,331,547 |
| Auxiliary enterprises | 3,009,946 | | 1,164,165 | 9,914,268 | 14,088,379 | 12,307,062 |
| Depreciation expense - buildings | - | | | 12,647,754 | 12,647,754 | 13,015,697 |
| Depreciation expense - equip & furn | - | | | 12,825,617 | 12,825,617 | 10,572,268 |
| Total operating expenses | \$ 201,506,867 | \$ 17,526,674 | \$ 26,758,870 | \$ 186,712,191 | \$ 432,504,602 | \$ 395,226,574 |
| | | | | | (Exhibit 2) | (Exhibit 2) |

LONE STAR COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

| | Unrestricted | Restricted | Auxiliary Enterprises | 2015 Total | 2014 Total |
|-------------------------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|
| Non-Operating revenues | | | | | |
| State appropriations | | | | | |
| Education and general state support | \$ 72,475,700 | \$ - | \$ - | \$ 72,475,700 | \$ 72,475,700 |
| State group insurance | - | 9,266,329 | - | 9,266,329 | 8,633,493 |
| State retirement matching | - | 8,260,345 | - | 8,260,345 | 4,599,804 |
| Total state appropriations | <u>72,475,700</u> | <u>17,526,674</u> | <u>-</u> | <u>90,002,374</u> | <u>85,708,997</u> |
| Maintenance ad valorem taxes | 112,203,019 | - | - | 112,203,019 | 109,040,590 |
| General obligation ad valorem taxes | - | 46,633,428 | - | 46,633,428 | 43,663,193 |
| Federal revenue, non-operating | - | 91,112,482 | - | 91,112,482 | 91,369,027 |
| Gifts | 1,902,809 | - | - | 1,902,809 | 297,500 |
| Investment income, net | 662,925 | - | - | 662,925 | 450,967 |
| Gain on disposal of capital asset | 20,011 | - | - | 20,011 | 1,868,111 |
| Other non-operating revenues | <u>734,730</u> | <u>867,501</u> | <u>-</u> | <u>1,602,231</u> | <u>2,402,879</u> |
| Total non-operating revenues | <u>187,999,194</u> | <u>156,140,085</u> | <u>-</u> | <u>344,139,279</u> | <u>334,801,264</u> |
| Non-Operating expenses | | | | | |
| Interest on capital related debt | - | 23,738,073 | - | 23,738,073 | 27,106,038 |
| Loss on disposal of capital assets | <u>195,821</u> | <u>-</u> | <u>-</u> | <u>195,821</u> | <u>1,875,702</u> |
| Total non-operating expenses | <u>195,821</u> | <u>23,738,073</u> | <u>-</u> | <u>23,933,894</u> | <u>28,981,740</u> |
| Net non-operating revenues | <u>\$ 187,803,373</u> | <u>\$ 132,402,012</u> | <u>\$ -</u> | <u>\$ 320,205,385</u> | <u>\$ 305,819,524</u> |
| | | | | (Exhibit 2) | (Exhibit 2) |

LONE STAR COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
YEAR ENDED AUGUST 31, 2015 (with Memorandum Totals for the Year Ended August 31, 2014)

| | Detail by Source | | | | | Available for Current Operations | |
|--|------------------|--------------|----------------|----------------------|-------------------------------|----------------------------------|---------------|
| | Unrestricted | Restricted | | Capital Assets (Net) | Total | Yes | No |
| | | Expendable | Non-Expendable | | | | |
| Current: | | | | | | | |
| Unrestricted | \$ (38,745,489) | \$ - | \$ - | \$ - | \$ (38,745,489) | \$ (38,745,489) | \$ - |
| Restricted | - | 208,567 | - | - | 208,567 | - | 208,567 |
| Auxiliary enterprises | 10,527,541 | - | - | - | 10,527,541 | 10,527,541 | - |
| Plant: | | | | | | | |
| Debt service | - | 48,041,044 | - | - | 48,041,044 | - | 48,041,044 |
| Investment in Plant | - | - | - | 198,560,069 | 198,560,069 | - | 198,560,069 |
| Total Net Position - August 31, 2015 | (28,217,948) | 48,249,611 | - | 198,560,069 | 218,591,732 (Exhibit 1) | (28,217,948) | 246,809,680 |
| Total Net Position - August 31, 2014 | 52,534,320 | 44,889,269 | - | 178,160,052 | 275,583,641 (Exhibit 1) | 52,534,320 | 223,049,321 |
| Prior Period Adjustment, GASB 68 restatement | (55,053,807) | - | - | - | (55,053,807) | - | (55,053,807) |
| Total Net Position - August 31, 2014 as restated | (2,519,487) | 44,889,269 | - | 178,160,052 | 220,529,834 | 52,534,320 | 167,995,514 |
| Net Increase (Decrease) in Net Position | \$ (25,698,461) | \$ 3,360,342 | \$ - | \$ 20,400,017 | \$ (1,938,102) (Exhibit 2) | \$ (80,752,268) | \$ 78,814,166 |

SCHEDULE E

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED August 31, 2015**

| Federal Grantor/Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Pass Through Disbursements and Expenditures |
|--|---------------------------|-------------------------------------|--|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Direct Programs:</u> | | | |
| Student Financial Aid Cluster | | | |
| Federal Supplemental Educational Opportunity Grants-FSEOG(13-14) | 84.007 | P007A134084 | \$ (808) |
| Federal Supplemental Educational Opportunity Grants-FSEOG(14-15) | 84.007 | P007A144084 | 1,462,463 |
| Total Federal Supplemental Educational Opportunity Grants | | | <u>1,461,655</u> |
| | | | |
| Federal Work-Study Program (14-15) | 84.033 | P933A144084 | 688,282 |
| | | | |
| Federal Pell Grant Program (99-01) | 84.063 | P063P993422 | (1,625) |
| Federal Pell Grant Program (10-11) | 84.063 | P063P103422 | (5) |
| Federal Pell Grant Program (13-14) | 84.063 | P063P133422 | (172,440) |
| Federal Pell Grant Program (14-15) | 84.063 | P063P143422 | 89,136,615 |
| Total Federal Pell Grant Program | | | <u>88,962,545</u> |
| | | | |
| Direct Loan Program (13-14) | 84.268 | P268K133422 | (280,934) |
| Direct Loan Program (14-15) | 84.268 | P268K143422 | 66,313,161 |
| Total Direct Loan Program | | | <u>66,032,227</u> |
| | | | |
| TOTAL FINANCIAL AID CLUSTER | | | <u>157,144,709</u> |
| | | | |
| TRIO Cluster | | | |
| TRIO - Student Support Services - North Harris | 84.042A | P042A101148 | 245,006 |
| TRIO - Student Support Services - Tomball | 84.042A | P042A101133 | 232,848 |
| Total TRIO - Student Support Services | | | <u>477,854</u> |
| | | | |
| TRIO - Talent Search | 84.044 | P044A110072 | 226,726 |
| | | | |
| TRIO - Upward Bound ACE | 84.047A | P047A120378 | 246,352 |
| TRIO - Upward Bound MAC | 84.047A | P047A120397 | 285,109 |
| Total TRIO - Upward Bound | | | <u>531,461</u> |
| | | | |
| TOTAL TRIO CLUSTER | | | <u>1,236,041</u> |
| HSI Math Success STEM | 84.031 | P031C110072 | 782,364 |
| | | | |
| <u>Pass-Through:</u> | | | |
| Texas Education Agency | | | |
| Career and Technology Education ATC Professional Development | 84.048A | 154200257110001 | 307,245 |
| | | | |
| Texas Higher Education Coordinating Board | | | |
| Career and Technical Education - Basic Grants | 84.048 | 13451 | 951,106 |
| Statewide Data System | 84.372 | R372A090010 | 10,000 |
| Total Texas Higher Education Coordinating Board | | | <u>961,106</u> |
| | | | |
| Texas Workforce Commission | | | |
| Adult Education and Family Literacy Act and TANF | 84.002A | 2814ABE009 | 65,198 |
| | | | |
| <u>Pass-Through:</u> | | | |
| Houston Galveston Area Council | | | |
| Adult Education and Literacy 2015 | 84.002A | 214-14 | 512,351 |
| | | | |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>161,009,014</u> |

Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement

SCHEDULE E

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED August 31, 2015
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

| Federal Grantor/Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Pass Through Disbursements and Expenditures |
|---|---------------------------|-------------------------------------|--|
| <u>Pass-Through:</u> | | | |
| Texas Workforce Commission Infrastructure Development for Oil and Gas Industry | 93.558 | 2814SSF003 | 158,150 |
| <u>Pass-Through:</u> | | | |
| Houston Galveston Area Council Adult Education and Literacy 2015 | 93.558 | 214-14 | 21,337 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 179,487 |
| U.S. DEPARTMENT OF JUSTICE | | | |
| <u>Direct Program:</u> | | | |
| Grants to Reduce Domestic Violence, Sexual Assault & Stalking on Carr | 16.525 | 2011-WA-AX-0021 | 99,929 |
| U.S. DEPARTMENT OF LABOR | | | |
| <u>Pass-Through:</u> | | | |
| Texas Higher Education Coordinating Board Worker Train National Emergency Grant | 17.277 | 12682 | 131,219 |
| Texas Workforce Commission College Credit for Heroes Phase III | 17.278 | 2915WSW0006 | 42,811 |
| TOTAL U.S. DEPARTMENT OF LABOR | | | 174,030 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| <u>Direct Program:</u> | | | |
| FY2014 Commercial Motor Vehicle Operator Training Grant Program | 20.235 | FM-DTG-0030-14-01-00 | 50,400 |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | |
| <u>Pass-Through from:</u> | | | |
| OneStar National Service Commission AmeriCorps Planning Grant | 94.006 | 13AFHTX0010004 | 583 |
| NATIONAL ENDOWMENT FOR THE HUMANITIES | | | |
| <u>Pass-Through from:</u> | | | |
| Humanities Texas (HTx) Bridging Cultures To Form a Nation | 45.162 | N/A | 583 |
| NATIONAL SCIENCE FOUNDATION | | | |
| <u>Direct Program:</u> | | | |
| Developing Students' Troubleshooting Skills in Energy Programs | 47.076 | 1457711 | 116,213 |
| <u>Pass-Through from:</u> | | | |
| Nano3D Biosciences, Inc Engineering Grant - Nano3D Biosciences | 47.041 | N/A | 25,237 |
| Finger Lakes Community College Community College Undergraduate Research Initiative | 47.076 | 1118679 | 3,816 |
| TOTAL NATIONAL SCIENCE FOUNDATION | | | 145,266 |
| SMALL BUSINESS ADMINISTRATION | | | |
| <u>Pass-Through from:</u> | | | |
| University of Houston Small Business Development Center | 59.037 | R-15-0023-53813 | 308,133 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | 161,967,425 |

Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement

LONE STAR COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED August 31, 2015

1 Basis of Presentation

The schedule of expenditures of federal awards presents the federal grant activity of Lone Star College for the year ended August 31, 2015.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and includes awards received directly from federal agencies as well as federal awards passed through other government agencies.

2 Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when incurred. Revenues are reported only to the extent of expenditures for the current year. Federal receivables represent amounts expended in excess of that received.

3 Federal Assistance Reconciliation

| | | |
|---|----|-------------|
| Federal Grants and Contracts Revenue - per Schedule of Operating Revenues (Schedule A) | \$ | 4,822,716 |
| Federal Revenue, Non-Operating - per Schedule of Non-Operating Revenues and Expenses (Schedule C) | | 91,112,482 |
| Federal Direct Student Loan Program | | 66,032,227 |
| | | |
| Total Federal Revenues per Schedule of Expenditures of Federal Awards (Schedule E) | | 161,967,425 |

4 Expenditures Not Subject to Federal Single Audit: NONE

5 Sub-Recipients:

None

SCHEDULE F

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED August 31, 2015**

| State Grantor/Pass Through Grantor | State/Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|--|---------------------------------|-------------------------------------|---------------------|
| TEXAS COMPTROLLER OF PUBLIC ACCOUNTS | | | |
| <u>Direct Programs:</u> | | | |
| Jobs and Educations for Texans | 5464-15 | N/A | \$ 327,554 |
| TEXAS HIGHER EDUCATION COORDINATING BOARD: | | | |
| <u>Direct Programs:</u> | | | |
| College Work - Study Program (14-15) | N/A | N/A | 230,087 |
| Texas Grant Program (13-14) | N/A | N/A | 3,960 |
| Texas Grant Renewal Program (14-15) | N/A | N/A | 143,706 |
| Total Texas Grant Program | | | <u>147,666</u> |
| Texas Educational Opportunity Grant Program (12-13) | N/A | N/A | (945) |
| Texas Educational Opportunity Grant Program (13-14) | N/A | N/A | 1,320 |
| Texas Educational Opportunity Grant Program (14-15) | N/A | N/A | 1,725,217 |
| Texas Educational Opportunity Grant Renewal Program (14-15) | N/A | N/A | 154,106 |
| Total Texas Educational Opportunity Grant Program | | | <u>1,879,698</u> |
| Top 10% Scholarship (14-15) | N/A | N/A | 5,800 |
| Fifth Year Accounting Scholarship | N/A | N/A | 5,000 |
| Transition TX | N/A | 11836 | 52,015 |
| Adult Basic Education Innovation Grant | N/A | N/A | 124,144 |
| Nursing Innovation Grant Program - Nursing and Allied Health | N/A | N/A | 81,879 |
| Nursing Shortage Reduction Plan - Over 70 Programs | N/A | N/A | 10,457 |
| Nursing Shortage Reduction Plan - Under 70 Programs | N/A | N/A | 339,461 |
| Total Nursing Shortage Reduction Plan | | | <u>349,918</u> |
| TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD | | | <u>\$ 2,876,207</u> |

Notes to the Schedule of Expenditures of State Awards are an integral part of this statement.

SCHEDULE F

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED August 31, 2015**

TEXAS WORKFORCE COMMISSION:

Direct Programs:

| | | | |
|--|-----|------------|-----------|
| Veteran and Industry Partnership | N/A | 2814SDF005 | 70,102 |
| Lone Star College in Partnership with a Manufacturing Consortium | N/A | 1114SDF000 | 197,526 |
| Lone Star College in Partnership with the Tenaris Consortium | N/A | 2813SDF008 | 807,525 |
| Total Skills Development Fund | | | 1,075,153 |

Pass-Through:

| | | | |
|-----------------------------------|-----|--------|---------|
| Houston Galveston Area Council | | | |
| Adult Education and Literacy 2015 | N/A | 214-14 | 378,253 |

TOTAL TEXAS WORKFORCE COMMISSION 1,453,406

TOTAL STATE FINANCIAL ASSISTANCE \$ 4,657,167

**LONE STAR COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED August 31, 2015**

1 Significant Accounting Policies used in Preparing the Schedule

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

2 State Assistance Reconciliation

| | |
|---|--------------|
| State Grants and Contracts (Schedule A) | \$ 4,657,167 |
| Reconciling items: | |
| None | - |
| Total expenditures per Schedule of State Awards | \$ 4,657,167 |

STATISTICAL SECTION

This part of the Lone Star College 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 the College's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the College's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the College's most significant local revenue sources - tuition and fees, state appropriations, and ad valorem taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and the College's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the College's financial report relates to the services the College provides and the activities it performs.

Sources: unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Lone Star College
Statistical Supplement 1
Net Position by Component
Last Ten Fiscal Years
(unaudited)

For the Fiscal Year Ended August 31,
(amounts expressed in thousands)

| | 2015 * | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Investment in Capital Assets | \$198,560 | \$178,160 | \$178,498 | \$195,090 | \$190,949 | \$178,172 | \$153,534 | \$139,813 | \$119,598 | \$105,149 |
| Restricted - expendable | 48,250 | 44,889 | 37,800 | 13,886 | 7,574 | 492 | 7,652 | 5,617 | 6,537 | 3,822 |
| Restricted - nonexpendable | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | (28,218) | 52,534 | 56,314 | 60,189 | 47,563 | 45,022 | 45,996 | 47,832 | 40,506 | 37,603 |
| Total net position | \$ 218,592 | \$ 275,583 | \$ 272,612 | \$ 269,165 | \$ 246,086 | \$ 223,686 | \$ 207,182 | \$ 193,262 | \$ 166,641 | \$ 146,574 |
| Net increase (decrease) in net position | \$ (56,991) | \$ 2,971 | \$ 3,447 | \$ 23,079 | \$ 22,400 | \$ 16,504 | \$ 13,920 | \$ 26,621 | \$ 20,067 | \$ 25,916 |

* Net position in 2015 was impacted by GASB 68, *Accounting and Financial Reporting for Pensions*.

Lone Star College
Statistical Supplement 2
Revenues by Source
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Tuition and Fees (Net of Discounts) | \$ 77,565 | \$ 61,961 | \$ 59,682 | \$ 58,864 | \$ 54,089 | \$ 46,330 | \$ 42,325 | \$ 39,171 | \$ 36,815 | \$ 33,412 |
| Governmental Grants and Contracts | | | | | | | | | | |
| Federal Grants and Contracts | 4,823 | 5,775 | 5,583 | 6,636 | 5,016 | 7,803 | 7,213 | 6,642 | 6,741 | 6,064 |
| State Grants and Contracts | 4,657 | 3,456 | 3,901 | 2,657 | 3,271 | 2,744 | 2,215 | 1,517 | 826 | 524 |
| Local Grants and Contracts | 5,574 | 4,612 | 4,000 | 4,423 | 5,791 | 3,656 | 3,388 | 3,895 | 3,876 | 8,098 |
| Auxiliary enterprises | 14,963 | 14,335 | 9,850 | 8,570 | 7,313 | 6,737 | 5,663 | 6,052 | 5,671 | 5,390 |
| Other Operating Revenues | 2,780 | 2,239 | 1,467 | 1,757 | 1,547 | 1,326 | 1,694 | 892 | 910 | 891 |
| Total Operating Revenues | <u>\$ 110,361</u> | <u>\$ 92,378</u> | <u>\$ 84,483</u> | <u>\$ 82,907</u> | <u>\$ 77,027</u> | <u>\$ 68,596</u> | <u>\$ 62,498</u> | <u>\$ 58,169</u> | <u>\$ 54,839</u> | <u>\$ 54,379</u> |
| Ad Valorem Taxes: | | | | | | | | | | |
| Maintenance and Operations | 112,203 | 109,041 | 104,875 | 101,461 | 96,232 | 89,416 | 86,540 | 83,480 | 73,756 | 70,130 |
| General Obligation Bonds | 46,633 | 43,663 | 40,884 | 39,020 | 38,486 | 39,416 | 38,050 | 34,698 | 31,368 | 28,437 |
| State Appropriations | 90,002 | 85,709 | 75,962 | 75,418 | 73,405 | 74,594 | 71,148 | 72,000 | 62,750 | 62,266 |
| Federal Revenue, Non-Operating | 91,112 | 91,369 | 90,757 | 89,175 | 74,414 | 50,747 | 23,243 | 18,599 | 17,118 | 17,965 |
| Investment income | 663 | 451 | 556 | 500 | 732 | 967 | 3,434 | 3,961 | 4,477 | 2,540 |
| Other non-operating revenues | 3,525 | 4,568 | 4,871 | 4,183 | 3,868 | 4,601 | 1,120 | 1,379 | 1,320 | 1,395 |
| Total Non-Operating Revenues | <u>344,139</u> | <u>334,801</u> | <u>317,905</u> | <u>309,757</u> | <u>287,137</u> | <u>259,741</u> | <u>223,535</u> | <u>214,117</u> | <u>190,789</u> | <u>182,733</u> |
| Total Revenues | <u>\$ 454,500</u> | <u>\$ 427,179</u> | <u>\$ 402,388</u> | <u>\$ 392,664</u> | <u>\$ 364,164</u> | <u>\$ 328,337</u> | <u>\$ 286,033</u> | <u>\$ 272,286</u> | <u>\$ 245,628</u> | <u>\$ 237,112</u> |

Statistical Supplement 2 (Cont)

For the Year Ended August 31,

| | 2014 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Tuition and Fees (Net of Discounts) | 17.07% | 14.50% | 14.83% | 14.99% | 14.85% | 14.11% | 14.80% | 14.39% | 14.99% | 14.09% |
| Governmental Grants and Contracts | | | | | | | | | | |
| Federal Grants and Contracts | 1.06% | 1.35% | 1.39% | 1.69% | 1.38% | 2.38% | 2.52% | 2.44% | 2.74% | 2.56% |
| State Grants and Contracts | 1.02% | 0.81% | 0.97% | 0.68% | 0.90% | 0.84% | 0.77% | 0.56% | 0.34% | 0.22% |
| Local Grants and Contracts | 1.23% | 1.08% | 0.99% | 1.13% | 1.59% | 1.11% | 1.18% | 1.43% | 1.58% | 3.42% |
| Auxiliary enterprises | 3.29% | 3.36% | 2.45% | 2.18% | 2.01% | 2.05% | 1.98% | 2.22% | 2.31% | 2.27% |
| Other Operating Revenues | 0.61% | 0.52% | 0.36% | 0.45% | 0.42% | 0.40% | 0.59% | 0.33% | 0.37% | 0.38% |
| Total Operating Revenues | 24.28% | 21.63% | 21.00% | 21.11% | 21.15% | 20.89% | 21.85% | 21.37% | 22.33% | 22.93% |
| Ad Valorem Taxes: | | | | | | | | | | |
| Maintenance and Operations | 24.69% | 25.53% | 26.06% | 25.84% | 26.43% | 27.23% | 30.26% | 30.66% | 30.03% | 29.58% |
| General Obligation Bonds | 10.26% | 10.22% | 10.16% | 9.94% | 10.57% | 12.00% | 13.30% | 12.74% | 12.77% | 11.99% |
| State Appropriations | 19.80% | 20.06% | 18.88% | 19.21% | 20.16% | 22.72% | 24.87% | 26.44% | 25.55% | 26.26% |
| Federal Revenue, Non-Operating | 20.05% | 21.39% | 22.55% | 22.71% | 20.43% | 15.46% | 8.13% | 6.83% | 6.97% | 7.58% |
| Investment income | 0.15% | 0.11% | 0.14% | 0.13% | 0.20% | 0.29% | 1.20% | 1.45% | 1.82% | 1.07% |
| Other non-operating revenues | 0.78% | 1.07% | 1.21% | 1.07% | 1.06% | 1.40% | 0.39% | 0.51% | 0.53% | 0.59% |
| Total Non-Operating Revenues | 75.72% | 78.37% | 79.00% | 78.89% | 78.85% | 79.11% | 78.15% | 78.63% | 77.67% | 77.07% |
| Total Revenues | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Lone Star College
Statistical Supplement 3
Program Expenses by Function
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Instruction | \$ 128,276 | \$ 123,466 | \$ 113,233 | \$ 108,314 | \$ 104,578 | \$ 99,673 | \$ 92,039 | \$ 88,102 | \$ 81,585 | \$ 77,225 |
| Research | - | - | - | - | - | - | - | - | - | - |
| Public service | 1,364 | 1,340 | 1,048 | 1,163 | 1,252 | 1,805 | 1,757 | 1,510 | 1,475 | 1,475 |
| Academic support | 60,595 | 55,928 | 54,998 | 47,383 | 47,497 | 44,995 | 44,796 | 36,140 | 31,411 | 29,010 |
| Student services | 47,340 | 41,840 | 38,498 | 34,101 | 30,101 | 29,942 | 24,065 | 18,469 | 16,705 | 15,551 |
| Institutional support | 40,664 | 37,230 | 32,744 | 29,227 | 29,908 | 30,207 | 27,105 | 33,961 | 30,898 | 28,571 |
| Operation and maintenance of plant | 49,375 | 43,688 | 42,416 | 42,230 | 36,497 | 35,753 | 38,258 | 31,868 | 27,362 | 23,665 |
| Scholarships and fellowships | 65,330 | 55,840 | 56,215 | 60,374 | 51,120 | 33,743 | 14,092 | 10,662 | 10,392 | 9,341 |
| Auxiliary enterprises | 14,088 | 12,307 | 8,621 | 6,772 | 5,748 | 5,297 | 4,952 | 5,696 | 5,304 | 5,132 |
| Depreciation | 25,473 | 23,588 | 22,346 | 19,368 | 12,666 | 10,682 | 9,369 | 8,492 | 8,825 | 8,702 |
| Total Operating Expenses | <u>\$ 432,505</u> | <u>\$ 395,227</u> | <u>\$ 370,119</u> | <u>\$ 348,932</u> | <u>\$ 319,367</u> | <u>\$ 292,097</u> | <u>\$ 256,433</u> | <u>\$ 234,900</u> | <u>\$ 213,957</u> | <u>\$ 198,672</u> |
| Interest on capital related debt | 23,738 | 27,106 | 22,792 | 19,614 | 20,959 | 19,731 | 15,582 | 10,419 | 11,359 | 12,518 |
| Loss on disposal of capital assets | 196 | 1,876 | 6,030 | 666 | 1,439 | 5 | 97 | 347 | 245 | 6 |
| Total Non-Operating Expenses | <u>23,934</u> | <u>28,982</u> | <u>28,822</u> | <u>20,280</u> | <u>22,398</u> | <u>19,736</u> | <u>15,679</u> | <u>10,766</u> | <u>11,604</u> | <u>12,524</u> |
| Total Expenses | <u>\$ 456,438</u> | <u>\$ 424,209</u> | <u>\$ 398,941</u> | <u>\$ 369,212</u> | <u>\$ 341,765</u> | <u>\$ 311,833</u> | <u>\$ 272,112</u> | <u>\$ 245,666</u> | <u>\$ 225,561</u> | <u>\$ 211,196</u> |

Statistical Supplement 3 (Cont)

| | For the Year Ended August 31, | | | | | | | | | |
|-------------------------------------|-------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Instruction | 28.10% | 29.10% | 28.38% | 29.34% | 30.60% | 31.96% | 33.83% | 35.87% | 36.16% | 36.57% |
| Research | - | - | - | - | - | - | - | - | - | - |
| Public service | 0.30% | 0.32% | 0.26% | 0.31% | 0.37% | 0.58% | 0.65% | 0.61% | 0.65% | 0.70% |
| Academic support | 13.28% | 13.18% | 13.79% | 12.83% | 13.90% | 14.43% | 16.46% | 14.71% | 13.93% | 13.74% |
| Student services | 10.37% | 9.86% | 9.65% | 9.24% | 8.81% | 9.60% | 8.84% | 7.52% | 7.41% | 7.36% |
| Institutional support | 8.91% | 8.78% | 8.21% | 7.92% | 8.75% | 9.69% | 9.96% | 13.82% | 13.70% | 13.53% |
| Operation and maintenance of plant | 10.82% | 10.30% | 10.63% | 11.43% | 10.67% | 11.46% | 14.05% | 12.97% | 12.13% | 11.21% |
| Scholarships and fellowships | 14.31% | 13.16% | 14.09% | 16.35% | 14.96% | 10.82% | 5.18% | 4.34% | 4.61% | 4.42% |
| Auxiliary enterprises | 3.09% | 2.90% | 2.16% | 1.83% | 1.68% | 1.70% | 1.82% | 2.32% | 2.35% | 2.43% |
| Depreciation | 5.58% | 5.56% | 5.60% | 5.25% | 3.71% | 3.43% | 3.44% | 3.46% | 3.91% | 4.12% |
| Total Operating Expenses | 94.76% | 93.16% | 92.77% | 94.50% | 93.45% | 93.67% | 94.23% | 95.62% | 94.85% | 94.07% |
| Interest on capital related debt | 5.20% | 6.39% | 5.71% | 5.31% | 6.13% | 6.33% | 5.73% | 4.24% | 5.04% | 5.93% |
| Loss on disposal of capital assets | 0.04% | 0.44% | 1.51% | 0.18% | 0.42% | 0.00% | 0.04% | 0.14% | 0.11% | - |
| Total Non-Operating Expenses | 5.24% | 6.83% | 7.22% | 5.49% | 6.55% | 6.33% | 5.77% | 4.38% | 5.15% | 5.93% |
| Total Expenses | 100.0% | 100.0% | 100.0% | 99.99% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

**Lone Star College
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)**

| Academic Year (Fall) | Registration Fee (per student) | Resident Fees per Semester Credit Hour (SCH) | | | | | | | | | | Increase Prior Year In-District | Increase from Prior Year Out-of-District |
|----------------------|--------------------------------|--|-------------------------|-----------------|-----------------------|-----------------|-----------------------------------|-----------------------------|---------------------------------|--------|--------|---------------------------------|--|
| | | In-District Tuition | Out-of-District Tuition | Technology Fees | Student Activity Fees | General Use Fee | Infrastructure Fee (per semester) | Cost for 12 SCH In-District | Cost for 12 SCH Out-of-District | | | | |
| 2015 | \$12 | \$42 | \$112 | \$9 | \$2 | \$7 | \$20 | \$752 | \$1,592 | 0.00% | 0.00% | | |
| 2014 | 12 | 42 | 112 | 9 | 2 | 7 | 20 | 752 | 1,592 | 6.82% | 3.11% | | |
| 2013 | 12 | 40 | 110 | 7 | 2 | 7 | 20 | 704 | 1,544 | 0.00% | 0.00% | | |
| 2012 | 12 | 40 | 110 | 7 | 2 | 7 | 20 | 704 | 1,544 | 0.00% | 0.00% | | |
| 2011 | 12 | 40 | 110 | 7 | 2 | 7 | 20 | 704 | 1,544 | 17.33% | 7.22% | | |
| 2010 | 12 | 38 | 108 | 7 | 2 | 2 | | 600 | 1,440 | 0.00% | 0.00% | | |
| 2009 | 12 | 38 | 108 | 7 | 2 | 2 | | 600 | 1,440 | 6.38% | 12.15% | | |
| 2008 | 12 | 36 | 96 | 6 | 2 | 2 | | 564 | 1,284 | 4.44% | 25.88% | | |
| 2007 | 12 | 36 | 76 | 6 | 2 | | | 540 | 1,020 | 0.00% | 0.00% | | |
| 2006 | 12 | 36 | 76 | 6 | 2 | | | 540 | 1,020 | N/A | N/A | | |

| Academic Year (Fall) | Registration Fee (per student) | Non-Resident Fees per Semester Credit Hour (SCH) | | | | | | | | | | Increase Prior Year Out-of-State | Increase from Prior Year International |
|----------------------|--------------------------------|--|-------------------------|-----------------|-----------------------|-----------------|-----------------------------------|------------------------------|-------------------------------|--------|--------|----------------------------------|--|
| | | In-District Tuition | Out-of-District Tuition | Technology Fees | Student Activity Fees | General Use Fee | Infrastructure Fee (per semester) | Cost for 12 SCH Out-of-State | Cost for 12 SCH International | | | | |
| 2015 | \$12 | \$127 | \$127 | \$9 | \$2 | \$7 | \$20 | \$1,772 | \$1,772 | 0.00% | 0.00% | | |
| 2014 | 12 | 127 | 127 | 9 | 2 | 7 | 20 | 1,772 | 1,772 | 2.78% | 2.78% | | |
| 2013 | 12 | 125 | 125 | 7 | 2 | 7 | 20 | 1,724 | 1,724 | 0.00% | 0.00% | | |
| 2012 | 12 | 125 | 125 | 7 | 2 | 7 | 20 | 1,724 | 1,724 | 0.00% | 0.00% | | |
| 2011 | 12 | 125 | 125 | 7 | 2 | 7 | 20 | 1,724 | 1,724 | 6.42% | 6.42% | | |
| 2010 | 12 | 123 | 123 | 7 | 2 | 2 | | 1,620 | 1,620 | 0.00% | 0.00% | | |
| 2009 | 12 | 123 | 123 | 7 | 2 | 2 | | 1,620 | 1,620 | 10.66% | 10.66% | | |
| 2008 | 12 | 111 | 111 | 6 | 2 | 2 | | 1,464 | 1,464 | 22.00% | 22.00% | | |
| 2007 | 12 | 91 | 91 | 6 | 2 | | | 1,200 | 1,200 | 0.00% | 0.00% | | |
| 2006 | 12 | 91 | 91 | 6 | 2 | | | 1,200 | 1,200 | N/A | N/A | | |

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees. Additional differential fees are assessed for certain higher cost programs. Amounts vary by program.

Lone Star College
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(unaudited)

| Fiscal Year | (amounts expressed in thousands) | | | Ratio of Taxable Assessed Value to Assessed Value | Direct Rate | | |
|-------------|----------------------------------|------------------|------------------------------|---|------------------------------|------------------|-----------|
| | Assessed Valuation of Property | Less: Exemptions | Taxable Assessed Value (TAV) | | Maintenance & Operations (a) | Debt Service (a) | Total (a) |
| 2014-15 | 162,036,778 | (13,195,229) | 148,841,549 | 91.86% | 0.0765 | 0.0316 | 0.1081 |
| 2013-14 | 145,894,831 | (12,841,989) | 133,052,842 | 91.20% | 0.0825 | 0.0335 | 0.1160 |
| 2012-13 | 134,231,554 | (11,446,862) | 122,784,692 | 91.47% | 0.0863 | 0.0335 | 0.1198 |
| 2011-12 | 127,768,523 | (10,264,805) | 117,503,718 | 91.97% | 0.0875 | 0.0335 | 0.1210 |
| 2010-11 | 124,218,962 | (8,525,498) | 115,693,464 | 93.14% | 0.0841 | 0.0335 | 0.1176 |
| 2009-10 | 126,352,009 | (8,422,514) | 117,929,495 | 93.33% | 0.0766 | 0.0335 | 0.1101 |
| 2008-09 | 122,354,425 | (9,679,185) | 112,675,240 | 92.09% | 0.0766 | 0.0335 | 0.1101 |
| 2007-08 | 110,258,237 | (6,990,029) | 103,268,208 | 93.66% | 0.0809 | 0.0335 | 0.1144 |
| 2006-07 | 96,720,584 | (6,573,726) | 90,146,858 | 93.20% | 0.0820 | 0.0347 | 0.1167 |
| 2005-06 | 87,974,128 | (6,037,955) | 81,936,173 | 93.14% | 0.0860 | 0.0347 | 0.1207 |

Source: Montgomery and Harris County Appraisal Districts.

Notes: Property is assessed at full market value. The assessed valuation represents two classes of property; real and personal. An aggregate presentation is preferred due to the relatively minor portion of the value represented by personal property.

(a) per \$100 Taxable Assessed Valuation

Lone Star College
Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years
(unaudited)

| Fiscal Year | Appropriation per FTSE | | | Appropriation per Contact Hour | | | |
|-------------|--|--------|---------------------------|----------------------------------|----------------------------------|---------------------------|--------------------------------------|
| | State | FTSE | State | (hours expressed in thousands) | | | State |
| | Appropriation (expressed in thousands) | | Appropriation per FTSE | Academic Contact Hours (b) | Voc/Tech Contact Hours (c) | Total Contact Hours | Appropriation per Contact Hour |
| 2014-15 | \$ 72,476 | 40,357 | \$ 1,796 | 8,130 | 164 | 8,294 | \$ 8.74 |
| 2013-14 | 72,476 | 39,973 | 1,813 | 7,964 | 158 | 8,122 | 8.92 |
| 2012-13 | 75,962 | 40,029 | 1,898 | 7,971 | 166 | 8,137 | 9.34 |
| 2011-12 | 75,418 | 37,563 | 2,008 | 7,397 | 164 | 7,561 | 9.97 |
| 2010-11 | 73,405 | 36,391 | 2,017 | 7,126 | 211 | 7,337 | 10.00 |
| 2009-10 | 74,594 | 32,124 | 2,322 | 7,692 | 183 | 7,875 | 9.47 |
| 2008-09 | 71,148 | 28,358 | 2,509 | 6,821 | 199 | 7,020 | 10.14 |
| 2007-08 | 72,001 | 27,168 | 2,650 | 6,592 | 153 | 6,745 | 10.67 |
| 2006-07 | 62,750 | 25,688 | 2,443 | 6,229 | 182 | 6,411 | 9.79 |
| 2005-06 | 62,266 | 25,269 | 2,464 | 6,160 | 236 | 6,396 | 9.74 |

Source

- (a) CBM001 Fall Semester
- (b) CBM004 Fall Semester
- (c) CBM00C 1st Quarter

Note: FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12.

**Lone Star College
Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years Per County Reports**
(unaudited)

| Taxpayer | Type of Business | Taxable Assessed Value (TAV) by Fiscal Year (amounts expressed in thousands) | | | | | | | | | |
|-------------------------------------|--------------------|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Hewlett Packard | Manufacturing | \$ 970,506 | \$ 923,268 | \$ 950,638 | \$ 966,995 | \$ 773,400 | \$ 951,681 | \$ 851,026 | \$ 1,070,242 | \$ 717,813 | \$ 612,508 |
| National Oilwell Inc. | Oil and Gas | 831,228 | 750,757 | 953,362 | 853,978 | 1,029,299 | 542,361 | 344,584 | | | |
| Centerpoint Energy Inc | Utility | 697,677 | 726,301 | 627,931 | 612,353 | 607,492 | 631,661 | 634,424 | 629,973 | 669,281 | 627,004 |
| Halliburton | Oil and Gas | 689,307 | 637,090 | 602,119 | 417,115 | 243,305 | 251,237 | 264,056 | | | |
| United (Continental) Airlines Inc | Airline | 669,438 | 315,198 | 269,573 | 240,493 | 234,462 | | | 190,396 | 190,101 | 218,579 |
| Baker Hughes | Oil and Gas | 612,975 | 456,648 | 235,261 | 217,842 | | 244,222 | | | | |
| Palmetto Transoceanic LLC | General Industrial | 534,150 | | | | | | | | | |
| Cameron | Oil and Gas | 413,225 | 406,267 | 339,451 | | | | | | | |
| Noble Drilling | Oil and Gas | 397,375 | 339,270 | | | | | | | | |
| Anadarko Realty Co | Real Estate | 367,015 | | | | | | | | | |
| Liberty Property | Real Estate | | | | | | | | | | |
| Walmart | Retail | | 343,630 | 333,060 | 340,227 | 532,664 | 562,119 | 540,093 | 512,420 | 272,154 | 194,673 |
| Smith International | Oil and Gas | | 371,334 | 314,722 | 241,037 | 227,655 | 254,117 | 235,543 | | | |
| Wal-Mart Real Estate Bus Trst | Real Estate | | | | 230,856 | | | | | 220,261 | |
| HEB Grocery Co LP | Retail grocery | | | 252,711 | 223,180 | | | | | 158,170 | |
| LeTourneau Technologies | Oil and Gas | | | | | 226,670 | 282,033 | | | | |
| Comcast of Houston LLC | Utility | | | | | 218,045 | | | | | |
| Hines Interests Ltd Psp | Real Estate | | | | | 215,407 | 234,733 | 286,343 | 248,302 | 226,654 | 211,493 |
| Houston Pipeline Co LP | Utility | | | | | | 355,074 | 324,603 | 253,573 | 525,621 | 368,197 |
| Schlumberger Technology | Oil and Gas | | | | | | | 269,686 | | | |
| AT&T/Southwestern Bell | Utility | | | | | | | 236,936 | 348,855 | 254,770 | 260,074 |
| Nabors Drilling USA LP | Oil and Gas | | | | | | | | 507,533 | | |
| Express Jet Airlines Inc | Airline | | | | | | | | 200,909 | | |
| Exxon Mobil Corp | Oil and Gas | | | | | | | | 198,660 | 174,024 | 127,130 |
| Texas Cable Partners LP | Utility | | | | | | | | | | 136,543 |
| Wachovia Develop Corp | Real Estate | | | | | | | | | | 136,277 |
| Totals | | \$ 6,182,896 | \$ 5,269,763 | \$ 4,878,828 | \$ 4,344,076 | \$ 4,308,399 | \$ 4,309,238 | \$ 3,987,294 | \$ 4,160,863 | \$ 3,408,849 | \$ 2,892,478 |
| Total Taxable Assessed Value | | \$148,841,539 | \$122,784,692 | \$117,503,718 | \$115,693,464 | \$117,929,495 | \$112,675,240 | \$103,268,208 | \$ 90,146,858 | \$ 81,936,173 | \$ 75,289,890 |

Statistical Supplement 7 (Cont)

| Taxpayer | Type of Business | % of Taxable Assessed Value (TAV) by Fiscal Year | | | | | | | | | |
|-------------------------------|--------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Hewlett Packard | Manufacturing | 0.65% | 0.75% | 0.81% | 0.84% | 0.66% | 0.84% | 0.82% | 1.19% | 0.88% | 0.81% |
| National Oilwell Inc. | Oil and Gas | 0.56% | 0.61% | 0.81% | 0.74% | 0.87% | 0.48% | 0.33% | | | |
| Centerpoint Energy Inc | Utility | 0.47% | 0.59% | 0.53% | 0.53% | 0.52% | 0.56% | 0.61% | 0.70% | 0.82% | 0.83% |
| Halliburton | Oil and Gas | 0.46% | 0.52% | 0.51% | 0.36% | 0.21% | 0.22% | 0.26% | | | |
| Baker Hughes | Oil and Gas | 0.41% | 0.37% | 0.20% | 0.19% | | 0.22% | | | | |
| Palmetto Transoceanic LLC | General Industrial | 0.36% | | | | | | | | | |
| Cameron | Oil and Gas | 0.28% | 0.33% | 0.29% | | | | | | | |
| Noble Drilling | Oil and Gas | 0.27% | 0.28% | | | | | | | | |
| Anadarko Realty Co | Real Estate | 0.25% | | | | | | | | | |
| Smith International | Oil and Gas | | 0.30% | 0.27% | 0.21% | 0.19% | 0.23% | 0.23% | | | |
| Walmart | Retail | | 0.28% | 0.28% | 0.29% | 0.45% | 0.50% | 0.52% | 0.57% | 0.33% | 0.26% |
| Continental Airlines Inc | Airline | 0.45% | 0.26% | 0.23% | 0.21% | 0.20% | | | 0.21% | 0.23% | 0.29% |
| Wal-Mart Real Estate Bus Trst | Real Estate | | | | 0.20% | | | | | | 0.27% |
| HEB Grocery Co LP | Retail grocery | | | 0.22% | 0.19% | | | | | | 0.19% |
| LeTourneau Technologies | Oil and Gas | | | | | 0.19% | 0.25% | | | | |
| Comcast of Houston LLC | Utility | | | | | 0.18% | | | | | |
| Hines Interests Ltd Psp | Real Estate | | | | | 0.18% | 0.21% | 0.28% | 0.28% | 0.28% | 0.28% |
| Houston Pipeline Co LP | Utility | | | | | | 0.32% | 0.31% | 0.28% | 0.64% | 0.49% |
| Schlumberger Technology | Oil and Gas | | | | | | | 0.26% | | | |
| AT&T/Southwestern Bell | Utility | | | | | | | 0.23% | 0.39% | 0.31% | 0.35% |
| Nabors Drilling USA LP | Oil and Gas | | | | | | | | 0.56% | | |
| Express Jet Airlines Inc | Airline | | | | | | | | 0.22% | | |
| Exxon Mobil Corp | Oil and Gas | | | | | | | | 0.22% | 0.21% | 0.17% |
| Texas Cable Partners LP | Utility | | | | | | | | | | 0.18% |
| Wachovia Develop Corp | Real Estate | | | | | | | | | | 0.18% |
| | | 4.15% | 4.29% | 4.15% | 3.75% | 3.65% | 3.82% | 3.86% | 4.62% | 4.16% | 3.84% |

Source: Harris County and Montgomery County Appraisal Districts

Lone Star College
 Statistical Supplement 8
 Property Tax Levies and Collections
 Last Ten Tax Years
 (unaudited)
 (amounts expressed in thousands)

| Fiscal Year Ended August 31 | Levy (a) | Cumulative Levy Adjustments | Adjusted Tax Levy (b) | Collections - Year of Levy (c) | | Percentage | Prior Collections of Prior Levies (d) | | Current Collections of Prior Levies (e) | | Total Collections | Cumulative Collections of Adjusted Levy |
|-----------------------------------|-------------|-----------------------------------|-----------------------------|---|--------|------------|--|------------|--|--|----------------------|---|
| | | | | | | | | | | | | |
| 2015 | 153,748 | 6,053 | 159,801 | 157,603 | 98.62% | \$ 1,089 | \$ 1,749 | \$ 160,441 | 100.40% | | | |
| 2014 | 126,882 | 26,539 | 153,421 | 151,805 | 98.95% | 614 | \$ 1,561 | 153,979 | 100.36% | | | |
| 2013 | 130,094 | 17,002 | 147,096 | 144,108 | 97.97% | 2,118 | 964 | 147,190 | 100.06% | | | |
| 2012 | 131,397 | 8,624 | 140,021 | 139,289 | 99.48% | 2,069 | 1,264 | 142,622 | 101.86% | | | |
| 2011 | 121,564 | 14,359 | 135,923 | 133,207 | 98.00% | 1,679 | 1,257 | 136,143 | 100.16% | | | |
| 2010 | 115,096 | 14,436 | 129,532 | 126,317 | 97.52% | 2,292 | 1,228 | 129,837 | 100.24% | | | |
| 2009 | 110,518 | 13,297 | 123,815 | 122,271 | 98.75% | - | - | 122,271 | 98.75% | | | |
| 2008 | 105,100 | 13,039 | 118,139 | 114,588 | 96.99% | - | - | 114,588 | 96.99% | | | |
| 2007 | 91,528 | 13,673 | 105,201 | 102,060 | 97.01% | - | - | 102,060 | 97.01% | | | |
| 2006 | 91,695 | 5,876 | 97,571 | 94,882 | 97.24% | - | 1,769 | 96,651 | 99.06% | | | |

Source: Local Tax Assessor/Collector and College records.

(a) per original certified tax levy.

(b) As of August 31st of the current reporting year.

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy.

(e) Represents current year collections of prior years levies.

**Lone Star College
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)**

| | For the Year Ended August 31 (amounts expressed in thousands) | | | | | | | | | |
|---|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| General Bonded Debt | | | | | | | | | | |
| General obligation bonds | \$ 596,904 | \$ 473,184 | \$ 490,699 | \$ 506,772 | \$ 523,011 | \$ 538,108 | \$ 283,232 | \$ 155,503 | \$ 184,419 | \$ 203,705 |
| Notes | - | - | - | - | - | - | - | - | - | - |
| Less: Funds restricted for debt service | - | - | - | - | - | - | - | - | - | - |
| Net general bonded debt | \$ 596,904 | \$ 473,184 | \$ 490,699 | \$ 506,772 | \$ 523,011 | \$ 538,108 | \$ 283,232 | \$ 155,503 | \$ 184,419 | \$ 203,705 |
| Other Debt | | | | | | | | | | |
| Revenue bonds | \$ 116,887 | \$ 119,850 | \$ 62,604 | \$ 44,873 | \$ 46,708 | \$ 48,997 | \$ 51,240 | \$ 53,488 | \$ 55,296 | \$ 26,540 |
| Maintenance Tax Notes | 26,760 | 28,304 | 29,753 | 31,116 | 32,386 | 32,480 | - | - | - | - |
| Capital lease obligations | - | - | - | - | - | - | - | - | - | - |
| Total Outstanding Debt | \$ 740,551 | \$ 621,338 | \$ 583,056 | \$ 582,761 | \$ 602,105 | \$ 619,585 | \$ 334,472 | \$ 208,991 | \$ 239,715 | \$ 230,245 |
| General Bonded Debt Ratios | | | | | | | | | | |
| Per Capita | \$ 253.20 | \$ 204.76 | \$ 179.20 | \$ 197.57 | \$ 217.72 | \$ 245.29 | \$ 142.82 | \$ 103.67 | \$ 124.61 | \$ 141.46 |
| Per FTSE | 14,791 | 11,838 | 12,259 | 13,491 | 14,372 | 16,751 | 9,988 | 5,724 | 7,179 | 8,061 |
| As a percentage of Taxable Assessed Value | 0.40% | 0.36% | 0.40% | 0.43% | 0.45% | 0.46% | 0.25% | 0.15% | 0.20% | 0.25% |
| Total Outstanding Debt Ratios | | | | | | | | | | |
| Per Capita | \$ 314.14 | \$ 268.87 | \$ 212.93 | \$ 227.19 | \$ 250.65 | \$ 282.43 | \$ 168.66 | \$ 139.33 | \$ 161.97 | \$ 159.89 |
| Per FTSE | 18,350 | 15,544 | 14,566 | 15,514 | 16,545 | 19,287 | 11,795 | 7,693 | 9,332 | 9,112 |
| As a percentage of Taxable Assessed Value | 0.50% | 0.47% | 0.47% | 0.50% | 0.52% | 0.53% | 0.30% | 0.20% | 0.27% | 0.28% |

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

Lone Star College
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

| | For the Year Ended August 31 (amounts expressed in thousands) | | | | | | | | | |
|--|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Taxable Assessed Value | \$ 148,841,549 | \$ 133,052,842 | \$ 122,784,692 | \$ 117,503,718 | \$ 115,693,464 | \$ 117,929,495 | \$ 112,675,240 | \$ 103,268,207 | \$ 90,146,858 | \$ 81,936,173 |
| General Obligation Bonds | | | | | | | | | | |
| Statutory Tax Levy Limit for Debt Service | \$ 744,208 | \$ 665,264 | \$ 613,923 | \$ 587,519 | \$ 578,467 | \$ 589,647 | \$ 563,376 | \$ 516,341 | \$ 450,734 | \$ 409,681 |
| Less: Funds Restricted for Repayment of General Obligation Bonds | (50,010) | (8,565) | (37,687) | (13,400) | (6,351) | (6) | (7,166) | (5,131) | (6,051) | (3,337) |
| Total Net General Obligation Debt | 694,198 | 656,699 | 576,236 | 574,119 | 572,116 | 589,641 | 556,210 | 511,210 | 444,683 | 406,344 |
| Current Year Debt Service Requirements | 59,360 | 52,946 | 46,496 | 45,493 | 47,201 | 46,679 | 36,300 | 31,836 | 30,107 | 28,809 |
| Excess of Statutory Limit for Debt Service over Current Requirements | \$ 634,837 | \$ 603,753 | \$ 529,740 | \$ 528,626 | \$ 524,915 | \$ 542,962 | \$ 519,910 | \$ 479,374 | \$ 414,576 | \$ 377,535 |
| Net Current Requirements as a % of Statutory Limit | 1.26% | 6.67% | 1.43% | 5.46% | 7.06% | 7.92% | 5.17% | 5.17% | 5.34% | 6.22% |

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.

Lone Star College
 Statistical Supplement 11
 Pledged Revenue Coverage
 Last Ten Fiscal Years
 (unaudited)

Revenue Bonds

| Fiscal Year Ended August 31 | Pledged Revenues (amounts expressed in thousands) | | | | | | | | | | | | | Debt Service Requirements (amounts expressed in thousands) | | | |
|--------------------------------|---|---------------------------------|-----------------|--------------------|--------------------------------|-----------------------|--------------------------------|-----------------------|------------------|--------------------|-----------------------|-------------------------|-----------|---|----------|-------|-------------------|
| | Tuition | Technology and Other Fees | General Fees | Laboratory Fees | Community Education Fees | General Use Fee | Differential Tuition Fee | Infrastructure Fee | Rental Income | Interest Income | Vending Commission | Bookstore Commission | Total | Principal | Interest | Total | Coverage Ratio |
| 2015 | \$ 12,105 | \$ 18,191 | \$ 2,036 | \$ 1,312 | \$ 7,614 | \$ 9,183 | \$ 5,844 | \$ 2,632 | \$ 6,151 | \$ 667 | \$ 491 | \$ 2,673 | \$ 68,898 | \$ 4,320 | \$ 5,647 | 9,967 | 6.91 |
| 2014 | \$ 11,383 | \$ 15,424 | \$ 1,949 | \$ 1,310 | \$ 7,068 | \$ 9,039 | \$ 6,075 | \$ 2,546 | \$ 7,145 | \$ 327 | \$ 464 | \$ 2,489 | \$ 65,220 | \$ 4,645 | \$ 5,292 | 9,937 | 6.56 |
| 2013 | 11,240 | 14,708 | 1,910 | 1,266 | 6,867 | 8,911 | 4,544 | 2,536 | 3,826 | 381 | 430 | 2,481 | 59,102 | 3,785 | 3,078 | 6,863 | 8.61 |
| 2012 | 11,164 | 13,372 | 1,885 | 1,221 | 7,110 | 8,744 | 958 | 2,523 | 2,619 | 297 | 395 | 2,648 | 52,935 | 3,645 | 2,928 | 6,573 | 8.05 |
| 2011 | 10,291 | 13,869 | 5,872 | 1,187 | 7,256 | - | - | - | - | 339 | 377 | 2,496 | 41,688 | 2,280 | 3,779 | 6,059 | 6.88 |
| 2010 | 9,517 | 11,836 | 1,687 | 1,416 | 6,158 | - | - | - | - | 320 | 166 | 2,318 | 33,418 | 2,235 | 2,308 | 4,543 | 7.36 |
| 2009 | 7,381 | 8,942 | 1,416 | 937 | 5,601 | - | - | - | - | 836 | 333 | 2,029 | 27,474 | 2,240 | 2,394 | 4,634 | 5.93 |
| 2008 | 6,846 | 6,637 | 1,351 | 899 | 5,936 | - | - | - | - | 1,696 | 329 | 1,654 | 25,348 | 1,808 | 2,817 | 4,625 | 5.48 |
| 2007 | 6,528 | 5,403 | 1,269 | 855 | 6,322 | - | - | - | - | 2,304 | 293 | 1,579 | 24,553 | 1,346 | 1,179 | 2,525 | 9.72 |
| 2006 | 6,160 | 4,772 | 1,222 | 882 | 5,964 | - | - | - | - | 1,415 | 242 | 1,507 | 22,164 | 1,451 | 1,222 | 2,673 | 8.29 |

**Lone Star College
Statistical Supplement 12
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)**

| Fiscal Year | District Population (a) | District Personal Income (thousands of dollars) (c) | District Personal Income Per Capita (b) | District Unemployment Rate (d) |
|-------------|-------------------------|---|---|--------------------------------|
| 2015 | 2,357,428 | \$ 70,940,713 | \$ 30,092 | 4.7% |
| 2014 | 2,310,965 | 67,327,653 | 29,134 | 5.4% |
| 2013 | 2,265,527 | 63,392,562 | 27,981 | 6.1% |
| 2012 | 2,220,983 | 59,687,506 | 26,874 | 7.0% |
| 2011 | 2,177,315 | 56,198,996 | 25,811 | 8.6% |
| 2010 | 2,134,505 | 52,914,377 | 24,790 | 8.8% |
| 2009 | 2,055,895 | 50,150,685 | 24,394 | 8.3% |
| 2008 | 1,980,180 | 47,531,482 | 24,004 | 8.3% |
| 2007 | 1,907,254 | 45,049,071 | 23,620 | 4.1% |
| 2006 | 1,837,013 | 42,696,308 | 23,242 | 5.0% |

Sources:

(a) Estimated: Based on 68 zip codes within LSC taxing district. Projected district population growth based on 2000/2010 Census data. 2014-2019 projected population growth from ESRI data.

(b) Estimated: District per capita income based on ESRI projected per capita income within 68 zip codes within LSC taxing district.

(c) Estimated: District personal income based on calculation of estimated district population multiplied by estimated per capita income.

(d) U.S. Bureau of Labor Statistics, Metropolitan Area Employment and Unemployment, July 2014

Lone Star College
Statistical Supplement 13
Principal Employers (a)
(unaudited)

| Principal Employment Sectors (a) | 2013 (b) | | 2004 (b) | |
|--|---------------------|--------------------------------|---------------------|--------------------------------|
| | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment |
| State and local | 334,877 | 8.78% | 306,300 | 10.30% |
| Retail trade | 348,926 | 9.15% | 302,213 | 10.17% |
| Construction | 281,237 | 7.38% | 241,469 | 8.12% |
| Health care and social assistance | (c) | | 230,245 | 7.75% |
| Professional, scientific, and technical services | (c) | | 235,388 | 7.92% |
| Manufacturing | 271,325 | 7.12% | 219,509 | 7.38% |
| Administrative and waste services | 295,581 | 7.75% | 219,817 | 7.39% |
| Accommodation and food services | 262,965 | 6.90% | 193,631 | 6.51% |
| Other services, except public administration | 230,065 | 6.03% | 179,160 | 6.03% |
| Finance and insurance | 196,146 | 5.14% | 134,492 | 4.52% |
| Total | 2,221,122 | 58.25% | 2,262,224 | 76.10% |
| Total Employment | 3,813,074 | | 2,972,563 | |

Source:

U.S. Department of Commerce Bureau of Economic Analysis, Regional Economic System Information, Houston Economic Area (Houston-The Woodlands-Sugar Land, TX), CA25N Total full-time and part-time employment by NAICS industry.

Notes:

- (a) Principal employer data was not available for the District.
- (b) Data is normally presented with the current year compared to nine years prior.
- (c) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

Lone Star College
 Statistical Supplement 14
 Faculty, Staff and Administrators Statistics
 Last Ten Fiscal Years
 (unaudited)

| | | Fiscal Year | | | | | | | | | |
|---------------------------------|--|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Faculty | | | | | | | | | | | |
| Full-Time | | 875 | 918 | 842 | 833 | 742 | 780 | 756 | 761 | 704 | 661 |
| Part-Time | | 2,382 | 2,039 | 1,999 | 1,894 | 1,900 | 2,271 | 2,118 | 1,923 | 1,910 | 1,799 |
| Total | | 3,257 | 2,957 | 2,841 | 2,727 | 2,642 | 3,051 | 2,874 | 2,684 | 2,614 | 2,460 |
| Percent | | | | | | | | | | | |
| Full-Time | | 26.9% | 31.0% | 29.6% | 30.5% | 28.1% | 25.6% | 26.3% | 28.4% | 26.9% | 26.9% |
| Part-Time | | 73.1% | 69.0% | 70.4% | 69.5% | 71.9% | 74.4% | 73.7% | 71.6% | 73.1% | 73.1% |
| Staff and Administrators | | | | | | | | | | | |
| Full-Time | | 1,852 | 1,673 | 1,581 | 1,479 | 1,431 | 1,408 | 1,340 | 1,263 | 1,214 | 1,187 |
| Part-Time | | 1,376 | 1,483 | 1,642 | 1,476 | 1,297 | 1,334 | 1,472 | 1,480 | 1,260 | 1,078 |
| Total | | 3,228 | 3,156 | 3,223 | 2,955 | 2,728 | 2,742 | 2,812 | 2,743 | 2,474 | 2,265 |
| Percent | | | | | | | | | | | |
| Full-Time | | 57.4% | 53.0% | 49.1% | 50.1% | 52.5% | 51.3% | 47.7% | 46.0% | 49.1% | 52.4% |
| Part-Time | | 42.6% | 47.0% | 50.9% | 49.9% | 47.5% | 48.7% | 52.3% | 54.0% | 50.9% | 47.6% |
| FTSE per Full-time Faculty | | 48.93 | 45.90 | 49.61 | 49.57 | 52.69 | 45.87 | 33.98 | 33.76 | 36.49 | 38.23 |
| FTSE per Full-Time Staff Member | | 23.12 | 25.19 | 26.42 | 27.92 | 27.32 | 25.41 | 19.17 | 20.34 | 21.16 | 21.29 |
| Average Annual Faculty Salary | | \$ 65,114 | \$ 65,376 | \$ 65,462 | \$ 65,835 | \$ 65,321 | \$ 65,012 | \$ 65,301 | \$ 62,755 | \$ 61,426 | \$ 58,424 |

Lone Star College
Statistical Supplement 15
Enrollment Details
Last Ten Fiscal Years
(unaudited)

| Student Classification | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | |
|------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 00-30 hours | 49,836 | 59.38% | 50,264 | 60.69% | 46,521 | 59.93% | 47,445 | 60.92% | 43,134 | 57.00% | 33,296 | 48.02% |
| 31-60 hours | 19,776 | 23.56% | 19,329 | 23.34% | 17,864 | 23.01% | 17,882 | 22.96% | 19,787 | 26.15% | 20,895 | 30.13% |
| > 60 hours | 14,320 | 17.06% | 13,225 | 15.97% | 13,236 | 17.05% | 12,550 | 16.12% | 12,759 | 16.86% | 15,148 | 21.85% |
| Total | 83,932 | 100.00% | 82,818 | 100.00% | 77,621 | 100.00% | 77,877 | 100.00% | 75,680 | 100.00% | 69,339 | 100.00% |

| Semester Hour Load | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | |
|----------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Less than 3 | 436 | 0.52% | 310 | 0.37% | 542 | 0.70% | 668 | 0.86% | 2791 | 3.69% | 702 | 1.01% |
| 3-5 semester hours | 15,099 | 17.99% | 13,130 | 15.85% | 11,340 | 14.61% | 12,224 | 15.70% | 14476 | 19.13% | 13,089 | 18.88% |
| 6-8 Semester hours | 24,637 | 29.35% | 24,431 | 29.50% | 22,763 | 29.33% | 21,610 | 27.75% | 21164 | 27.97% | 17,940 | 25.87% |
| 9-11 semester hours | 19,277 | 22.97% | 19,386 | 23.41% | 17,344 | 22.34% | 17,557 | 22.54% | 16553 | 21.87% | 13,851 | 19.98% |
| 12-14 semester hours | 20,330 | 24.22% | 21,384 | 25.82% | 21,102 | 27.19% | 21,667 | 27.82% | 17612 | 23.27% | 19,948 | 28.77% |
| 15-17 semester hours | 3,838 | 4.57% | 3,800 | 4.59% | 4,046 | 5.21% | 3,757 | 4.82% | 2797 | 3.70% | 3,377 | 4.87% |
| 18 & over | 315 | 0.38% | 377 | 0.46% | 484 | 0.62% | 394 | 0.51% | 287 | 0.38% | 432 | 0.62% |
| Total | 83,932 | 100.00% | 82,818 | 100.00% | 77,621 | 100.00% | 77,877 | 100.00% | 75,680 | 100.00% | 69,339 | 100.00% |

Average course load 8.5 8.5 8.8 8 8.7 8.4

| Tuition Status | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | |
|----------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Texas Resident (in-District) | 70,908 | 84.48% | 70,681 | 85.34% | 67,644 | 87.15% | 66,716 | 85.67% | 64901 | 85.76% | 61,054 | 88.05% |
| Texas Resident (out-of-District) | 9,776 | 11.65% | 9,164 | 11.07% | 7,573 | 9.76% | 8,019 | 10.30% | 7224 | 9.55% | 4,839 | 6.98% |
| Non-Resident Tuition | 3,248 | 3.87% | 2,973 | 3.59% | 2,404 | 3.10% | 3,142 | 4.03% | 3555 | 4.70% | 3,446 | 4.97% |
| Total | 83,932 | 100.00% | 82,818 | 100.00% | 77,621 | 100.00% | 77,877 | 100.00% | 75,680 | 100.00% | 69,339 | 100.00% |

Source: AIR Official Day - Fall

Statistical Supplement 15 (Cont)

| Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 35,171 | 58.95% | 22,237 | 48.52% | 28,830 | 65.80% | 23,372 | 56.73% |
| 13,039 | 21.86% | 11,758 | 25.66% | 8,383 | 19.13% | 10,107 | 24.53% |
| 11,449 | 19.19% | 11,835 | 25.82% | 6,603 | 15.07% | 7,721 | 18.74% |
| 59,659 | 100.00% | 45,830 | 100.00% | 43,816 | 100.00% | 41,200 | 100.00% |

| Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 232 | 0.39% | 246 | 0.54% | 218 | 0.50% | 223 | 0.54% |
| 11,974 | 20.07% | 10,941 | 23.87% | 10,301 | 23.51% | 9,669 | 23.47% |
| 15,455 | 25.91% | 11,669 | 25.46% | 11,110 | 25.36% | 10,254 | 24.89% |
| 11,442 | 19.18% | 8,514 | 18.58% | 8,309 | 18.96% | 7,716 | 18.73% |
| 16,917 | 28.36% | 12,053 | 26.30% | 11,541 | 26.34% | 11,206 | 27.20% |
| 3,213 | 5.39% | 2,185 | 4.77% | 2,161 | 4.93% | 1,955 | 4.75% |
| 426 | 0.71% | 222 | 0.48% | 176 | 0.40% | 177 | 0.43% |
| 59,659 | 100.00% | 45,830 | 100.00% | 43,816 | 100.00% | 41,200 | 100.00% |

8.7 8.7 8.8 8.6

| Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 54,138 | 90.75% | 41,477 | 90.50% | 38,948 | 88.89% | 36,873 | 89.50% |
| 3,965 | 6.65% | 2,951 | 6.44% | 3,481 | 7.94% | 3,093 | 7.51% |
| 1,556 | 2.61% | 1,402 | 3.06% | 1,387 | 3.17% | 1,234 | 3.00% |
| 59,659 | 100.00% | 45,830 | 100.00% | 43,816 | 100.00% | 41,200 | 100.00% |

**Lone Star College
Statistical Supplement 16
Student Profile
Last Ten Fiscal Years
(unaudited)**

| Gender | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|--------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Female | 49,978 | 59.55% | 50,043 | 60.43% | 47,155 | 60.75% | 48,086 | 61.75% | 46,503 | 61.45% | 42,187 | 60.84% | 35,925 | 60.22% | 27,545 | 60.10% | 26,351 | 60.14% | 24,791 | 60.17% |
| Male | 33,954 | 40.45% | 32,775 | 39.57% | 30,466 | 39.25% | 29,791 | 38.25% | 29,177 | 38.55% | 27,152 | 39.16% | 23,734 | 39.78% | 18,285 | 39.90% | 17,465 | 39.86% | 16,409 | 39.83% |
| Total | 83,932 | 100.00% | 82,818 | 100.00% | 77,621 | 100.00% | 77,877 | 100.00% | 75,680 | 100.00% | 69,339 | 100.00% | 59,659 | 100.00% | 45,830 | 100.00% | 43,816 | 100.00% | 41,200 | 100.00% |

| Ethnic Origin | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| White | 28,117 | 33.50% | 28,412 | 34.31% | 27,819 | 35.84% | 28,976 | 37.21% | 29,642 | 39.17% | 29,788 | 42.96% | 27,244 | 45.67% | 21,587 | 47.10% | 21,824 | 49.81% | 21,496 | 52.17% |
| Hispanic | 30,775 | 36.67% | 28,166 | 34.01% | 25,053 | 32.28% | 23,534 | 30.22% | 21,512 | 28.42% | 18,317 | 26.42% | 15,170 | 25.43% | 5,381 | 11.74% | 10,455 | 23.86% | 9,103 | 22.09% |
| African American | 13,746 | 16.38% | 15,326 | 18.51% | 13,971 | 18.00% | 14,644 | 18.80% | 13,804 | 18.24% | 10,598 | 15.28% | 8,239 | 13.81% | 11,520 | 25.14% | 4,956 | 11.31% | 4,626 | 11.23% |
| Asian | 5,958 | 7.10% | 5,514 | 6.66% | 4,989 | 6.43% | 4,521 | 5.81% | 4,404 | 5.82% | 4,784 | 6.90% | 4,076 | 6.83% | 3,013 | 6.57% | 2,804 | 6.40% | 2,558 | 6.21% |
| Foreign | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 0.00% | 735 | 1.23% | 178 | 0.39% | 753 | 1.72% | 847 | 2.06% |
| Native American | 212 | 0.25% | 204 | 0.25% | 243 | 0.31% | 258 | 0.33% | 297 | 0.39% | 321 | 0.46% | 274 | 0.46% | 758 | 1.65% | 173 | 0.39% | 136 | 0.33% |
| Other | 5,124 | 6.10% | 5,196 | 6.27% | 5,546 | 7.14% | 5,944 | 7.63% | 6,021 | 7.96% | 5,531 | 7.98% | 3,921 | 6.57% | 3,393 | 7.40% | 2,851 | 6.51% | 2,434 | 5.91% |
| Total | 83,932 | 100.00% | 82,818 | 100.00% | 77,621 | 100.00% | 77,877 | 100.00% | 75,680 | 100.00% | 69,339 | 100.00% | 59,659 | 100.00% | 45,830 | 100.00% | 43,816 | 100.00% | 41,200 | 100.00% |

| Age | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|--------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Under 20 | 30,431 | 36.26% | 28,378 | 34.27% | 25,466 | 32.81% | 20,005 | 25.69% | 19,910 | 26.31% | 22,769 | 32.84% | 12,380 | 20.75% | 16,769 | 36.59% | 16,644 | 37.99% | 15,499 | 37.62% |
| 20-24 | 27,048 | 32.23% | 26,390 | 31.87% | 24,866 | 32.04% | 28,122 | 36.11% | 27,294 | 36.07% | 22,029 | 31.77% | 24,654 | 41.32% | 14,969 | 32.66% | 13,881 | 31.68% | 13,231 | 32.11% |
| 25-29 | 10,303 | 12.28% | 10,467 | 12.64% | 9,964 | 12.84% | 11,167 | 14.34% | 10,718 | 14.16% | 9,292 | 13.40% | 9,086 | 15.23% | 5,435 | 11.86% | 5,054 | 11.53% | 4,596 | 11.16% |
| 30-39 | 9,911 | 11.81% | 10,781 | 13.02% | 10,499 | 13.53% | 11,342 | 14.56% | 10,974 | 14.50% | 9,417 | 13.58% | 8,269 | 13.86% | 5,204 | 11.36% | 4,888 | 11.16% | 4,665 | 11.32% |
| 40-49 | 4,420 | 5.27% | 4,799 | 5.79% | 4,834 | 6.23% | 5,127 | 6.58% | 4,900 | 6.47% | 4,203 | 6.06% | 3,710 | 6.22% | 2,497 | 5.45% | 2,464 | 5.62% | 2,353 | 5.71% |
| 50 & over | 1,819 | 2.17% | 2,003 | 2.42% | 1,992 | 2.57% | 2,114 | 2.71% | 1,884 | 2.49% | 1,629 | 2.35% | 1,560 | 2.61% | 956 | 2.09% | 885 | 2.02% | 856 | 2.08% |
| Total | 83,932 | 100.00% | 82,818 | 100.00% | 77,621 | 100.00% | 77,877 | 100.00% | 75,680 | 100.00% | 69,339 | 116.23% | 59,659 | 100.00% | 45,830 | 100.00% | 43,816 | 100.00% | 41,200 | 100.00% |

| | | | | | | | | | | |
|-------------|------|------|------|------|------|------|------|------|------|------|
| Average Age | 24.1 | 24.4 | 25.5 | 25.3 | 24.8 | 25.6 | 25.2 | 23.6 | 24.1 | 24.5 |
|-------------|------|------|------|------|------|------|------|------|------|------|

Source: AIR Official Day 2015

Lone Star College
Statistical Supplement 17
Transfers to Senior Institutions
(Includes only public senior colleges in Texas)
(unaudited)

| | Transfer Student Count | Transfer Student Count | Transfer Student Count | Total of all Lone Star Transfer Students | % of all Lone Star Transfer Students |
|--|------------------------|------------------------|------------------------|--|--------------------------------------|
| | Academic | Technical | Tech-Prep | | |
| University of Houston | 3,534 | 179 | 30 | 3,743 | 21.7% |
| Sam Houston State University | 2,703 | 182 | 32 | 2,917 | 16.9% |
| Texas A&M University | 2,317 | 101 | 23 | 2,441 | 14.1% |
| University of Houston - Downtown | 1,908 | 129 | 13 | 2,050 | 11.9% |
| The University of Texas at Austin | 1,255 | 58 | 16 | 1,329 | 7.7% |
| Texas State University - San Marcos | 911 | 30 | 9 | 950 | 5.5% |
| Texas Tech University | 590 | 33 | 9 | 632 | 3.7% |
| Prairie View A&M University | 440 | 37 | 9 | 486 | 2.8% |
| Stephen F. Austin State University | 429 | 12 | 5 | 446 | 2.6% |
| The University of Texas at San Antonio | 320 | 11 | 2 | 333 | 1.9% |
| Texas Southern University | 289 | 32 | | 321 | 1.9% |
| University of North Texas | 211 | 11 | 3 | 225 | 1.3% |
| The University of Texas at Arlington | 196 | 39 | 2 | 237 | 1.4% |
| The University of Texas at Dallas | 145 | 1 | 1 | 147 | 0.9% |
| University of Houston - Victoria | 142 | 16 | 3 | 161 | 0.9% |
| Texas Woman's University | 118 | 2 | 2 | 122 | 0.7% |
| Texas A&M University at Galveston | 117 | 3 | 1 | 121 | 0.7% |
| Lamar University | 108 | 16 | 2 | 126 | 0.7% |
| Texas A&M University - Corpus Christi | 85 | 5 | 1 | 91 | 0.5% |
| The University of Texas at Tyler | 65 | 2 | | 67 | 0.4% |
| University of Houston - Clear Lake | 63 | 7 | | 70 | 0.4% |
| Tarleton State University | 45 | 2 | 2 | 49 | 0.3% |
| Texas A&M University - Commerce | 33 | 8 | | 41 | 0.2% |
| West Texas A&M University | 28 | 7 | | 35 | 0.2% |
| Texas A&M University - Kingsville | 23 | 2 | | 25 | 0.1% |
| Midwestern State University | 18 | 4 | 1 | 23 | 0.1% |
| The University of Texas of the Permian Basin | 14 | 3 | | 17 | 0.1% |
| The University of Texas - Pan American | 14 | 1 | | 15 | 0.1% |
| Angelo State University | 11 | 1 | | 12 | 0.1% |
| The University of Texas at El Paso | 9 | 3 | | 12 | 0.1% |
| Texas A&M International University | 6 | | | 6 | 0.0% |
| Texas A&M University - San Antonio | 5 | | | 5 | 0.0% |
| The University of Texas at Brownsville | 1 | 1 | | 2 | 0.0% |
| Sul Ross State University | | 3 | | 3 | 0.0% |
| Grand Total | 16,153 | 941 | 166 | 17,260 | 100.00% |

Includes only Texas public institutions

Source:

Texas Higher Education Data, ASALFS Students Pursuing Additional Education

Lone Star College
Statistical Supplement 18
Capital Asset Information
Last Ten Fiscal Years
(unaudited)

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| Building Use | | | | | | | | | | |
| Square Footage (in thousands) | | | | | | | | | | |
| Instruction/Student Services | 3,140 | 3,106 | 2,994 | 2,969 | 2,969 | 2,080 | 2,080 | 1,814 | 1,814 | 1,814 |
| Safety, Facilities Systems | 103 | 103 | 103 | 103 | 103 | 95 | 58 | 41 | 41 | 41 |
| Libraries | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 |
| Public Service | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 |
| Auxiliary Services | 36 | 36 | 36 | 36 | 36 | 29 | 29 | 29 | 29 | 29 |
| Institutional Support | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 |
| Mixed Use | 222 | 222 | 222 | 222 | 222 | 222 | 222 | 0 | 0 | 0 |
| Dining Facilities | | | | | | | | | | |
| Square footage (in thousands) | 91 | 91 | 91 | 91 | 91 | 91 | 55 | 55 | 55 | 55 |
| Average daily customers | 4,550 | 4,550 | 4,550 | 4,550 | 4,300 | 4,100 | 3,900 | 3,900 | 3,900 | N/A |
| Athletic Facilities | | | | | | | | | | |
| Square footage (in thousands) | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 |
| Stadiums (number of buildings) | - | - | - | - | - | - | - | - | - | - |
| Gymnasiums (number of buildings) | - | - | - | - | - | - | - | - | - | - |
| Fitness Centers (number of buildings) | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Tennis Court (number of courts) | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |
| Transportation | | | | | | | | | | |
| Cars | 24 | 27 | 25 | 26 | 15 | 15 | 15 | 15 | 16 | 16 |
| Light Trucks/Vans | 50 | 42 | 37 | 33 | 20 | 20 | 20 | 20 | 17 | 17 |
| Buses | - | - | - | - | - | - | - | - | - | - |

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

Independent Auditors' Report

To the Board of Trustees
Lone Star College
The Woodlands, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lone Star College (the "College"), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 3, 2015.

Internal Control over Financial Reporting

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

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

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

To the Board of Trustees
Lone Star College
The Woodlands, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Purpose of this Report

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

Whitley Penn LLP

Houston, Texas
December 3, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Independent Auditors' Report

To the Board of Trustees
Lone Star College
The Woodlands, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Lone Star College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2015. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Board of Trustees
Lone Star College
The Woodlands, Texas

Opinion on Each Major Federal and State Program

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

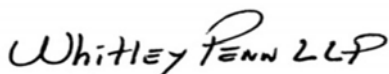
Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.



Houston, Texas
December 3, 2015

Schedule of Findings and Questioned Cost

LONE STAR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONS COSTS (continued)
For the Year Ended August 31, 2015

I. Summary of Auditors' Results

Financial Statements

| | |
|--|---------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Type of auditors' report issued on compliance with major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) 2-7 OMB Circular A-133? | None |

Identification of major programs:

| Name of Federal Program or Cluster | CFDA Numbers |
|--|---------------------|
| Student Financial Aid Cluster | |
| Federal Supplemental Education Opportunity Grant | 84.007 |
| Federal Work-Study Program | 84.033 |
| Federal Pell Grant Program | 84.063 |
| Direct Loan Program | 84.268 |
| TRIO Cluster | |
| Student Support Services | 84.042A |
| Talent Search | 84.044 |
| Upward Bound | 84.047A |
| Career and Technical Education | 84.048A |

Name of State Program

| | |
|---|-----|
| Jobs and Education for Texans | N/A |
| College Work – Study Program | N/A |
| Texas Educational Opportunity Grant Program | N/A |
| Nursing Shortage Reduction Plan – Under 70 Programs | N/A |
| Adult Education and Literacy 2015 | N/A |

LONE STAR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONS COSTS (continued)
For the Year Ended August 31, 2015

I. Summary of Auditors' Results (continued)

Dollar Threshold used to Distinguish between
Type A and B Programs

| | |
|---------|-----------|
| Federal | \$300,000 |
| State | \$300,000 |

Auditee qualified as a low-risk auditee

| | |
|---------|-----|
| Federal | Yes |
| State | Yes |

II. Financial Statement Findings

There are no current year findings.

III. Federal Award Findings and Questioned Costs

There are no current year findings.

IV. Status of Prior-Year Findings

There were no prior year findings.

V. Corrective Action Plan

Not applicable.



Lone Star College
5000 Research Forest Drive
The Woodlands, Texas 77381-4356
(832)-813-6500
www.lonestar.edu

