HOUSTON COMMUNITY COLLEGE

Houston Community College

Comprehensive Annual Financial Report and Single Audit Reports

For years ended
August 31, 2015 and 2014

Prepared by:
Division of Finance and Administration
Department of Accounting and Finance
Houston Community College System

HOUSTON COMMUNITY COLLEGE SYSTEM

TABLE OF CONTENTS

HOUSTON COMMUNITY COLLEGE SYSTEM

TABLE OF CONTENTS

HOUSTON COMMUNITY COLLEGE SYSTEM
ORGANIZATIONAL DATA
FOR THE YEAR ENDED AUGUST 31, 2015

BOARD OF TRUSTEES

OFFICERS OF THE BOARD OF TRUSTEES

Zeph Capo	Chair
Robert Glaser	Vice Chair
Dr. Adriana Tamez	Secretary

MEMBERS OF THE BOARD OF TRUSTEES		Term Expires December 31,
Sandie Mullins	Houston, Texas	2015
Eva L. Loredo	Houston, Texas	2015
Dr. Adriana Tamez, *Secretary*	Houston, Texas	2015
Dr. Carolyn Evans-Shabazz	Houston, Texas	2017
Christopher W. Oliver	Houston, Texas	2017
Robert Glaser, *Vice Chair*	Houston, Texas	2017
Neeta Sane	Houston, Texas	2019
Zeph Capo, *Chair*	Houston, Texas	2019
David Wilson	Houston, Texas	2019

PRINCIPAL ADMINISTRATIVE OFFICERS

Cesar Maldonado, Ph.D., P.E.	Chancellor
Teri Zamora, MACC	Sr. Vice Chancellor, Finance & Administration
Kimberly Beatty, Ph.D.	Vice Chancellor, Instructional Services & Chief Academic Officer
William Carter, Ph.D.	Vice Chancellor, Information Technology
Janet May, M.A	Chief Human Resources Officer
Rudy Soliz, Ed.D	Acting President, Southeast College
William Harmon, Ph.D.	President, Central College
Philip Nicotera, MD	President, Coleman College
Margaret Ford Fisher, Ed.D.	President, Northeast College
Zachary Hodges, Ed.D.	President, Northwest College
Orfelina Garza, Ph.D.	President, Southwest College
Charles Smith, P.E.	ChiefFacilities Officer
Irene Porcarello, Ed.D	Acting Vice Chancellor, Student Services
Karla Bender, Ed.D.	Controller
Ronald Defalco, CPA	Treasurer

Houston Community College
System Administration

Page Updated: December 2, 2015

- Board of Trustees
  - Chancellor
    - Chief of Staff
    - Executive Secretary
    - Manager Board Services
    - Executive Secretary
    - Sr. Vice Chancellor Finance & Administration
      - Chief Facilities Officer
      - Controller
      - Chief Human Resources Officer
      - Exec. Director Tax & Finance Compliance
      - VC Information Technology
      - Executive Director Financial Aid
      - Chief of Police
      - Exec. Director Procurement & Purchasing Operations
      - Treasurer
    - VC Instructional Services & Chief Academic Officer
      - AVC Instructional Services
      - Exec. Director Administrative Services
      - AVC College Readiness
      - Interim AVC Curriculum & Learning Initiatives
      - Interim AVC Workforce Instruction
      - Director SACS & Compliance
      - Faculty Senate President
    - Acting VC Student Services
      - AVC Enrollment Services
      - AVC International Student Services
      - AVC Student Success
      - President Central
      - President Coleman
      - President Northeast
      - President Northwest
      - President Southeast
      - President Southwest
    - Vice Chancellor Innovation Planning & Institutional Analytics
      - Chief Entrepreneurial Initiatives Officer
      - Executive Director Transformation & Inst. Effectiveness
      - Executive Director Research and Innovation
      - Executive Director International Initiatives
    - General Counsel
      - AVC Governmental & External Affairs
      - Director EEOC/Compliance
      - Assistant General Counsel
      - Assistant General Counsel
      - Executive Director Risk Management
      - Manager Records and Retention
    - Director Communication Services
      - Director HCC TV/ Communication
      - Program Director Wrkfc/Multi Marketing
      - Director Brand Management
      - Community Outreach Coordinator/Bond Campaign
      - Budget Analyst
      - Director Community Development
      - Director Print and E-Media
      - Senior Writer
      - Web Content Specialist
    - Director Internal Auditing
      - Sr. Internal Auditor
      - Internal Auditor
      - Internal Auditor
      - Internal Auditor
      - Research Assistant II
    - Executive Director Foundation
      - Director Advancement Services
      - Coordinator Alumni Relations & Retirees Association
      - Director Foundation Development & Communications
      - Alumni Specialist
      - Coordinator Development
      - Accountant II
      - Coordinator Development Workforce Instruction
      - Prospect Researcher
      - Scholarship Specialist

HOUSTON COMMUNITY COLLEGE
FINANCE AND ADMINISTRATION DIVISION

Office: 713.718.5187
Fax: 713.718.8583

December 18, 2015

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

Dear Board Members and Chancellor:

The Comprehensive Annual Financial Report of the Houston Community College System (HCCS) for the fiscal year ended August 31, 2015, is hereby submitted. This is management's report of the financial position and results of operations to the Board of Trustees, taxpayers, Texas Higher Education Coordinating Board, grantor agencies, employees and other interested parties. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with HCCS.

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 Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The Notes to the Financial Statements are provided in the financial section and are considered essential for fair and adequate disclosure of all information presented in this financial report. The notes include the Summary of Significant Accounting Policies, Authorized Investments and other necessary disclosures of important matters relating to the financial position of HCCS. Notes are meant to supplement the information in the financial statements and should be read in conjunction with them.

HCCS is reporting as a special purpose government engaged solely in business-type activity (BTA). This presentation of financial reporting combines all fund groups into a single column and resembles the format of the corporate presentation, thus complying with GASB Statements 34 and 35.

To the best of our knowledge and belief, the basic financial statements referred to above present fairly, in all material respects, the financial position of HCCS and the results of its operations and cash flows as of August 31, 2015. The financial statements have been completed in conformity with accounting principles generally accepted in the United States of America.

Governmental Structure

The Houston Community College System was established as a public community college by voters of the Houston Independent School District (HISD) in an election held in Houston, Texas in 1971. HCCS separated from HISD and established its own board in 1989 and restructured into a multi-college system in 1992. The Houston Community College System operates under the Constitution of the State of Texas and the Texas Education Code. The Board of Trustees is the official governing body of the Houston Community College System. The Board of Trustees is composed of nine members who are elected from single-member Districts and'"ho serve without remuneration . The Board of Trustees is elected to staggered six-year terms and has final authority to determine and interpret the policies that govern HCCS. As part of their duties, the Board of Trustees maintains a full schedule of community services. public appearances. speaking engagements and legislative affairs on behalf of HCCS. The Board of Trustees represents an impressive mix of individual talents and professional backgrounds enabling them to provide governance of the highest quality. Additional duties and responsibilities of the Board of Trustees are:

- To appoint. support, and assess the performance of the Chancellor
- To clarify the mission of the institution
- To approve long-range plans
- To approve the educational program
- To ensure the wellbeing of faculty. students and staff
- To ensure strong financial management
- To ensure adequate financial resources
- To preserve institutional autonomy
- To interpret the campus to the community
- To interpret the needs of society to the campus
- To assess their own performance

Regular meetings of the Board of Trustees are held on the fourth Thursday of each month at the HCCS Administrative Building. 3100 Main. 2nd Floor Auditorium Boardroom, Houston. Texas 77002, unless otherwise announced. Other meetings such as committees, workshops and special meetings are held on an as-needed basis. Public notices of all meetings are posted at the Administrative Building and on HCCS' website. The Board of Trustees envisions HCCS as the educational institution of choice for those who seek skilled training for the workforce, those who seek to upgrade their skills to enhance preparedness for economic opportunity, and those who seek lifelong seamless educational opportunities to enhance their quality of life. The Board of Trustees views HCCS as an integral part of the economic and educational life of the community and supports their view by establishing quality partnerships, being responsive to community needs and assisting HCCS in providing this vital service.

Profile

Houston Community College (HCC) has a v1s1on to be a leader in providing high quality. innovative education leading to student success and completion of workforce and academic programs. HCC will be responsive to community needs and drive economic development in the communities we serve. HCC is committed to meeting the needs of its diverse communities, providing academic courses for transfer to four-year institutions, degrees and certificates in more than seventy fields of work, as well as continuing education and corporate training, lifelong learning and enrichment.

Houston Community College is a diverse and complex multi-campus institution accredited by the Southern Association of Colleges and Schools' Commission on Colleges to award associate degrees. With a population of 2.3 million, Houston is the fourth largest city in America and the largest city in Texas.

The community is about one hour from the Texas' gulf coast. HCC is one of the largest institutions of higher education in the country with a Fall enrollment of approximately 70,000 students and 6 colleges with 22 campuses in a 631 square mile service area. HCC students are served by nearly 2.400 full and part-time faculty members. HCC enrolls more international students than any community college in the country.

The service delivery area (SDA) of Houston Community College includes the school districts of Houston, Stafford, Katy, Spring Branch, Alief, and portions of Fort Bend ISD located in Houston, Pearland, and Missouri City. The area is economically. educationally and ethnically diverse. While the average household income is $80,210. more than 23.8% of the households in the SDA have an income less than $25,000. While 36% of the population has some type of college degree, 23% of the population has no high school degree or GED. The population's ethnicity is 41% Hispanic. 28% white, 22% African American and 9% other. There is a relatively large young population. with 829,423 individuals, or 36 %, under the age of 18 years old. These factors give Houston Community College the potential of providing a large workforce pool for the service delivery area. the state and the nation's economic growth, and the energy and healthcare sectors in particular.

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

Major Initiatives

Houston Community College continues to improve its outcomes. HCC is among the top in the nation for preparing students for jobs. *Community College Week* now ranks HCC third nationally among two-year institutions in the number of Associate Degrees produced in 2014; which is an increase from a ranking of 4th in 2013. Including Associates Degrees, Certificates, Core Completers, and Marketable Skills Achievers, HCC's total awards for 2014 were 10,600 as compared to 8,195 during 2010. The focus on retention and completion continues in 2015 and 2016 through a variety of student services initiatives.

The 84th Texas Legislature passed HB1, the General Appropriations Act, which provides $1.745 billion in instructional funding to community/junior colleges in Texas.

With its proportionate share of the community college funding, Houston Community College pledges to:

- Enhance higher education relationships with universities to provide students seamless transfer opportunities to continue their higher education;
- Provide technical job-ready graduates that can meet the demands of the industry;
- Provide students with the degrees and training necessary to increase their employment opportunities and/or career advancement;
- Work cooperatively with community colleges and other partners to address Texas· training needs;
- Continue to strengthen relationships with Texas public schools to promote high school graduation and college preparation with a variety of joint programs that directly emphasize STEM experiences:
- Maintain close relationships with industry to implement current business practices in the design and delivery of technical training programs, set new standards in the achievement of technical skills, and develop/redesign new technical programs to meet industry needs;
- Maximize College's resources by continually looking for ways to increase efficiency in all areas.

To facilitate the organization into becoming all that it can be. in fiscal year 2014-2015, Houston Community College began its first phase of institutional transformation. HCC has moved from a "center of delivery" model to a "center of excellence" model in order to achieve its vision – one with relevance, fiscal accountability. and structural nimbleness and flexibility, one that supports our new vision.

With 16 Centers of Excellence located strategically throughout the HCC's servicing districts, each Center will provide expert faculty teaching and state of the art facilities and equipment. This will allow students to focus on an in-demand field of study. with concentrated counseling and shared experiences with other like-minded students, thereby increasing persistence and student success rates.

By allowing us to focus our resources and best faculty in one location, the Centers of Excellence will provide the following outcomes and benefits:

- Increased capacity to serve the community with technical and academic programs;
- Increased facility utilization rates;
- Decreased costs of delivery of instruction and support services;
- Increased productivity of human capital:
- Increased accountability at all levels of the organization;

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[redacted]

- Increased external funding opportunities through industry, grants, and other non-traditional sources;
- Increased consistency and quality of student experience;
- increased student success.

Tomorrow's HCC will produce a more efficient college; a more interconnected college; a more responsive college; a more aligned college; a more innovative college; and a more successful student and graduate.

Mission, Guiding Principles, Vision, & Strategic Initiatives 12012 - 2015

Mission

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

Guiding Principles

Freedom with Responsibility
Commitment to Excellence
Respect for the Person
Sound Stewardship

Vision

HCC will be a leader in providing high quality. innovative education leading to student success and completion of workforce and academic programs. We will be responsive to community needs and drive economic development in the communities we serve.

Vision-Strategic Themes

HCC will be:

- The economic engine for the region
- A world class leader in higher education
- A global leader in innovation and teaching
- The educational institution of choice
- The recognized leader among community colleges
- A trusted leader proving innovative educational opportunities relevant to student success
- Streamlined, nimble, innovative, and responsive
- The institution that continually transfonns learning

Vision-Core Values

- Set and maintain high academic standards
- Collaboration
- United through a common mission
- Give the community a well-educated workforce
- Culture of Trust – Demonstrating Integrity and Ethics
- Lead by innovation in excellence
- Demonstrate passion
- Accountability
- Commitment to our students/student success
- Consistency across the institution

Vision-Behavioral Competencies

- Deliver High Quality of work
- Accepting responsibility
- Serving our stakeholders
- Supporting organizational goals
- Driving Continuous Improvement
- Acting with integrity
- Critical thinking
- Managing Change -adapting to support change
- Communicating Effectively

Strategic Initiative,;

The seven initiatives of the 2012 – 2015 Strategic Plan are:

1. . increase Student Completion through Advanced Educational Opportunities
2. Respond to the Needs of Business and lndustl)[1] for Skilled Workers
3. Ensure Instructional Programs Provide the Knowledge and Skills Required for 21st CentUI)' Learners
4. Enrich Institutional Capacity for Faculty and Staff Professional Development and Student Leadership Development
5. Support Innovation as a Means to Improve Institutional Resilience
6. Cultivate an Entrepreneurial Culture Across the Institution
7. Leverage Local and International Partnerships for Institutional and Community Development

All initiatives are important to moving the institution to the next level; however the focus on student success continues to be HCC's top priority. The College is in the final stages of developing its new strategic plan, which will be put into operation in January 2016.

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Financial Information

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

Single Audit: HCCS receives federal and state financial assistance during the fiscal year, which results in HCCS being responsible to ensure adequate internal control and compliance with laws, regulations, contracts, and grant agreements related to those programs. The management periodically reviews the internal controls to ensure the adequacy of the controls. Additionally. during the federal and state single audit, the independent auditor tests the adequacy of internal controls and compliance with applicable laws, regulations, contracts, and grant agreements for the major federal and state programs. In the fiscal year ended August 31, 2015. the single audit identified no material weaknesses.

Budgeting Control: The Board of Trustees adopts an operating budget annually, providing authority to expend funds in accordance with state law, board policy, and HCCS' approved budgeting procedures. Included in the annual budget are the activities of the Unrestricted Fund, Auxiliary Fund, Operating Technology Fund and Retirement of Debt Service Fund. HCCS has adopted the concept of Performance Based Budgeting. Performance Based Budgeting contains an integrated set of strategic goals with associated action plans, measures and targets, and priority funds dedicated to achieving them. The Performance Based Budget aligns the budget process to the strategies, goals and action plans of HCCS. which centers on the outcome of student success. Each HCCS department builds an action plan to support the goals and objectives so that our strategy is aligned from the top-down.

The Office of Fiscal Planning and Budget monitors the overall budget activities. internal controls have been implemented to ensure that expenses fall within the budget and purchasing guidelines. An encumbrance accounting system is utilized to help maintain budgetary control, allowing expenses for prior fiscal years' encumbered amounts to impact the previous years' budget in which the original encumbrance was entered.

Periodic financial and budget reports are submitted to the Board of Trustees to report on the status of all HCCS funds and accounts. Annual financial reports are prepared in accordance with relevant law.

Internal and external audits are periodically conducted to evaluate all financial operations of HCCS. These audits ensure that HCCS resources are properly managed and accounted for and that the internal controls are effective and adequate, complying with approved policies.

In accordance with HCCS' budgeting control policy, intra-fund transfers of budgets are allowed and must go through the approval process. The transfer must be approved by the budget authority of the requesting department and then forwarded to the Office of Fiscal Planning and Budget for processing. Funds cannot be transferred from restricted budgets that are set up for salaries and fixed expenses. The transfer of budget between different fund groups is not allowed. For example. budgets can't be transferred from unrestricted to restricted and vice versa.

The management and discussion analysis references topics pertam mg to Houston Community College's major initiatives, future outlook and financial information.

Independent Audit

The annual audit is conducted in accordance with Generally Accepted Auditing Standards (GAAS) applicable to financial audits contained in Government Accounting Standards (including GASB 34 and 35). The audit includes the basic financial statements of HCCS and supplemental schedules in the precise format prescribed by the Texas Higher Education Coordinating Board. All federal reports and schedules as required by the Office of Management and Budget Circular A-133 (Single Audit) are included. The Single Audit financial reports consist of the Schedule of Expenditures of State Awards, Schedule of Expenditures of Federal Awards and the auditor's report on compliance and internal controls. HCCS' Board of Trustees engaged Grant Thornton LLP as the accounting firm to perform the annual financial audit.

Awards

The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Houston Community College System for its compressive annual financial report for the fiscal year ended Augus1, 31, 2014. In order 10 be awarded a Certificale of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generaly accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe 1hat 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/or another certificate.

Acknowledgements

We would like to thank the Board of Trustees for its guidance and direction. It is with special appreciation that we acknowledge the Finance and Administration Division and all members of the staff for their support, hard work and dedication. We would like to also thank Grant Thornton LLP for their assistance with the audit.

Respectively Submined,

Teri Zamora

Teri Zamora, MACC
Sr. Vice Chancellor, Finance and Administration

Karla Bender

Karla Bender, Ed.D.
Controller

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Houston Community College System

Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

August 31, 2014

Executive IJirector/CEO

Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Houston Community College System
Houston, TX

We have audited the accompanying financial statements of Houston Community College System (the "System"), which comprise the statement of net position as of August 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Other Matters

Emphasis of a matter

As discussed in Note 2 to the financial statements, the System adopted new accounting guidance in 2015 related to the accounting for pensions. Our opinion is not modified with respect to this matter.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 32, and required supplementary information on pages 69 through 70, be presented to supplement the basic financial statements. Such information, although not a required 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. 1bis required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 72 and 75 and the schedule of expenditures of federal awards and schedule of expenditures of State of Texas awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Llcal Governments, and Non-Profit Ozyanizations*, and the State of Texas *Single Audit Circular* are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other information

The statistical section on pages 78 through 102, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 18, 2015, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Grant Thornton LLP

Houston, Texas
December 18, 2015

INTRODUCTION

This section of Houston Community College System's ("HCC" or the "System") Annual Financial Report presents management's discussion and analysis. Management's Discussion and Analysis is included to provide a narrative introduction, overview and analysis of the financial position and changes in financial position of the System's financial activity during the fiscal years ended August 31, 2015 and 2014. Since management's discussion and analysis is designed to focus on current activities, and currently known facts, please read this in conjunction with the System's basic financial statements and the notes thereto. Responsibility for the completeness and fairness of this information rests with the management of the System.

FINANCIAL STATEMENTS

The financial statements of this annual report consist of three parts – Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The financial statements, consisting of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments;* and No. 35 (GASB 35), *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.*

These three statements will assist the reader in determining whether the System, as a whole, is performing financially better this year as compared to last year. The financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

The Statements of Net Position report all of the System's assets, liabilities and deferred outflows and inflows of resources. Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is subdivided into three categories to indicate the limitations on its use. Net investment in capital assets is not available for general use, since these are resources that have been invested in capital assets such as land, building and improvements, and equipment of the System. Restricted net position is not accessible for general use because the use of these assets is subject to third-party restrictions. Any remaining net position is classified as unrestricted and is available for general use.

Over time, increases or decreases in net position indicate the improvement or erosion of the System's financial health when considered with non-financial facts, such as enrollment levels and the condition of the facilities.

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred over the course of the fiscal year. Activities are reported as either operating or non-operating. Operating revenues are primarily those that result from instruction, the operation of the System's auxiliary services, and federal and state grants. State appropriations and ad-valorem taxes, while budgeted for operations, are considered to be non-operating revenue. Depreciation on capital assets is included in operating expenses. Since state appropriations and ad-valorem taxes are a significant portion of maintenance and operations funding, classification of this revenue as non-operating will usually result in an operating deficit.

Another important factor to consider when evaluating financial viability is the System's ability to meet financial obligations as they mature. The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing and investing activities.

This discussion and analysis of the System's financial statements provides an overview of its financial activities for the fiscal year.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND CONDENSED FINANCIAL INFORMATION

Statement of Net Position

The Statement of Net Position represents the System's financial position at the end of the fiscal year and includes all assets, liabilities and deferred inflows and outflows of resources of the System using the accrual basis of accounting. The accrual basis of accounting is similar to the accounting basis utilized by most private-sector institutions. Net Position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and serves as a general indicator of financial stability. When permanent endowments (those that must be maintained in perpetuity) are included in this component, restricted net position must be further divided and displayed in two sub-components, expendable and non-expendable.

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

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

Implementation of GASB 68, as amended by GASB Statement No. 71, impacts the current years' Statement of Net Position. Significant changes in assets, liabilities and net position are attributable to implementation of GASB 68, as amended by GASB Statement No. 71. Deferred outflows on the pensions plan are related to changes in actuarial assumptions that occur at the plan level, differences in expected and actual economic experience at the plan level, contributions made to the Teacher Retirement System (TRS) after the measurement date, and the difference between the employer's contributions and their proportionate share of contributions. Deferred inflows for the pension plan are related to the difference between projected and actual investment earnings and the difference between the employer's contributions and their proportionate share of contributions. The net pension amount was measured at August 31, 2014 and was established per amounts recorded in TRS' Comprehensive Annual Financial Statement and TRS' Audited 2014 GASB 68 Allocation Schedules.

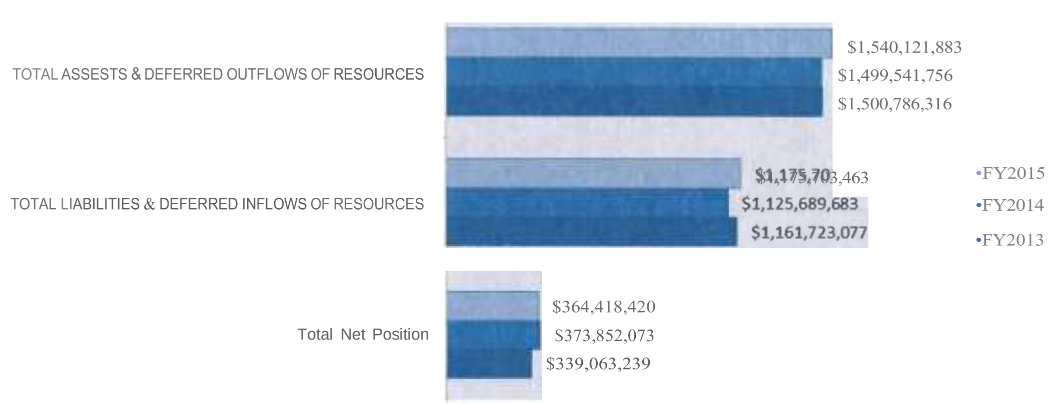
Information regarding the recording of deferred outflows and deferred inflows related to the pension plan, and the net pension liability can be found in Note 14 in the accompanying Notes to the Financial Statements.

This statement defines the financial position of the System and includes a comparison for fiscal years 2015, 2014 and 2013.

Statement of Net Position

	2015	2014	2013	Change 2015 to 2014	Change 2013 to 2014
As.5ETS:					
Current Assets	$ 147,638,605	125,749,264	$ 143,137,782	$ 21,889,341	$ (17,388,518)
Non-current Assets	421,599,334	495,063,620	566,848,096	(73,464,286)	(71,784,476)
Capital Assets	950,841,107	870,756,195	782,119,403	80,084,912	88,636,792
	1,520,079,046	1,491,569,079	1,492,105,281	28,509,967	(536,202)
DEFERRED OUTFLOWS OF RESOURCES					
Advance Funding Valuation	8,743,822	7.972.677	8,681,035	771,145	(708,358)
Pension	11,299,015			11,299,015	
	20,042,837	7,972,677	8,681,035	12,070,160	(708,358)
TOTAL ASSESTS & DEFERRED OUTFLOWS OF RESOURCES	$ 1,540,121,883	1,499,541,756	$ 1,500,786,316	$ 40,580,127	(1,244,560)
LIABILITIES:					
Current Liabilities	119,251,143	113,335,339	113,309,337	5,915,804	26,002
Non-current Liabilities	1,035,030,536	1,011,479,574	1,048,413,740	23,550,962	(36,934,166)
	1,154,281,679	1,124,814,913	1,161,723,077	29,466,766	(36,908,164)
DEFERRED INFLOWS OF RESOURCES					
Advance Funding Valuation	795,245	874.770		(79,525)	874,770
Pension	20,626,539			20,626,539	
	21,421,784	874.770		20,547,014	874,770
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1.175.703,463	1.125,689.683	1.161.723.077	50.013,780	(36,033,394)
NET POSITION:					
Investment in Plant, Net	290,770,960	244,073,582	230,705,769	46,697,378	13,367,813
Restricted-Expendable	13,290,548	14,803,614	1,215,548	(1,513,066)	13,588,066
Unrestricted	60,356,912	114,974,877	107,141,922	(54,617,965)	7,832,955
TOTAL NET POSITION	364,418,420	373.852.073	339,063,239	(9,433,653)	34,788,834

Statement of Net Position
Comparison - August 31, 2015, 2014, 2013



Fiscal Year 2015:

In comparing fiscal year 2015 to fiscal year 2014, overall assets increased by $28.5 million. Current assets increased by $21.9 million, due to increases in cash and cash equivalents (Note 4). Noncurrent assets increased by $6.6 million. This was comprised of a decrease of $73.4 million in restricted cash and long-term investments and an increase in capital assets of $80.l million (Note 6). The increase in capital assets consisted of land purchases of $12.5 million, building purchases of $22.2 million and other capital expenditures of $69.3 million, net of depreciation of $21.5 million.

Overall returns on investments decreased by $754 thousand in fiscal year 2015 due to the $51.8 million decrease in cash and investments from fiscal 2014. The investment portfolio is highly liquid with 76% of the assets invested in local government pools, money market funds and short-term certificates of deposit. All pools and money market funds are rated at the highest level. Certificates of deposit, high yield savings and other bank deposits are secured with U.S. Treasuries or United States agencies which have the full faith and credit of the United States government. The balance of the portfolio is invested in government-sponsored entities/agencies with "AAA" credit ratings.

Fiscal Year 2014:

In comparing fiscal year 2014 to fiscal year 2013, there was a decrease of $86.4 million in cash and cash equivalents, and long-term investments. The decrease is due mainly to land purchases of $30.7 million and capital expenditures of $50.9 million.

Overall returns on investments increased slightly in fiscal year 2014 to a weighted average interest rate of .42% at August 31, 2014. The investment portfolio is highly liquid with 89% of the assets invested in local government pools, money market funds and short-term certificates of deposit. All pools and money market funds are rated at the highest level. Certificates of deposit, high yield savings and other bank deposits are secured with U.S. Treasuries or United States agencies which have the full faith and credit of the United States government. The balance of the portfolio is invested in government-sponsored entities/agencies with "AAA" credit ratings.

Liabilities

Fiscal Year 2015:

Overall liabilities increased by $29.5 million from fiscal year 2014 to fiscal year 2015. Net pension liability increased by $67.4 million for FY 2015 due the implementation of GASB 68. This is offset by a decrease in General Obligation bonds of $16.0 million due to principal payments. Notes payable decreased by $6.8 million due to principal payments. Revenue bonds of $77.8 million were issued which defeased $34.7 million of System revenue bonds and $42.3 million in PFC lease revenue bonds. There were principal payments made on all revenue bonds of $12.5 million and principal payments of $4.2 million were made on PFC lease revenue bonds. Accounts payable and accrued liabilities increased by $2.8 million.

Fiscal Year 2014:

Overall liabilities decreased by $36.9 million from fiscal year 2013 to fiscal year 2014. General Obligation bonds decreased by $10.0 million due to principal payments. Notes payable decreased by $8.l million due to principal payments. There were principal payments made on all revenue bonds of $12.7 million and principal payments of $4.2 million were made on PFC lease revenue bonds. Accounts payable and accrued liabilities decreased by $3.9 million. Unearned revenues increased by $1.6 million due to an increase in Fall 2014 enrollment versus Fall 2013 enrollment.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the System, both operating and non-operating, and the expenses incurred by the System, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the System.

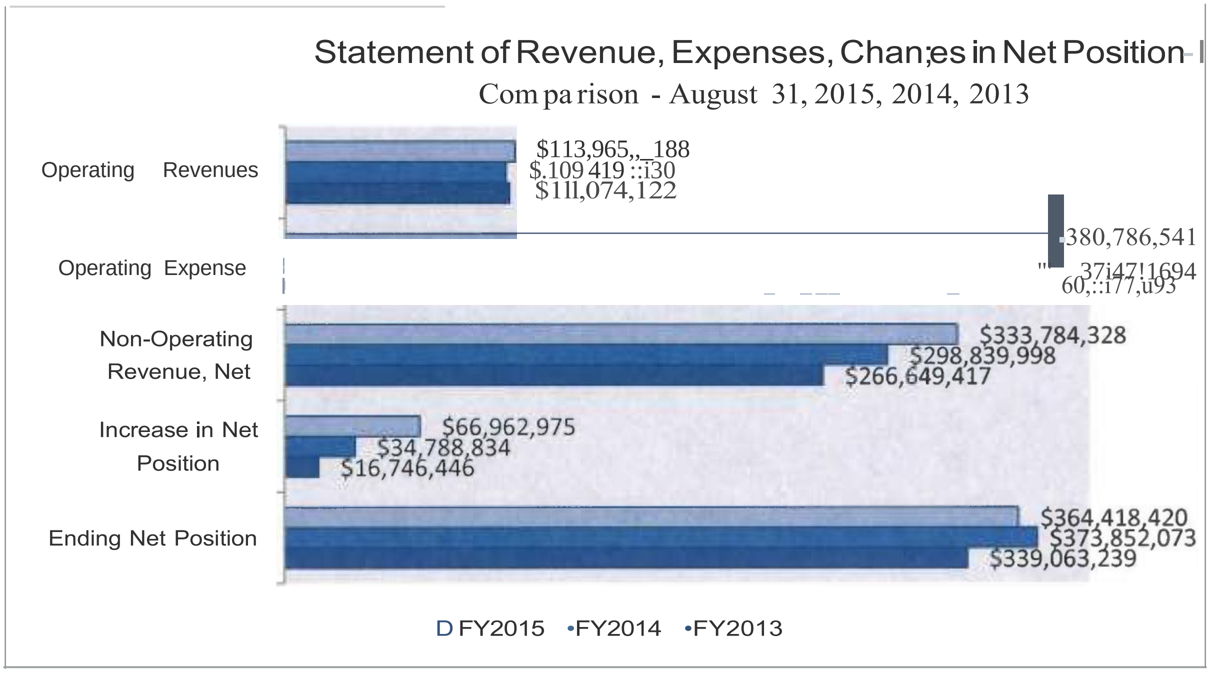
The Statement of Revenues, Expenses and Changes in Net Position present the System's results of operations for the fiscal year. Operating revenues are generated from the services provided to students and other customers of the System. Operating expenses include those costs incurred in the production of goods and services which result in operating revenues, as well as depreciation and amortization. All other activity is classified as non-operating revenues, expenses, gains and losses. Since a large portion of the revenue including Ad Valorem Taxes and State of Texas appropriations are classified as non-operating revenues, Texas public community colleges may reflect an operating loss with the increase or decrease in net position reflective of all activity.

Total revenues and total expenses should be considered in assessing the change in the System's financial position. When total revenues exceed total expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. Further detail is presented in the Statements of Revenues, Expenses and Changes in Net Position and notes to the financial statements.

A summarized comparison of the System's revenues, expenses and changes in net position for the years ended August 31, 2015, 2014, and 2013 is presented in table below.

Statement of Revenues, Expenses, and Changes in Net Position

				Change	
	2015	2014	2013	2014 to 2015	2013 to 2014
Operating Revenues	$ 113,965,188	$ 109,419,530	$ 111,074,122	$ 4,545,658	$ (1,654,592)
Operating Expenses	380,786,541	373,470,694	360,977,093	7,315,847	12,493,601
Operating Loss	(266,821,353)	(264,051,164)	(249,902,971)	(2,770,189)	(14,148,193)
Nonoperating Revenue, Net	333,784,328	298,839,998	266,649,417	34,944,330	32,190,581
Increase in Net Position	$ 66,962,975	$ 34,788,834	$ 16,746,446	$ 32,174,141	$ 18,042,388
Net Position, Beginning of Year	$ 373,852,073	$ 339,063,239	$ 322,316,793	34,788,834	16.746,446
Cumnulative Effect for 0.anges in Accounting Principle	(76,396,628)			(76,396,628)	
Fnding Net Position	$ 364,418,420	$ 373.852.073	$ 339,063.239	$ (9,433.653)	$ 34.788.834



Revenues

Fiscal Year 2015

Overall, operating revenues increased by $4.5 million or 4.2% in fiscal year 2015 as compared to fiscal year 2014 (Exhibit 2). The System experienced an increase of 6.2% or $ 4.4 million in tuition and fee revenue; a decrease of 1.7% or $0.2 million in federal grants and contracts; and an increase of 58.2% in state grants and contract revenue. Tuition and fees increased due to an increase in workforce continuing education enrollment. Increases in state grant revenue are due to an increase in financial aid awards of the Texas Education Opportunity Grant.

Non-operating revenues increased by 11.5% or $37.4 million over the previous year, mainly due to an increase in ad valorem tax revenue, along with an increase in other non-operating revenue (Schedule C). The total tax base in the System's taxing district increased from 2014 to 2015 by approximately 10%, resulting in an increase in the Maintenance & Operation portion of ad valorem taxes of $11.1 million. An increase in debt service needs resulted in a corresponding increase in the Debt Service portion of ad valorem taxes in the amount of $19 million. Other Non-Operating Revenues increased by $5.8 million due to the gain realized on the defeasance of the 2006 Junior Lien Revenue Bonds and the 2005C and 2006 PFC Lease Revenue Bonds.

Fiscal Year 2014

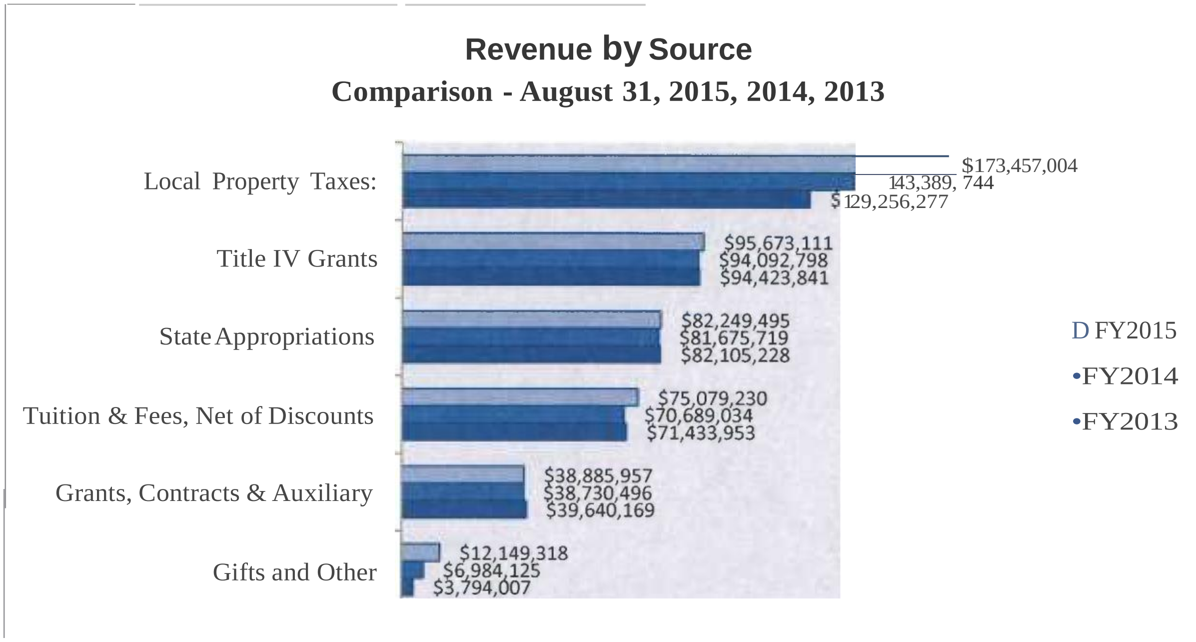
Overall, operating revenues decreased by $1.7 million or 1.5% in fiscal year 2014 as compared to fiscal year 2013. The System experienced a decrease of 1% or $ 0.7 million in tuition and fee revenue; a decrease of 5% or $0.7 million in federal grants.and contracts; and a decrease of 9% in state grants and contract revenue. Tuition and fees decreased due to enrollment declines experienced in the fall and spring semesters. Decreases in federal and state grant revenue are due to several grants that ended during the period. These decreases are partially offset by increases in revenue from local grants and contracts and auxiliary enterprises.

Non-operating revenues increased by 5.4% or $16.6 million over the previous year, mainly due to an increase in ad valorem tax revenue, along with increases in investment income and other non-operating revenue. The total tax base in the System's taxing district increased from 2013 to 2014 by approximately 10%, resulting in an increase in the Maintenance & Operation portion of ad valorem taxes of $7.9 million. An increase in debt service needs resulted in a corresponding increase in the Debt Service portion of ad valorem taxes in the amount of $6.2 million. The increase is offset by a decrease in interest paid on capital related debt of $16 million due to the capitalization of interest on construction in process. Interest earned for FY 2014 was $3.7 million. Non-operating revenue, net of expenses, increased by $32.2 million for a total increase in net position of $34.8 million.

Revenue hv Source

				Change	
	2015	2014	2013	2014 to 2015	2013 to 2014
OPERATING REVENUES:					
Tuition & Fees, Net of DiscolDlts	$ 75,079,230	$ 70,689,034	$ 71,433,953	$ 4,390,196	$ (744,919)
Grants, Contracts & Auxiliary:					
Federal	13,782,110	14,019,776	14,702,419	(237,666)	(682,643)
State	8,772,358	5,543,642	6,156,585	3,228,716	(612,943)
Local, Private & Non-Governmental	2,786,499	2,747,018	2,688,266	39,481	58,752
Auxiliary	13,544,991	16,420,060	16,092,899	(2,875,069)	327,161
Total Grants, Contracts & Auxiliary	38,885,958	38,730,496	39,640,169	155,462	(909,673)
TOTAL OPERATING REVENUES	113,965,188	109,419,530	111,074,122	4,545,658	(1,654,592)
NONOPERA TING REVENUES:					
State Appropriations:					
Unrestricted	69,155,893	69,148,935	70,014,003	6,958	(865,068)
Restricted	13,093,602	12,526,784	12,091,225	566,818	435,559
Total State Appropriations	82,249,495	81,675,719	82,105,228	573,776	(429,509)
Local Property Ta><es:					
M & O	125,073,172	113,987,287	106,097,476	11,085,885	7,889,811
Debt	48,383,832	29,402,457	23,158,801	18,981,375	6,243,656
Total Local Property Ta<es	173,457,004	143,389,744	129,256,277	30,067,260	14,133,467
Title IV Grants	95,673,111	94,092,798	94,423,841	1,580,313	(331,043)
Gifts and Other:					
Gifts	1,260,854	1,436,292	1,591,888	(175,438)	(155,596)
Other	10,888,464	5,547,833	2,202,119	5,340,631	3,345,714
Total Gifts and Other	12,149,318	6,984,125	3,794,007	5,165,193	3,190,118
TOTAL NONOPERA TING REVENUES	363,528,928	326, 142,386	309,579,353	37,386,542	16,563,033
TOTAL REVENUES	$477-494.1 16	$435.561 ,9 16	$420,653,475	$ 4 1.932.200	$ 14,908,441

Revenue bv Source

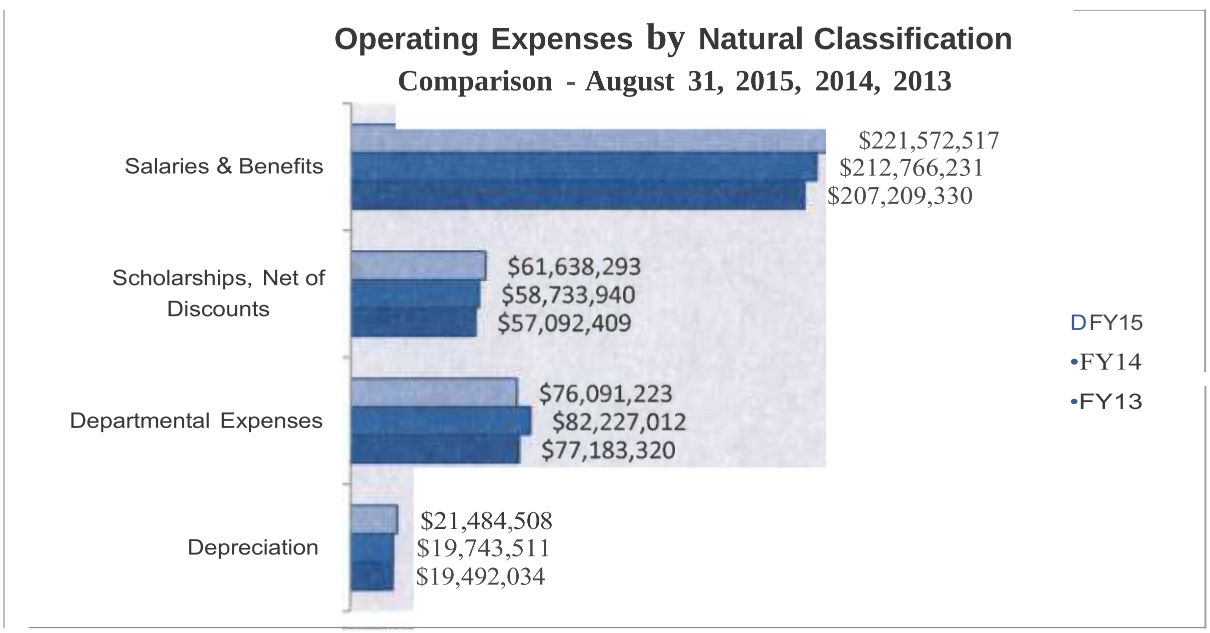


Expenses

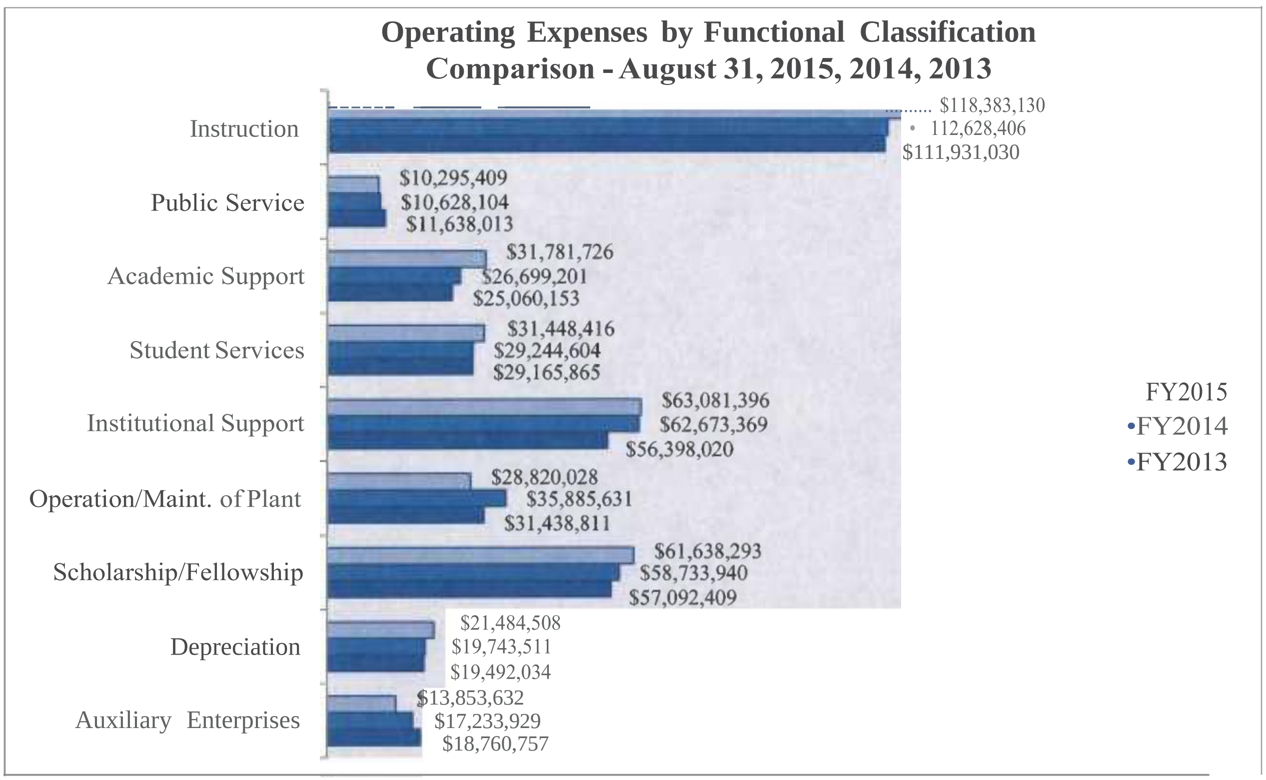
The schedules below provide a three-year historical record of the use of funds by functionality and natural classification. The expenses reported include both restricted and unrestricted funds, and are on the accrual basis.

Operating Expenses by Natural Classification

	2015	% of Total	% of Total	2013	% of Total	2014 to 201	Change
Salaries & Benefits	$221,572,517	58.2%	57.0%	$ 207,209,33	57.4%	$ 8,806,28	
Scholarships, Net of Discounts	61,638,293	16.2%	15.7%	57,092,40	15.8%	2,904,35	
Departmental Expenses	76,091,223	20.0%	22.0%	77,183,32	21.4%	(6,135,78	
Depreciation	21,484,508	5.6%	5.3%	19,492,03	5.4%	1,740,99	
	$380,786,541	100%	100%	$ 360,977,09	100%	$ 7,315,84	



	Operating Expenses by FIDlctional Classification						Change	
		% of Total	2014	% of Total	2013	% of Total	2014 to 2015	2013 to 2014
Instruction	$ 118,383,131	31.1%	$ 112,628,406	30.2%	$ 111,931,030	31.0%	$ 5,754,725	$ 697,376
Public Service	10,295,409	2.7%	10,628,104	2.8%	I 1,638,013	3.2%	(332,695)	(1,009,909)
Academic Support	31,781,726	8.3%	26,699,201	7.1%	25,060,153	6.9%	5,082,525	1,639,048
Student Services	31,448,417	8.3%	29,244,604	7.8%	29, 165,865	8.1%	2,203,813	78,739
Institutional Support	63,081,397	16.6%	62,673,369	16.8%	56,398,020	15.6%	408,028	6,275,349
Operation/Maint. of Plant	28,820,028	7.6%	35,885,631	9.6%	31,438,811	8.7%	(7,065,603)	4,446,820
Scholarship/Fellowship	61,638,293	16.2%	58,733,940	15.7%	57,092,409	15.8%	2,904,353	1,641,531
Depreciation	21,484,508	5.6%	19,743,511	5.3%	19,492,034	5.4%	1,740,997	251,477
Auxiliary Enterprises	13,853,632	3.6%	17,233,929	4.6%	18,760,757	5.2%	(3,380,297)	(l,526,828)
Total Expense	$ 380,786,541	100%	$ 373,470,694	100%	$ 360,977,093	100%	$ 7,315,846	$ 12,493,601



Fiscal Year 2015

An analysis of operating expenses indicates an increase in fiscal year 2015 by $7.3 million or 2% compared to fiscal year 2014. The increases are namely in the instruction and academic support functional areas due to the following:

- Increase in employee salaries and benefits costs related to general 2% raise and the increased costs of health benefits;
- Increase in compensation of lab hours for faculty;
- Increase in academic support function due to increase in IT projects.

Fiscal Year 2014

An analysis of operating expenses indicates an increase in fiscal year 2014 by $12.5 million or 3% compared to fiscal year 2013.The increases are namely in the operations & maintenance of plant, institutional support and academic support functional areas due to the following:

- Increase in employee benefits costs related to the reduction in the State's contribution to TRS and ORP, an increase in health insurance premiums and compliance with the Affordable Care Act;
- Land purchase and buildings improvements;
- Increase in debt services.

Capital Assets and Debt Administration

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

Fiscal Year 2015:

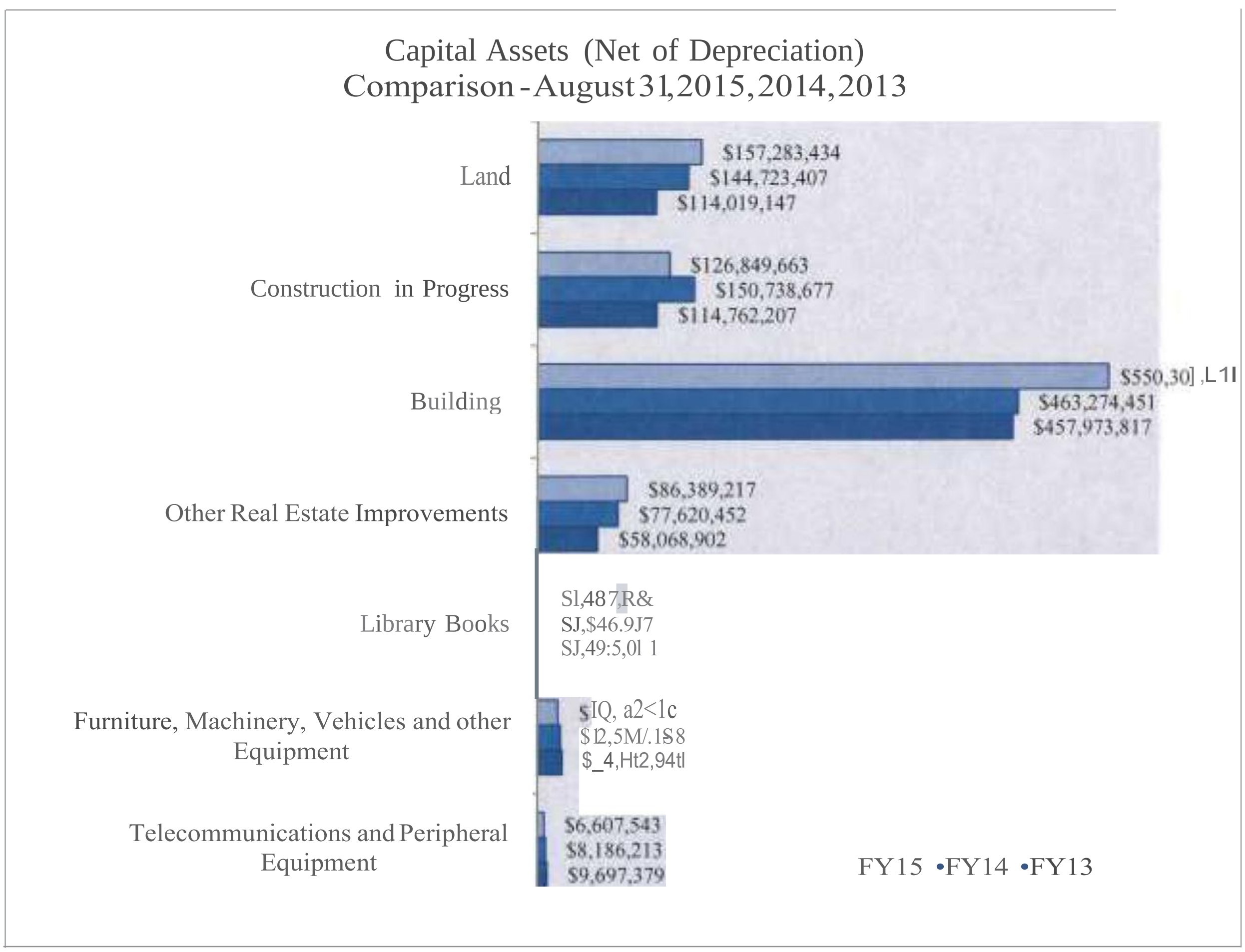
There was a significant increase in net capital assets of approximately $80.l million from fiscal year 2014 to fiscal year 2015. This increase was due primarily to a $91.4 million net increase in buildings, real estate improvements, equipment (net of accumulated depreciation). There also was a $12.6 million increase in land acquisitions, and a net decrease in construction in progress of $23.9 million which were funded from various bond proceeds. See Footnote 6 of the financial statements.

Fiscal Year 2014:

There was a significant increase in net capital assets of approximately $88.6 million from fiscal year 2013 to fiscal year 2014. This increase was due primarily to a $36.0 million net increase in construction in progress, an increase in land of $30.7 million, and increases in buildings, real estate improvements and equipment of $21.9 million (net of accumulated depreciation) which were funded from various bond proceeds. See Footnote 6 of the financial statements.

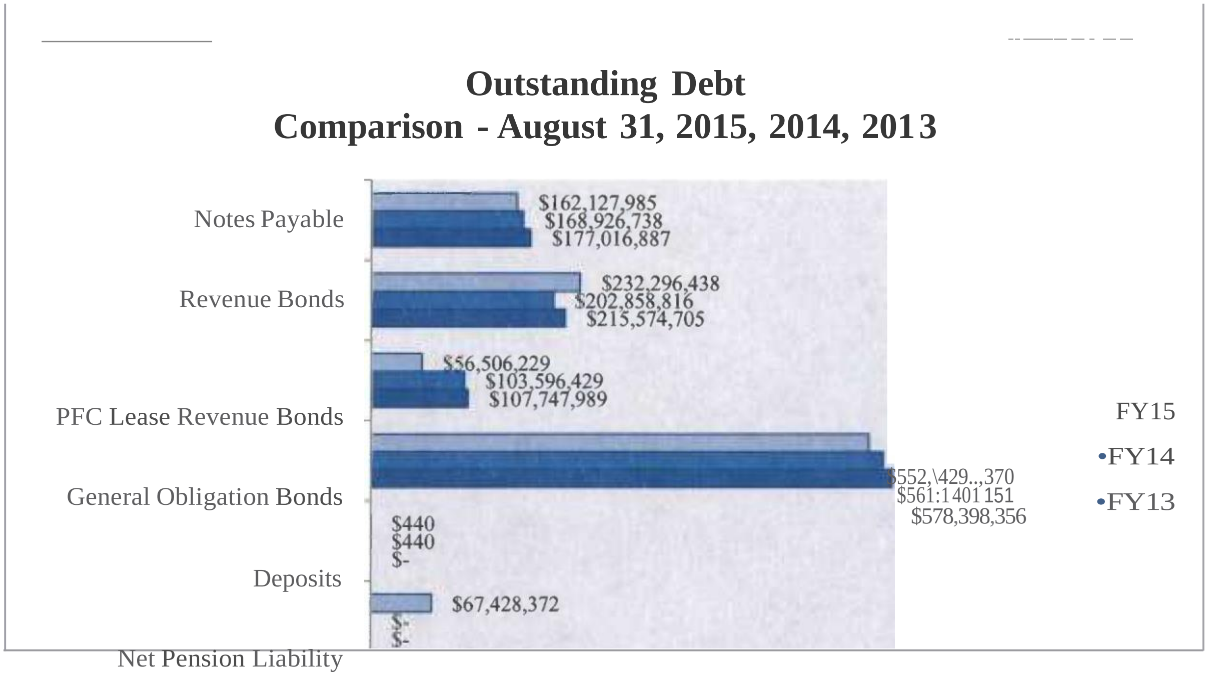
Capital Assets (Net of Depreciation)

Capital Assets:	2015	2014	2013	Change 2014 to 2015	Change 2013 to 2014
Land	$ 157,283,434	$ 144,723,407	$ 114,019,147	$ 12,560,027	$ 30,704,260
Construction in Progress	126,849,663	150,738,677	114,762,207	(23,889,014)	35,976,470
Buildings	550,301,121	463,274,451	457,973,817	87,026,670	5,300,634
Other Real Estate Improvements	86,389,217	77,620,452	58,068,903	8,768,765	19,551,549
Library Books	3,487,889	3,646,937	3,495,011	(159,048)	151,926
Furniture, Machinery, Vehicles and Other Equipment	19,922,240	22,566,058	24,102,939	(2,643,818)	(1,536,881)
Telecommunications and Peripheral Equipment	6,607,543	8,186,213	9,697,379	(1,578,670)	(1,511,166)
Total Capital Assets	$ 950,841,107	$ 870,756,195	$ 782,119,403	$ 80,084,912	$ 88,636,792



Outstanding Debt

							Change		
Outstanding debt:		2015		2014		2013		2014 to 2015	2013 to 2014
Notes Payable	$	162,127,985	$	168,926,738	$	177,016,888	S	(6,798,752) S	(8,090,150)
Revenue Bonds		232,296,438		202,858,816		215,574,705		29,437,621	(12,715,889)
PFC Lease Revenue Bonds		56,506,229		103,596,429		107,747,989		(47,090,200)	(4,151,560)
General Obligation Bonds		552,429,370		568,407,151		578,139,158		(15,977,781)	(9,732,007)
Deposits		440		440					440
Net Pension Liability		67,428,372						67,428,372	
Total Outstanding Debt	$	1,070,788,834	$	1,043,789,574	$	1,078,478,740	$	26,999,259 $	(34,689,166)



Fiscal Year 2015:

Bonds and notes payable decreased as follows:

- Bonds and notes payable decreased as follows:
- Decrease of $6,798,752 for principal payments on Maintenance Tax Notes.
- Net increase of $29,437,621 due to issuance of $77,851,896 in bonds, defeasance of $34,695,000 and principal payments of $12,545,000 and amortization of bond premiums.
- PFC Lease Revenue Bonds decreased by $47,090,200 due to defeasance of $42,325,000 and principal payments of $4,240,000 and amortization of bond premiums.
- Decrease of $15,977,781 for principal payments on Limited Tax General Obligation Bonds and amortization of bond premium.

Fiscal Year 2014:

Bonds and notes payable decreased as follows:

- Bonds and notes payable decreased as follows:
- Decrease of $8,090,150 for principal payments on Maintenance Tax Notes.
- Decrease of $12,715,889 due to principal payments on Revenue Bonds.
- PFC Lease Revenue Bonds decreased by $4,151,560 due to principal payments.
- Decrease of $9,732,007 for principal payments on Limited Tax General Obligation Bonds.

Future Outlook

We are in the middle of transforming HCC into the College of the Future. That future not only includes new technologies, but also comes with new opportunities, leadership, and strategies.

An important part of HCC's transformation is the focus on the student success experience. Phase 1 of the transformation focused on Instructional services. With the redesign of the curriculum and development of staffing standards for all instructional areas, the benefits include the following:

- System-wide leadership in academic instructional areas
- System-wide opportunities for collaboration among faculty within disciplines
- Sixteen (16) Centers of Excellence aligned with the surrounding industry corridors
- System-wide professional development opportunities for faculty through the Faculty Academy
- System-wide goals on student success, retention, completion, and job placement

As we embark on Phase II of the transformation, the focus concentrates on Students Services. A new model has been designed to support the success of our students, enhance the student experience, and support the success and completion goals established. Phase II of the transformation should result in the following benefits:

- A consistent staffing model of all student service areas
- A consistent staffing campus leadership model
- Targeted support services for the Centers of Excellence
- System-wide training for student services staff
- A comprehensive student success and completion model

The highlights and accomplishments of the transformation also include the following changes that will move HCC toward increased accountability and transparency as we move through the planning of the organizational redesign of student success.

College Readiness

College readiness is a metric that has been loosely defined and has become largely synonymous with dual credit programs, but it has a much broader scope. Due to the high level of influence on HCC's student success and HCC meeting its obligation to produce workforce ready and academically prepared graduates, we must view college readiness as applicable to other channels that bring students to HCC. HCC's college readiness endeavor will expand pathways for workforce readiness and academic success by developing and promoting academic and technical pathways from secondary to post-secondary education through many channels, such as dual credit, Early College High School (ECHS), Middle College High School (MCHS), Texas Success Initiatives (TSI) academics, continuing education, etc. By developing strong relationships with our partner Independent School Districts (ISD), internal HCC departments, and external organizations associated with building educational pipelines, we align access to both academic programs and to ongoing technical education so students can have a strong foundation for choices in the future. HCC's goal is to have our students leave HCC ready for the modem workplace and academia – that they have portable, marketable skill sets that they can apply to opportunities that come their way, that they receive credit that can be applied to future educational goals.

Diversity and Inclusion

HCC is leading the nation as the most diverse community college. We are devoted to championing the cause of diversity, inclusion, and equality for everyone. Fiscal Year 2014-2015 began our second year of the system-wide HCC Diversity & Inclusion Plan, highlighting the institution's collaborative commitment to the evolving cultural and developmental nuances of all students, faculty, and staff. The Diversity & Inclusion committees and programs continuously build a culture that fosters an inclusive, welcoming learning environment throughout all HCC campuses.

Safety and Security

Safety and security of all students, employees and visitors is of utmost importance to the leadership of HCC. To enhance the college's ability to maintain safety and security, the HCC Police Department will begin implementation of its transformation plan. The new structure has been designed to increase communication, training, and the deployment of personnel to quickly meet strategic needs while keeping our focus on the safety of our faculty, staff, students, and visitors. Some advantages of the new structure include the following.

- Greater number of officers familiar with each college location
- Increased number of officers able to respond to incidents within shorter timeframes
- More frequent and ongoing communication and training opportunities for officers
- Increased levels of supervision on all shifts, including evening and weekends.

As we continue this momentum, we will be challenged by economic change and changes in our stakeholder's needs. Our role in building futures is still paramount for our students, for business, for the economy. The role of all faculty and staff is more important than ever. The faculty and staff define our success through their power to teach, inspire, motivate, and engage with every single person who enters our doors. We have much to be proud of at HCC. We are absolute in our focus on the student experience – on campus or in the classroom. It is our joint responsibility to give students the best guidance. Our responsiveness to our students should be constant and consistent. Only our collective work will best prepare our students for a four-year institution or the workplace.

Houston Community College looks forward to welcoming new and continuing students; offering new courses; implementing a new organizational structure with a new budget; and new opportunities.

The 2013 Capital Improvements Program (CIP) continues with full operations and mobilization on multiple active sites. The Program Execution Plan (PEP) continues to be in use for all aspects of the Bond Program activities. Planning and construction is underway to build several new HCC facilities. The bond referendum, approved by the voters in 2012 for $425,000,000, provides each HCC college with new or renovated facilities and the technology to meet student needs, especially in high-demand areas such as science, technology, engineering, and math (STEM) education, as well as health sciences.

HCC is committed to innovation that creates resiliency. The seven initiatives adopted in the strategic plan encompass our efforts to address and meet the needs of our students and community. Stewardship, being one of our guiding principles, is the path to fulfilling HCC's mission and acknowledges our guardianship of its resources and positive impact on the lives of our students and community at large. Sound stewardship incorporates adherence to the highest ethical standards in all professional and personal duties and responsibilities: to deal honestly with others; to stand for what is right; and to secure the benefit of all by the wise care and utilization of our resources, including time, money, and people.

Texas Association of Community College's (TACC) model for funding community college instruction was initially adopted by the g3rd Texas Legislature for the 2014-2015 biennium. The g4th Legislature continued this pattern of funding instruction at community colleges in the 2016-2017 biennium. Overall, community college appropriations funded totaled $1.745 billion in instructional funds. The Core Operations-Student Success Points-Contact Hour Funding methodology includes the following:

- $50 million for core operations ($1 million for the biennium to each community college)
- 10% set-aside, about $169.2 million total, for Student Success Points (based on outcome versus inputs)
- 90% distribution, based on contact hours: about $1.52 billion in general revenue for the biennium.

The cost sharing agreement established during the 83rd legislative session for employee benefits remains as established with the state funding 50 percent of the costs and community colleges paying the remaining 50 percent of the costs.

The State contributions to TRS and ORP are as follows:

- TRS Retirement Rate: Employer share is 6.8 percent for FY 2016 and FY 2017 (same rate as the previous rate of 6.4 percent for FY2014 and FY2015). The state share is 3.4 percent; the community college share is 3.4 percent.

- ORP Retirement Rate: Employer share is 6.6 percent for FY 2016 and FY 2017 (same rate as for FY 2014 and FY 2015). The state share is 3.3 percent; the community college share is 3.3 percent.

The ad valorem tax rate for calendar year 2015 was decreased to $0.101942 from the calendar year 2014 rate of $0.106890. The tax rate for Maintenance & Operations (M&O) decreased from the prior year's rate and the rate for Debt Service also decreased due to the decrease in funding needed to cover debt payments in FY 2015-2016. The maintenance and Operations tax rate for 2015 is $0.075631 per $100 of assessed valuation. The debt service tax rate is $0.026311 per $100 of assessed valuation. These adopted rates are in line with the Board's policy to minimize the tax burden on its constituents and provide for sufficient tax funds to support the fiscal year 2015-2016 operating budget and debt service.

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

Contacting the System's Financial Management

This financial report is designed to provide the System's citizens, taxpayers, students, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice Chancellor of Finance and Administration's office at 3100 Main, Houston, Texas 77002.

HOUSTON COMMUNITY COLLEGE SYSTEM
STATEMENTS OF NET POSITION
AUGUST 31, 2015 AND 2014

ASSETS	2015	
CURRENT ASSETS:		
Cash and Cash Equivalents (Note 4)	$ 101,545,222	
Accounts Receivable and Other Receivable, Net (Note 5)	41,434,134	
Prepaid Charges	4,659,249	
Total Current Assets	147,638,605	
NONCURRENT ASSETS:		
Restricted Cash and Cash Equivalents (Note 4)	85,872,540	
Other Long-Tenn Investments (Note 4)	50,260,122	
Restricted Long Term Investment (Note 4)	285,466,672	
Capital Assets Net (Note 6)	950,841,107	
Total Noncurrent Assets	1,372,440,441	
TOTAL ASSETS	I,520,079,046	
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	11,299,015	
Advance Funding Valuation	8,743,822	
Total Deferred Outflows of Resources	20,042,837	
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable (Note 5)	9,804,298	8,475,408
Accrued Liabilities	14,004,739	12,530,762
Compensated Absences (Note 16)	2,526,083	2,357,551
Funds Held for Others	830,289	852,319
Unearned Revenues	56,327,435	56,809,299
Notes Payable - Current Portion {Note 7 and I I)	8,783,299	7,785,000
Bonds Payable - Current Portion (Note 7 and 8)	26,975,000	24,525,000
Total Current Liabilities	I 19,251,143	I 13,335,339
NONCURRENT LIABILITIES:		
Deposits	440	440
Net Pension Liability (Note 14)	67,428,372	
Notes Payable (Note 7 and I I)	153,344,687	161,141,738
Bonds Payable (Note 7 and 8)	814,257,037	850,337,396
Total Noncurrent Liabilities	I ,035,030,536	1,011,479,574
TOTAL LIABILITIES	I ,I 54,281,679	1,124,814,913
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	20,626,539	
Advance Funding Valuation	795,245	874,770
Total Deferred Inflows of Resources	21,421,784	874,770
NET POSITION		
Net Investment in Capital Assets	290,770,960	244,073,582
Restricted - Expendable	13,290,548	14,803,6 14
Unrestricted	60,356,912	I 14,974,877
TOTAL NET POSITION	$ 364,418,420	$ 373,852,073

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

HOUSTON COMMUNITY COLLEGE SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

Exhibit 2

	2015	2014
OPERATING REVENUFS:		
Tuition and Fees, Net of Discounts	$ 75,079,230	
Federal O'ants and Contracts	13,782,110	
State 0-ants and Contracts	8,772,358	
Local O'ants and Contracts	162,920	
Non-Governmental Grants and Contracts	2,446,357	
Sales and Services of F.ducational Activities	177,222	
Auxiliary Fnterprises	13,544,991	
Total Operating Revenues (Schedule A)	113,%5,188	
OPERATING EXPENSFS:		
Instruction	118,383,131	
Public Service	10,295,409	
Academic Support	31,781,726	
Student Services	31,448,417	
Institutional Support	63,081,397	
Operations and Maintenance	28,820,028	
Scholarships and Fellowships	61,638,293	
Auxiliacy Fnterprises	13,853,632	
Depreciation	21,484,508	
Total Operating Expenses (Schedule B)	380,786,541	
OPERATING WSS	(266,821,353)	
NONOPERA TING *REVENUFS* (EXPENSFS):		
State Appropriations	82,249,495	
Maintenance Ad Valorem TIDl'es	125,073,172	
Debt Service Ad Valorem Taies	48,383,832	
Gfts	1,260,854	
Investment Income, Net	2,950,156	
Interest on Capital Related Debt	(24,312,876)	
Title IV O'ants	95,673,111	
Nursing Shortage Reduction	478,272	
Other Nonoperating Revenues	7,460,037	
Other Nonoperating Expenses	(5,431,725)	
Net Nonoperating Revenues (Schedule C)	333,784,328	
INCREASE IN NET POSITION	66,%2,975	
NET POSITION, BEGINNINGOF YFAR	373,852,073	
CUMUIATIVE EFFFCf FOR CHANGES IN ACCOUNTING PRINCIPLE (Note 14)	(76,3%,628)	
NET POSITION, BEGINNINGOF THE YFAR RFSTATFD	297,455,445	
NET POSITION, END OF YFAR	$ 364,418,420	

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

HOUSTON COMMUNITY COLLEGE SYSTEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

Exhibit 3

	2015	2014
CASH FLOWS FROM OPERATING ACTMTIFS		
Receipts from students and other customers	$ 88,139,957	$ 86,573,534
Receipts from grants and contracts	22,598,284	25,207,015
Payments to suppliers for goods and services	(69,694,738)	(69,448,900)
Payments to or on behalfof employees	(220,218,443)	(213,136,663)
Payments for scholarships and fellowships	(61,659,242)	(58,715,132)
Net cash used by operating activities	(240,834,183)	(229,520,146)
CASH FLOWS FROM NONCAPITAL FINANCING ACTMTIFS		
Receipts from ad valorem taxes	172,098,474	141,036,343
Receipts from state allocations	82,249,495	81,675,719
Receipts from private gifts	1,260,854	1,436,292
Received Federal Direct Student Loans (SA: Federal note 3)	87,452,991	109,967,108
Disbursement of Federal Direct Student Loans (SA: Federal note 3)	(87,466,957)	(109,889,158)
Other Non-Operating Revenue	1,292,453	1,257,033
Receipts from Title IV	99,329,674	94,104,002
Receipts from Nursing	478,272	171,333
Net cash provided by noncapital financing activities	356,695,256	319,758,672
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Receipts from the issuance of capital debt	77,851,897	40,472,857
Bond issue cost paid on new capital debt issue	(534,300)	(362,857)
Purchases of capital assets	(81,350,577)	(77,466,967)
Payments of expenses relating to capital assets in Plant Funds	(4, 161,937)	(4,817,882)
Payments on capital debt and leases - principal	(114,068,299)	(68,920,000)
Payments on capital debt and leases - interest and fees	(47,118,694)	(46,335,639)
Net cash used by financing activities	(169,381,910)	(157,430,488)
CASH FLOWS FROMINVESTING ACTIVITDS		
Proceeds from sales and maturities of investments	120,928,229	234,600,679
Interest on investments	1,736,878	2,262,392
Purchase of investments	(147,960,133)	(23,490,694)
Net cash provided by Investing activities	(25,295,026)	213,372,377
INCRFASF.(DECRFASJ!) IN CASH AND CASH FQUWAUNTS	(78,815,863)	146,180,416
CASH AND CASH FQUWAUNTS - BEGINNING OF\'FAR	266,233,625	120,053,210
CASH AND CASH FQUWAUNTS - FND OF\'FAR (EXHIBIT 1)	$ 187,41 7.762	$ 266,233,625

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

HOUSTON COMMUNITY COLLEGE SYSTEM
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

Exhibit 3

RF.cONCILIATION OF NEf OPERATING LOSS TO NEf CASH

Operating loss	$ (266,821,353)	$ (264,051,164)
Adjustm::nts to reconcile operating loss to net cash used in operating activities:		
Depreciation	21,484,508	19,743,511
Deferred Outflows/Inflows	8,476,854	(708,358)
Addback Non-Cash Charges (Add in the Reserve) for Doubtful Accounts	2,063,172	1,533,270
Changes in assets and liabilities:		
Accounts Receivable and other Receivable	(844,511)	4,159,704
Prepaid Charges	(1,717,555)	7,999,103
Accounts payables and accruals	(2,971,400)	3,803,155
Unearned revenues	(481,868)	(1,966,494)
Deposits held for others	(22,030)	(32,872)
Total adjustm::nt	25,987,170	34,531,018
Net cash used in operating activities	$ (240.834.183)	$ (229,520,146)

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

NOTE 1-REPORTING ENTITY

Houston Community College System (the "System") was established on May 8, 1971, in accordance with the laws of the State of Texas, to serve the educational needs of the Houston Independent School District, Alief Independent School District, City of Stafford and City of Missouri City. The System also serves the school districts of Katy and Spring Branch at those districts' requests. The System is a comprehensive public two-year institution offering academic, general, occupational, development, and continuing adult education programs through a network of colleges.

Houston Community College System is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB). While the System receives funding from local, state and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

GASB gives guidance in determining whether certain organizations for which the System is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. It requires reporting as a component unit if the organization raises and holds economic resources for the direct benefit of the governmental unit and the component unit is significant compared to the primary government. GASB guidance has been applied as required in the preparation of these financial statements.

The Houston Community College System Public Facility Corporation "(PFC") was incorporated on January 18, 2005. The PFC is a nonprofit public facility corporation and instrumentality formed by the System pursuant to the Public Facility Corporation Act and a resolution of the Board of Trustees of the System. The PFC was formed for the purpose of financing or providing for the acquisition, construction, rehabilitation, renovation, repair and equipment of public facilities for the benefit of the System. The PFC is reported as a blended component unit in the financial statements of the System. The PFC is a legally separate entity and is included in the System's financial reporting entity because of the nature of its relationship to the System. Financial information for the PFC may be obtained from its administrative office.

The Houston Community 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 System. The System does not appoint any of the Foundation's board members nor does it fund or is it obligated to pay debt related to the Foundation. The financial position of the Foundation as of August 31, 2015 and 2014 and the cost of services provided by the System to the Foundation during the years then ended are not significant to the System. The Foundation has therefore not been included as a component unit in the financial statements of the System. Financial information for the Foundation may be obtained from its administrative office.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

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

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

Tuition Discounting

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

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

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

Budgetary Data

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

Cash and Cash Equivalents

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. Investment funds related to bond issues set aside for construction of capital assets are classified as restricted long-term investments.

Prepaid Charges

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

Capital Assets

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

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

Interest on Capital Related Debt

Interest expense on capital related debt totaled $41,259,322 and $41,208,254 for fiscal years 2015 and 2014, respectively. Of these amounts, $16,946,447 and $24,861,616 was capitalized to construction in process for fiscal years 2015 and 2014, respectively, in accordance with provisions of GASB Statement No. 62.

Unearned Revenues

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

Income Taxes

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Management Estimates

The preparation of fmancial 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. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of tuition and taxes receivable, the useful lives of property and equipment, certain accrued liabilities, and the allocation of expenses among functional areas. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the fmancial statements.

Operating and Non-operating Revenues and Expenses

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

Federal Financial Assistance Programs

The System participates in several federally-funded programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133 *Audit of States, Local Governments and Non-Profit Organizations,* and the OMB Circular A-133 Compliance Supplement

Reclassifications

Certain 2014 amounts have been reclassified as follows:

On Exhibit l, Cash & Cash Equivalents has been increased by $49,966,068 due to the reclassification from Restricted Long-term Investments. Also CD's for $33,207,309 has been reclassified from Cash & Cash Equivalents to other Long-term Investments.

On Schedule A, $849,320 has been reclassified from State funded Continuing Education to Non-State funded Continuing Education. Also $73,586 has been reclassified from State Grants & Contracts to Federal Grants and Contracts for fiscal year 2014.

Adoption of New Accounting Standards

Effective with the fiscal year ended August 31, 2015, the System adopted GASB Statement No. 68, *Accounting and Reporting for Financial Pensions which amends GASB Statement No. 27*. Statement No. 68 was issued June 2012 and became effective for financial statements for fiscal years beginning after June 15, 2014. With this implementation of GASB 68, the standard requires that statements define how pension liabilities will be calculated by plans and reported by employers and other non-employer contributing entities who prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effective with the fiscal year ended August 31, 2015, the System adopted GASB Statement No. 71 *Pension Transition for Contributions made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68). Statement No. 71* amends paragraph 137 of Statement 68. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow ofresources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should not be recognized. The provisions of this Statement were applied simultaneously with the adoption of Statement 68.

Beginning net position as of September 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71:

Beginning net position	$	373,852,073
Cumulative effect of change in accounting pricnciple (GA.SB 68 and GASB71):		
Net pension liability (rreasurerrent date as of August 31, 2014)		(82,795,634)
Deferred outflow of System's contributions made during FY2014		6,399,006
Beginning net position, as restated	$	297,455,445

Pending Pronouncements

The following GASB pronouncements have been issued but not yet implemented by the System:

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application (GASB 72). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015.

In June 2015, GASB issued 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 for GASB Statements 67 and 68. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68 and amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions of this Statement are generally effective for fiscal years beginning after June 15, 2015.

Pending Pronouncements *continued*

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OEPB plans that are not administered through trusts that meet the specified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for OEPB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015.

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures (GASB 77). GASB 77 requires state and local governments for the first time to disclose information about tax abatement agreements. GASB 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. GASB 77 is effective for financial statements for periods beginning after December 15, 2015.

The System has not yet completed the process of evaluating the impact of GASB Statements Nos. 72, 73, 74, 75, 76 and 77 on its financial statements.

NOTE 3 - AUTHORIZED INVESTMENTS

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

NOTE 4 -DEPOSITS AND INVESTMENTS

The carrying amount (book balance) of the System's demand deposits with financial institutions as of August 31, 2015 and 2014 was $65,950,595 and $170,974,032; and total bank balances equaled $24,341,228 and $81,824,415, respectively. Of the bank balances for fiscal year 2015, $250,000 is covered by FDIC, and $24,091,228 is collateralized in the System's name. Of the Bank Balances for fiscal year 2014, $250,000 was covered by FDIC and $81,574,415 was covered by collateral pledged in the System's name. The collateral was held in an account of an independent third party agent.

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

	2015	2014
Bank Deposits:		
Demand Deposits	$ 65,268,362	$ 170,292, 124
Cash and Cash Equivalents:		
Petty Cash on Hand	50,083	51,730
Cash at Bank	7,934,571	49,966,068
Money Market Funds	102,507,050	25,201,664
High Yield Savin	1,528,242	10,598,707
TexPool	8,530,991	8,526,943
Lone Star	1,598,463	1,596,389
	122,149,400	95,941,501
Total Cash and Deposits	187,417,762	266,233 ,625
Restricted Cash and Cash Equivalents	(85,872,540)	(186,368,727)
Cash and Cash Equivalents (Exhibit 1)	$ 101,545,222	$ 79,864,898

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

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

T'.le of Securit	Fair Value at August 31, 2015	2014
U.S. Agency Securities	138,927,061	61,890,576
Certificate of Deposits	1%,79'J,733	246,804,317
Total Investments	335,726,794	308,694,893
Total Cash and Deposits	187,417,762	266,233,625
Total Deposits and Investments	$ 523,144,556	$ 574,928,518
Cash and Cash Equivalents (Exhibit I)	101,545,222	79,864,898
Restricted Cash and Cash Equivalents (Exhibit I)	85,872,540	186,368,727
Restricted L.ong-Teml Investment (Exhibit I)	285,466,672	268,588,051
Other L.ong-Teml Investments (Exhibit I)	50,260,122	40,106,842
Total Deposits and Investments	$ 523,144,556	$ 574,928,518

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

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

Investment Type		Fair Value	Weighted Average Maturity(Years)
U.S. Agency Securities	$	138,927,061	2.08
Investment Pools		10,129,454	0.00
Certificates of Deposit		195,250,000	1.24
Cash and Money Market Funds		178,838,041	0.00
Total Fair Value	$	523,144,556	
Portfolio weighted average rmturity			1.04

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

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

The credit quality (ratings) and concentration of credit exposure of securities in excess of 5% of total investments as of August 31, 2015 is as follows:

	Credit Rating	Credit Exposure
Fannie Mae (Federal National Mortgage Association)	AAA	2%
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA	5%
FHLB (Federal Home Bank)	AAA	12%
FFCB (Federal Farm Credit Bank)	AAA	24%

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

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

NOTE 5 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

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

	2015	2014
Accounts Receivable (net of allowance for doubtful accounts of $287,236 for 2015 and 2014)	$ 1,968,303	$ 3,646,150
Student Receivables (net of allowance for doubtful accounts of $11,872,646 for 2015 and $9,809,474 for 2014)	30,469,222	31,188,884
Taxes Receivable (net of allowance for doubtful accounts of $4,256,846 for 2015 and $4,451,926 for 2014)	3,193,512	3,190,367
Federal Receivables	1,523,454	1,454,081
Other Receivables	4,279,643	2,799,163
Total Receivables	$ 41,434,134	$ 42,278,645

Taxes receivable at August 31, 2015 and 2014 includes an accrual of $504,586 and $374,145 respectively, for property taxes assessed to service debt related to the Limited Tax Building and Refunding Bonds, Series 2005 and Limited Tax Genera Obligation Bonds, Series 2013.

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

	2015	2014
Vendors Payable	$ 3,786,484	$ 3,676,526
Salaries & Benefits Payable	234,953	51,906
Student Payables	3,265,424	2,400,685
Retainage Payable	1,378,233	1,194,822
Other Payables	1,139,204	1,151,469
Total Payables	$ 9,804,298	$ 8,475,408

NOTE 6-CAPITAL ASSETS

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

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015
Not Depreciated:				
Land	$ 144,723,407	$ 12,560,027	$	$ 157,283,434
Construction in Process	150,738,677	69,354,716	93,243,730	126,849,663
Subtotal	295,462,084	81,914,743	93,243.730	284, 133,097
Depreciable Capital Assets:				
Building5	548,393,687	97,649,216		646,042,903
Other Real Estate Improvements	93,894,458	13,113,284		107,007,742
Total Building5 and Other Real Estate Improvements	642,288, 145	110,762,500		753,050,645
Library Books	17,773,159	349,645	70,419	18,052,385
Furniture, Machinery, Vehicles and Other Equipment	76,276,714	1,786,264		78,062,978
Telecommunications and Perpheral Equipment	37,196,197			37,196,197
Subtotal	773,534,215	112,898,409	70,419	886,362,205
Accu ulated Depreciation:				
Building5	85,119,236	10,622,542		95,741 ,778
Other Real Estate Improvements	16,274,006	4,344,520		20,618,526
Total Building5 and Other Real Estate Improvements	101,393,242	14,967,062		116,360,304
Library Books	14,126,222	508,694	70,419	
Furniture, Machinery, Vehicles and Other Equipment	53,710,656	4,430,082		
Telecommunications and Perpheral Equipment	29,009,984	1,578,670		
Subtotal	198,240,104	21,484,508	70,419	
Net Depreciable Capital Assets	575,294, 112	91,413,899		
Net Capital Assets	$ 870,756,195	$ 173,328,642	$ 93,243,730	

NOTE 6 - CAPITAL ASSETS - CONTINUED

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

	Balance August 31, 2013		
Not depreciated:			
Land	$ 114,019,147		
Construction in Process	114,762,207		
Subtotal	228,781,354		
Deperciable Capital Assets:			
Buildings	533,855,420	14,538,268	
Other Real Estate Improvements	70,666,818		
Total Building and Other Real Estate Improvements	604,522,238		
Library Books	17,161,906		
Furniture, Machinery, Vehicles and Other Equipment	74,834,651		
Telecomm1.U1ications and Perpheral Equipment	37,185,804		
Subtotal	733,704,599		
Accumulated depreciation:			
Buildings	75,881,603		85,119,23(
Other Real Estate Improvements	12,597,915		16,274,00(
Total Building and Other Real Estate Improvements	88,479,518		I 01,393,24:
Library Books	13,666,895		14,126,22:
Furniture, Machinery, Vehicles and Other Equipment	50,731,712		53,710,65(
TelecommWlications and Perpheral Equipment	27,488,425		29,009,98
Subtotal	180,366,550		198,240,10
Net Deperciable Capital Assets	553,338,048		575,294,11:
Net Capital Assets	$ 782,119,403		$ 870,756, 19

NOTE 7 -NONCURRENT LIABILITIES

Noncurrent liability activity for the years ended August 31, 2015 and 2014 was as follows:

	Balance as of Septerrber 1, 2014	Additions	Reductions	Balance as of August 31, 2015	Current Portion	Noncurrent Portion
Long-Term Notes Payable	$ 168,926,738	$ 2,019,896	$ (8,818,649)	$ 162,127,985	$ 8,783,299	$ 153,344,687
Bonds:						
Revenue Bonds	202,858,816	77,851,897	(48,414,275)	232,296,438	15,640,000	216,656,438
PFC Lease Revenue	103,596,429	-	(47,090,200)	56,506,229	2,455,000	54,051,229
General Obligation Bonds	568,407,151	-	(15,977,781)	552,429,370	8,880,000	543,549,370
Total Bonds	874,862,396	77,851,897	(111,482,257)	841,232,037	26,975,000	814,257,037
Deposits	440	-	-	440		440
Net Pension Liability		67,428,372	-	67,428,372		67,428,372
Total Noncurrent Liabilities	$ 1.043.789.574	$ 147.300,165	S (120.300	$ 1,070,788,835	$ 35,758,299	$ 1,035,030,536

	Balance as of September I, 2013	Additions	Reductions	Balance as of August 31, 2014	Current Portion	Noncurrent Portion
Long-Term Notes Payable	$ 177,016,888	$ -	$ (8,090,150)	$ 168,926,738	$ 7,785,000	$ 161,141,738
Bonds:						
Revenue Bonds	215,574,705	40,530,224	(53,246,113)	202,858,816	12,545,000	190,313,816
PFC Lease Revenue	107,747,989		(4,151,560)	103,596,429	4,240,000	99,356,429
General Obligation Bonds	578,139,158	-	(9,732,007)	568,407,151	7,740,000	560,667,151
Total Bonds	901,461,852	40,530,224	(67,129,680)	874,862,396	24,525,000	850,337,396
Deposits	440	-		440	-	440
Total Noncurrent Liabilities	$ 1,078,479,180	$40,530,224	$ (75,219,830)	$1,043,789,574	$32,310,000	$1,011,479,574

NOTE 8 -BONDS PAYABLE

Student Fee Revenue Bonds:

The System issued several Student Fee Revenue Bonds as Senior Lien Bonds or Junior Lien Bonds during the fiscal years 2005 through 2015 with interest rates ranging from .003% to 5.25% and maturities ranging from 2007 through 2031. Debt service requirements are payable solely from and secured by a first lien on certain pledged revenues which include general fees, out-of-district fees and any other revenues or receipts of the System which may, in the future, be pledged to the payment of the bonds. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indenture. All authorized bonds have been issued. The System has never defaulted on any bond or interest payment.

Public Facility Corporation Lease Revenue Bonds:

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

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

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

The PFC issued $36,950,000 in Lease Revenue Bonds, Series 2006 on October 1, 2006 with interest rates ranging from 4.00% to 5.00%. The Bonds were issued at a discount of $546,238. Bond maturities range from April 15, 2008 through April 15, 2031. Bonds maturing on or after April 15, 2017 are subject to redemption prior to their scheduled maturities on April 15, 2016. Bonds maturing in the years 2028 and 2031 are subject to mandatory redemption prior to maturity on various dates. Proceeds of the Bonds were used to acquire and renovate a 285,000 square foot building for the System's Alief Campus. These Bonds were defeased on July 22, 2015 with the issuance of the Combined Fee Revenue and Refunding Bonds, Series 2015. See Note 9.

The System and the PFC entered into a Lease with an Option to Purchase effective October 1, 2006, whereby the System will lease the facility from the PFC and will make semiannual lease payments to the PFC sufficient to pay principal and interest on the PFC Lease Revenue Bonds. Under terms of the defeasance noted above, the System will exercise its Option to Purchase on April 15, 2016 and will be granted title to the Alief Campus.

Under terms of a Security Agreement dated October 1, 2006 the PFC has granted a first mortgage lien on and first deed of trust title on the Alief Campus Project (the Alief Project) to a bank trustee on behalf of the owners of the Bonds. The PFC has also granted a first priority security interest in the personal property associated with the Alief Project.

The PFC issued $19,155,000 in Lease Revenue Bonds, Series 2005C on December 1, 2005 with interest rates ranging from 4.00% to 5.00%. The Bonds were issued at a discount of $170,064. Bond maturities range from April 15, 2007 through April 15, 2030. Bonds maturing on or after April 15, 2016 are subject to redemption prior to their scheduled maturities on April 15, 2015. Bonds maturing in the years 2026, 2028 and 2030 are subject to mandatory redemption prior to maturity on various dates. Proceeds of the Bonds were used to acquire 39.03 acres of land at a cost of $3,658,550 on the Northeast campus for construction of a Public Safety Institute. The Public Safety Institute consists of three facilities: a six-story fire tower, a two-story burn building and a shooting range at an approximate cost of $13,000,000. These Bonds were defeased on July 22, 2015 with the issuance of the Combined Fee Revenue and Refunding Bonds, Series 2015. See Note 9.

NQTE 8 - BONPS PAYABLE - CONIINUED

Under terms of a Security Agreement dated December 1, 2005 the PFC has granted a first mortgage lien on and first deed of trust title on the Public Safety Institute Project (the PSI Project) to a bank trustee on behalf of the owners of the Bonds. The PFC has also granted a first priority security interest in the personal property associated with the PSI Project.

The PFC issued $11,605,000 in Lease Revenue Bonds, Series 2005A and 2005B on June 1, 2005 with interest rates ranging from 3.50% to 5.00%. The Bonds were issued at a premium of $492,93l. Bond maturities range from April 15, 2006 through April 15, 2028. Bonds maturing on or after April 15, 2016 are subject to redemption prior to their scheduled maturities on April 15, 2015. Proceeds of the Bonds were used to acquire the land and building comprising the System's Westgate campus and 24.27 acres ofland adjacent to the building. .

The System and the PFC entered into a Lease with an Option to Purchase effective June 1, 2005, whereby the System will lease the facility from the PFC and will make semiannual lease payments to the PFC sufficient to pay principal and interest on the PFC Lease Revenue Bonds. Upon repayment of the Bonds on October 15, 2015, the System will be granted title to the Westgate campus.

Under terms of a Security Agreement dated June 1, 2005 the PFC has granted a first mortgage lien on and first deed of trust title on the Westgate Campus Project (the Westgate Project) to a bank trustee on behalf of the owners of the Bonds. The PFC has also granted a first priority security interest in the personal property associated with the Westgate Project.

Limited Tax Bonds:

The System issued $144,155,000 in Limited Tax Bonds, Series 2003 ("Series 2003") on December 01, 2003 with interest rates ranging from 2.0% to 5.0%. The Bonds were issued at a premium of $6,593,497. Bond maturities range from February 15, 2006 through February 15, 2028. Bonds maturing on or after February 15, 2014 are subject to redemption prior to their scheduled maturities on February 15, 2013. On September 1, 2005 the System issued $1,825,000 in bonds as part of the $8,924,992 in Limited Tax Building and Refunding Bonds, Series 2005 (Series 2005). The Series 2003 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Series 2003 Bonds were used for the construction, maintenance and equipment of school buildings in the System and the purchase of necessary sites therefore, and to pay the costs of issuance related to the Bonds. The majority of the Series 2003 bonds were defeased in 2012. The final payment on the Bonds was made in 2014. See Note 9.

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

NOTE 8 -BONDS PAYABLE -CQNTINUED

The System issued $398,775,000 in Limited Tax General Obligation Bonds, Series 2013 ("Series 2013") on March 19, 2013 with interest rates ranging from 3.0% to 5.0%. The Bonds were issued at a premium of $55,392,571. Bond maturities range from February 15, 2015 through February 15, 2043. Bonds maturing on or after February 15, 2024, except those maturing in 2027, 2036 and 2037 are subject to redemption prior to their scheduled maturities on February 15, 2023. Bonds maturing on February 15, 2027 are subject to redemption on February 15, 2015. Bonds maturing on February 15, 2036 are subject to redemption on February 15, 2020. Bonds maturing on February 15, 2037 are subject to redemption on February 15, 2017. The Series 2013 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Series 2013 Bonds will be used for the construction, maintenance and equipment of school buildings in the System and the purchase of necessary sites therefore, and to pay the costs of issuance related to the Bonds.

Date Series Issued	Par Value	Maturit Date	Interest Rate	Outstanding Balances at Auust 31, 2015	Outstanding Balances at Auust 31, 2014
Student Fee Revenue Bonds:					
2005	$51,285,000	04/15/20Cf) - 2020	3.2500% - 5.2500%	$	$ 5,230,000
2006	72,815,000	04/I5/2007 - 2030	4.0000% - 5.0000%	18,000,000	53,010,000
2008	54,540,000	04/15/20Cf}- 2030	4.0000% - 5.2500%	43,075,000	44,960,000
2010	27,250,000	04/15/2012 - 2031	3.0000% - 5.2500%	23,550,000	24,535,000
201I	33,940,000	04/15/2012 - 2025	4.0000% - 5.2500%	23,400,000	26,245,000
2014A	9,210,000	04/15/2015 - 2026	2.0000% - 3.2500%	8,555,000	9,210,000
2014B	30,900,000	04/15/2015 - 2026	.0031% - 4.0700%	30,270,000	30,900,000
2015	68,865,000	04/15/2016 - 203I	2.0000% - 5.0000%	68,865,000	
PFC Lease Revenue Bonds (Blended Component Unit):					
2005A	$11,605,000	04/15/2006 - 2028	3.5000% - 5.0000%	7,885,000	8,315,000
2005C	19,155,000	04/15/2007 - 2030	4.0000% - 5.0000%		14,775,000
2006	36,950,000	04/15/2008 - 2031	4.0000% - 5.0000%		29,460,000
2007	58,885,000	04/I5/20Cf) - 203I	4.0000% - 5.625%	47,170,000	49,070,000
Limited Tax Bonds:					
2011	109,490,000	02/15/14 - 2028	4.0000% - 5.0000%	97,120,000	102,730,000
2013	398,775,000	02/15/15 - 2043	3.0000% - 5.0000%	392,580,000	398,775,000
	Total Principal Payable			760,470,000	797,215,000
	Unamortized Premium and Discount, Net			80,762,037	77,647,396
	Total Bonds Payable		$	841.232,037 $	874,862,396

NOTE 8-BONDS PAYABLE -CONTINUED

Debt service requirements to maturities as of August 31, 2015 are summarized as follows:

Year ending August	Student Fee Revenue Bonds			PFC Lease Revenue Bonds			Linited Tax Bonds			Total Bonds		
31,	Princ!l:!!!l	Interest	Total	Princ!Jl!!I	Interest	Total	Princ!Jl!!l	Interest	Total	Princ!Jl!!I	Interest	Total
2016	$ 15,640,000	$ 8,560,997	$ 24;2.00,997	$ 2,455,000	$ 2,708,425	$ 5,163,425	$ 8,880,000	$ 23;2.20,119	$ 32,100,119	$ 26,975,000	$ 34,489,541	$ 61,464,541
2017	15480,000	9,033,665	24,513,665	2,580,000	2,585,675	5,165,675	10,145,000	22,758,244	32,903;2.44	28;2.05,000	34,377,584	62,582,584
2018	15,700,000	8,509,721	24;2.09,721	2,705,000	2,456,675	5,161,675	10,035,000	22,285,394	32,320,394	28,440,000	33;2.51,790	61,691,790
2019	16,265,000	7,938,899	24;2.03,899	2,840,000	2,321,425	5,161,425	11,355,000	21,768,544	33,123,544	30,460,000	32,028,868	62,488,868
2020	17,545,000	7;2.77;2.43	24,822,243	2,980,000	2,179,425	5,159,425	11,310,000	21;2.22,819	32,532,819	31,835,000	30,679,487	62,514,487
2021 - 2025	74,830,000	24;2.55,629	99,085,629	17,265,000	8,548,900	25,813,900	67;2.65,000	96,551,969	163,816,969	159,360,000	129,356,498	288,716,498
2026 - 2030	56,525,000	8,836,142	65,361,142	20,110,000	4,022,750	24,132,750	75;2.45,000	79,845,219	155,090;2.19	151,880,000	92,704,111	244,584,111
2031 - 2035	3,730,000	160,925	3,890,925	4,120,000	206,000	4,326,000	120,785,000	55,758,734	176,543,734	128,635,000	56,125,659	184,760,659
2036 - 2040	-			-	-		110,055,000	27,362,375	137,417,375	110,055,000	27,362,375	137,417,375
2041 - 2043				-			64,625,000	4,439,875	69,064,875	64625000	4,439875	69,064,875
	$215,715,000	$74,573.222	$290,288,222	$55,055,000	$25p29.275	$80,084,275	89,700,000	$375,213291	$8§41lll91	$760A70,000	$474,815,787	$I ,35,285,787

Debt service requirements to maturities as of August 31, 2014 are summarized as follows:

Year ending August	Student Fee Revenue Bonds			PFC Lease Revenue Bonds			Linited Tax Bonds			Total Bonds		
31,	Princ!l:!!!l	Interest	Total	Principal	Interest	Total	Princ!l:!!!I	Interest	Total	Principal	Interest	Total
2015	$ 12,545,000	$ 8,421,828	$ 20,966,828	$ 4;2.40,000	$ 4,726;2.79	$ 8,966,279	$ 7,740,000	$ 23,789,519	$ 31,529,519	$ 24,525,000	$ 36,937,626	$ 61,462,626
2016	13,305,000	7,864,978	21,169,978	4,445,000	4,519,204	8,964,204	8,880,000	23,423,369	32,303,369	26,630,000	35,807,550	62,437,550
2017	13,665,000	7,502,160	21,167,160	4,665,000	4,303,854	8,968,854	10,145,000	22,961,494	33,106,494	28,475,000	34,767,507	63,242,507
2018	14,100,000	7,070,966	21,170,966	4,875,000	4,090,554	8,965,554	10,035,000	22,488,644	32,523,644	29,010,000	33,650,164	62,660,164
2019	14,580,000	6,592,094	21,172,094	5,095,000	3,866,629	8,961,629	11,355,000	21,971,794	33,326,794	31,030,000	32,430,517	63,460,517
2020 - 2024	68,670,000	22,668,039	91,338,039	29;2.40,000	15,566,740	44,806,740	64,350,000	I 00,822,694	165,172,694	162;2.60,000	139,057,473	301,317,473
2025 - 2029	46,120,000	8,833,546	54,953,546	35,605,000	8,375;2.88	43,980,288	72,235,000	83,938,719	156,173,719	153,960,000	101,147,552	255,107,552
2030 - 2034	1 1,105,000	646,045	11,751,045	13,455,000	969,863	14,424,863	121,335,000	61,448,953	182,783,953	145,895,000	63,064,861	208,959,861
2035 - 2039	-	-	-				108,115,000	32,648,625	140,763,625	108,115,000	32,648,625	140,763,625
2040 - 2043		-	-		-		87,315,000	7,846275	95,161,375	87215000	7,375	95,161375
	$ 194,090000	$ 69,599,656	$ 263.689,(>56	$ 101,620,CJOO	$ 46,418,409	$ 148,038,409	$ 501,505.000	$ 4QLl1Q,185	$ 902,845,185	$ 797,215,000	$ 517,358,249	$ 1,314,573,249

NOTE 9 -DEFEASANCE OF LONG-TERM DEBT

The System issued $30,900,000 in Combined Fee Revenue Refunding Bonds, Taxable Series 2014B and $9,210,000 in Combined Fee Revenue Refunding Bonds, Series 2014A ("collectively Series 2014 Bonds") on April 16, 2014. The Series 2014 Bonds were used to fully retire the Senior Lien Revenue Bond, Series 2011T ("Series 2011T) of $16,000,000 and to partially refund $22,855,000 in Senior Lien Revenue Bonds, Series 2005 ("Series 2005") with interest rates ranging from 2.43% to 5.25%. The optional redemption date of the Series 2011T Bonds was November 15, 2013 and the optional redemption date of the Series 2005 Bonds is April 15, 2015.

Proceeds of $24,023,760 of the Taxable Series 2014B Bonds were placed in an irrevocable trust with an escrow agent and will be used to redeem the Series 2005 Bonds on the call date of April 15, 2015. The liability for these refunded bonds and the securities held by the escrow agent have been excluded from the Statement of Net Position.

The advance refunding had the following results:

- $266,931 in future cash flow deficits resulting from an increase in the aggregate debt service payments over the next twelve years.
- Economic gain of $1,236,449, which is the difference between the present values of the old and new debt service payments.
- Advance funding valuation of $874,770 was created, which is the difference between the reacquisition price of $40,030,239 and the carrying amount of the refunded bonds of $40,905,009. The valuation is deferred and amortized as a component of interest expense over the term of the defeased Series 2005 Bonds.

The System issued $68,865,000 in Combined Fee Revenue and Refunding Bonds, Series 2015 on July 22, 2015. The Bonds were used to: (1) partially refund $34,695,000 in Junior Lien Student Fee Revenue and Refunding Bonds, Series 2006 with interest rates ranging from 4.00% to 5.00% with an optional redemption date of April 15, 2016; (2) refund $14,115,000 in Public Facility Corporation Lease Revenue Bonds, Series 2005C with interest rates ranging from 3.50% to 5.0% with an optional redemption date of October 15, 2015; and (3) refund $28,210,000 in Public Facility Corporation Lease Revenue Bonds, Series 2006 with interest rates ranging from 4.0% to 5.0% with an optional redemption date of April 15, 2016.

Proceeds of $80,089,681 of the Combined Fee Revenue and Refunding Bonds, Series 2015 were placed in an irrevocable trust with an escrow agent and will be used to redeem the Junior Lien Student Fee Revenue and Refunding Bonds Series 2006, the PFC Lease Revenue Bonds Series 2005C and the PFC Lease Revenue Bonds Series 2006 on the respective call dates. The liabilities for these refunded bonds and the securities held by the escrow agent have been excluded from the Statement of Net Position.

The advance refundings had the following results:

- $8,622,461 in future cash flow savings resulting from a decrease in the aggregate debt service payments over the next sixteen years.
- Economic gain of $6,462,995, which is the difference between the present values of the old and new debt service payments.
- Advance funding valuation of $1,479,504 was created, which is the difference between the reacquisition price of $80,089,681 and the carrying amount of the refunded bonds of $78,610,177. The valuation is deferred and amortized as a component of interest expense over the term of the defeased Series 2006 Bonds.

NOTE 10 - DEFEASED BONDS QUISTANDING

The defeased bonds outstanding at August 31, 2015 and 2014 were as follows:

Bond issue	Year Refunded	Par Value Outstanding August 31, 2015	Par Value Outstanding August 31, 2014
Series 2005 Senior Lien Revenue Bonds	2014	$	$22,855,000
Series 2006 Junior Lien Revenue Bonds	2015	34,695,000	
PFC Series 2005C Lease Revenue Bonds	2015	14,115,000	
PFC Series 2006 Lease Revenue Bonds	2015	28,210,000	
		$77,020,000	$22,855,000

NOTE II - NOTES PAYABLE

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

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

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

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

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

NOTE 11-NOTES PAYABLE -CONTINUED

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

The System entered into an agreement on January 30, 2015 for $2,019,896 with Key Government Finance, Inc. to finance the purchase of software maintenance contracts. The note is payable in annual installments of $673,299 over three years and is non-interest bearing.

Maturities of notes payable at August 31, 2015 were as follows:

Year ending August 31	Central Utility Plant	Capital Improvements	Total
2016	$ 891,250	$ 14,938,281	$ 15,829,531
2017	888,050	14,931,256	15,819,306
2018	888,566	14,277,426	15,165,992
2019	887,681	14,259,095	15,146,776
2020	890,244	14,246,045	15,136,289
2021-2025	4,441,359	71,213,695	75,655,054
2026-2030	889,575	52,623,963	53,513,538
2031		4,876,350	4,876,350
Total Payments	9,776,725	201,366,112	211,142,837
Less Amounts Representing Interest	(1,982,812)	(47,032,041)	(49,014,852)
Total Notes Payable	$ 7,793,913	$ 154,334,071	$ 162,127,985

Maturities of notes payable at August 31, 2014 were as follows:

Year ending August 31	Central Utility Plant	Capital Improvements	Total
2015	$ 888,550	$ 14,272,383	$ 15,160,933
2016	891,250	14,264,983	15,156,233
2017	888,050	14,257,958	15,146,008
2018	888,566	14,277,426	15,165,992
2019	887,681	14,259,095	15,146,776
2020-2024	4,443,778	71,223,868	75,667,646
2025-2029	1,777,400	61,981,778	63,759,178
2030-2031		9,754,406	9,754,406
Total Payments	10,665,275	214,291,896	224,957,172
Less Amounts Representing Interest	(2,406,680)	(53,623,754)	(56,030,434)
Total Notes Payable	$8,258,595	$160,668,142	$168,926,738

NOTE 12-OPERATING LEASES

The System leases certain educational facilities, offices and other equipment. Future minimum rental payments under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2015 for each of the next five years and thereafter, and in the aggregate are as follows:

Year ending August 31	Amount
2016	$1,086,170
2017	291,375
2018	283,563
2019	204,647
Total	$1,865,755

Rent expense totaled approximately $1.3 million for the years ended August 31, 2015 and 2014.

NOTE 13 -LEASED FACILITIES

The System leases office space to other entities under operating leases. Minimum lease payments due to the System under these operating leases as of August 31, 2015 are as follows:

Year Fnding August 31,	Amount
2016	$ 5,995,267
2017	4,653,239
2018	1,720,606
2019	329,566
2020	254,204
Thereafter	234,720
Total	$ 13,187,602

The System received approximately $5.0 million in rental income for the years ended August 31, 2015 and 2014.

NOTE 14 - RETIREMENT PLANS

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

Teacher Retirement System of Texas

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

The State Constitution Article 16 provides that the State of Texas "must" make a contribution for individuals participating in the Texas Retirement System or Optional Retirement Program and action has been taken by the State to enforce their position, requiring community colleges to implement GASB 68 effective FY2015. HCC will recognize its proportionate share of the collective net pension liability, pension expense and deferred inflows and outflows of the cost sharing plan as of the measurable date and amount determined by the State of Texas.

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.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by Article 16, section 67 of the Texas Constitution. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the systems during the fiscal year. (2) Texas Government Code section 821.006 prohibits benefits improvements or contribution reductions if, as result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if that amortization period already exceeds 31 years, the period would be increased by such action.

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

Contribution Rates

	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Employer # 0994 - 2014 Employer Contributions	$6,399,881
Employer # 0994 - 2014 Member Contributions	$5,951,580
Employer # 0994 - 2014 NECE On-behalf Contributions	$ 959,404

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 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.

Actuarial Assumptions

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

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entrv 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%
Salarv 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 rate 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.

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	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portolio Returns*
Global Equity			
US	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			
Gobal 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	100%		8.7%

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

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.

	I% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	I% Increase in Discount Rate (9.0%)
Houston Community College System proportionate share of the net pension liability:	$120,490,413	$67,428,372	$27,747,848

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

At August 31, 2015, the Houston Community College System reported a liability of $67,428,372 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Houston Community College System. The amount recognized by the Houston Community College System as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Houston Community College System were as follows:

Houston Community College System Proportionate share of the collective net pension liability	$	67,428,372
State's proportionate share that is associated with Houston Community College System		959 404
Total	$	68 387 776

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 measurement date of August 31, 2014, the employer's proportion of the collective net pension liability was 0.002524331% which was an increase (decrease) of 0.00% from its proportion measured as of August 31, 2013. 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 Houston Community College System recognized pension expense of $6,232,562 and revenue of $1,866,313 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,042,802	$
Changes in actuarial assumptions	4,382,919	
Difference between projected and actual investment earnings		20,608,864
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		17,675
Contributions paid to TRS subsequent to the measurement date		
Contributions Made After Measurement Date of 8/31/2014 Through Current Year	5,873,294	
Total	$ 11,299,015	$ 20,626,539

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	$ 4,239,880
2017	$ 4,239,880
2018	$ 4,239,880
2019	$ 912,336
Thereafter	$ 846,366

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. As part of the College cost saving initiatives for fiscal year 2012, the College no longer provides subsidies for employees who participate in ORP. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

Retirement Expense

The retirement expense to the State for the System was $3,366,313, $3,236,549, and $4,407,127 for the fiscal years ended August 31, 2015, 2014 and 2013 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the System

The total payroll for all System employees was $183,861,448 and $174,038,989 for fiscal years 2015 and 2014, respectively. The total payroll of employees covered by the Teacher Retirement System was $111,189,787 and

$108,523,260 and the total payroll of employees covered by the Optional Retirement Program was $39,313,810 and $40,787,284 for fiscal years 2015 and 2014, respectively.

NOTE 15 - DEFERRED COMPENSATION PROGRAM

The System's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. Both a 403(b) plan and a 457 plan are available. The plan is funded by employee contributions such that the employer is not liable for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income due to market conditions or the failure, insolvency or bankruptcy of a qualified vendor. The total number of employees participating in the program at August 31, 2015 and 2014 were 603 and 644, respectively.

During fiscal years ended August 31, 2015 and August 31, 2014, employee contributions amounting to $3,997,037 and $4,030,815 were invested in the plan, respectively.

NOTE 16 - COMPENSATED ABSENCES

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

Employees earn up to 160 vacation hours depending on the number of years employed with the System. Up to 80 earned vacation hours may be carried forward by employees from one fiscal year to another, but must be utilized before the end of February of the following year or be lost. An employee is compensated for any earned but unused vacation hours upon termination of employment with the System. Accrued compensable absences of $2,526,083 and $2,357,551 for earned but unused vacation hours in accordance with the vacation earning and carry-forward policy of the System has been included in the financial statements for the years ended August 31, 2015 and 2014, respectively.

NOTE 17 - FUNDS HELD IN TRUST BY OTHERS

The balances of funds held in trust by others on behalf of the Public Facility Corporation are reflected in the financial statements as restricted long-term investments. At August 31, 2015 and 2014, there were ten funds for the benefit of the Public Facility Corporation. These trust assets represent bond proceeds to be utilized for construction purposes. The assets of these funds are reported by the trustee at values totaling $1,549,733 and $1,554,088 at August 31, 2015 and August 31, 2014, respectively.

NOTE 18 - COMMITMENTS

The System has entered into contracts for the planning and construction of new facilities, as well as the renovation and repair of existing campuses. Commitments remaining under such contracts were $69,651,394 at August 31, 2015. The System has also entered into contracts for technology capital projects, with commitments of $991,269 remaining at August 31, 2015. Proceeds from the sales of various bonds and notes will fund the purchase and construction of new facilities and the technology projects.

NOTE 18 - COMMITMENTS - CONTINUED

Community College of Qatar

In May 2010, the System entered into a five-year service agreement with The Community College of Qatar (CCQ) to develop the community college model to meet the educational needs of Qatar. The agreement for the five-year period ended August 31, 2015.

NOTE 19 - CONTINGENCIES

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

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

The Texas Association of Community College (TACC) has been advised by counsel that "Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of *the aggregate compensation paid* to individuals participating in the system," referring to the State's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP).

NOTE 20 - 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 both active and retired employees. Almost all of the employees may become eligible for these benefits if they reach normal retirement age while working for the State. These and similar benefits for active employees are provided through a self-funded State plan which is administered by an insurance company. The premiums are based on benefits paid during the previous year. The State's contribution per full-time employee ranged from $537.66 and $1,051.68 per month for the year ended August 31, 2015 ($503.14 and $984.12 per month for the year ended August 31, 2014) and totaled $8,109,445.33 for the year ended August 31, 2015 ($20,012,887 for the year ended August 31, 2014). The cost of premiums for 582 retirees was $3,749,647.20 in the year ended August 31, 2015 (retiree benefits for 528 retirees cost $3,300,335 in the year ended August 31, 2014). For 2,318 active employees, the cost of premiums was $17,638,465.86 for the year ended August 31, 2015 (active employee benefits for 2,242 employees cost $16,712,552 for the year ended August 31, 2014). On-behalf payments of these benefits were recognized as restricted revenues and restricted expenses during the year.

NOTE 21 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The System 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.

NOTE 21 -POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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

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

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

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

The college's contributions to SRHP for the years ended August 31, 2015 and 2014 were $3,749,627 and $3,298,891 respectively, which equaled the required contributions each year.

NOTE 22 -PROPERTY TAX

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

At August 31:	2015	2014
Assessed valuation of the System	$ 198,955,482,183	$180,734,029,067
Less: Exemptions	(36,077,649,997)	(34,213,942,090)
Net Assessed Valuation of the System	$ 162,877,832,186	$ 146,520,086,977

Taxes levied for the years ended August 31, 2015 and 2014, based on the certified rolls, as reported by the taxing authorities amounted to $174,100,115 and $142,377,964, respectively, which does not include any penalty and interest assessed, if applicable.

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

The authorized and assessed tax rate for the System was as follows:

	August 31,2015			August 31, 2014		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized rate per $100 valuation	$ 0.50	$ 0.50	$ 1.00	$ 0.50	$ 0.50	$ 1.00
Assessed rate per $100 valuation	$ 0.077055	$ 0.029835	$ 0.106890	$ 0.077055	$ 0.201180	$ 0.@7173

Tax collections for the year ended August 31, 2015 and 2014 were as follows:

	2015	2014
Current Taxes Collected	$ 173,168,964	$ 141,871,329
Delinquent Taxes Collected	1,989,360	1,863,095
Penalties and Interest Collected	1,481,775	1,370,704
Total	$ 176,640,099	$ 145,105,128

NOTE 22 -PROPERTY TAX -CONTINUED

For the years ended August 31, 2015 and 2014 tax collections represent 99.47% and 99.64% of the tax levy, respectively. Taxes assessed are recorded in the System's financial statements net of the related allowance for uncollectable taxes, based upon the System' expected collection experience. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

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

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

NOTE 23 -RELATED PARTY TRANSACTIONS

The Houston Community College Foundation (the "Foundation") is a nonprofit organization with the sole purpose of supporting the educational and other activities of the System. The Foundation solicits donations and acts as coordinator of gifts made to the System. The Foundation remitted $506,709 and $908,590 to the System for scholarship awards during the years ended August 31, 2015 and August 31, 2014, respectively. The Foundation remitted $979,366 and $1,006,555 to the System to fund grant programs during the years ended August 31, 2015 and August 31, 2014, respectively.

During the years ended August 31, 2015 and August 31, 2014, the System provided staff assistance to the Foundation at no cost. The System's management estimates the value of the services provided to the Foundation in fiscal years August 31, 2015 and August 31, 2014 to be $904,652 and $968,778, respectively. As of August 31, 2015 and August 31, 2014, the amount due to the System from the Foundation was zero. In January 2011, the Foundation signed a lease with the System for rental of office space at $1,200 per month. The Foundation paid the System $14,400 in rent during the years ended August 31, 2015 and August 31, 2014.

NOTE 24 -SUBSEOUENT EVENTS

On July 22, 2015 the System defeased the PFC Lease Revenue Bonds, Series 2005C with an outstanding balance of $14,115,000. The System exercised its Option to Purchase on October 15, 2015 the Public Safety Institute facilities and is in process of transferring the title from the PFC to the System.

On October 15, 2015 the System retired the PFC Lease Revenue Bonds, Series 2005A with an outstanding balance of $7,885,000. The System exercised its Option to Purchase the Westgate facilities and is in process of transferring the title from the PFC to the System.

REQUIRED SUPPLEMENTAL INFORMATION (RSI) SECTION
(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION (RELATED TO PENSIONS)

Introduction

The TRS pension plan is considered to be a cost-sharing plan with a special funding situation. As such, GASB 68 paragraph 81.a.2 requires that community colleges present two Required Supplementary Information (RSI) schedules related to pensions. The RSI schedules are intended to present information for ten years, but can be completed prospectively as information becomes available.

Schedule of Employer's Share of Net Pension Liability

Employers participating in a cost-sharing plan with a special funding situation must present a 10-year schedule including the following information, determined as of the measurement date of the collective net pension liability:

Schedule of Houston Community College System Share of Net Pension Liability
For the Year Ended August 31, 2015

Fiscal year ending August 31	2015
Total TRS pension liability	$ 159,4%,075,886
TRS net position	(132,779,243,085)
TRS pension liability	$ 26,716,832,801
TRS net position as percentage of total pension liability	83.25%
Houston Connnunity College System proportionate share of collective net pension liability (%)	0.002524331%
Houston Connnunity College System proportionate share of collective net pension liability ($)	67,428,372
Portion of NECE's total proportionate share of NPL associated with Houston Connnunity College System	10,129,723
Total	77,558,095
Houston Community College covered payroll amount	111,062,958
Ratio of : ER proportionate share of collective NPUER's covered payroll amounts	60.7%

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

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

Schedule of Houston Community College System Contributions

Houston Community College System contributions to TRS are statutorily or contractually established. Employers participating in a cost-sharing plan with a special funding situation with statutorily or contractually established contribution requirements must present a 10-year schedule including the following information, determined as of the employer's most recent fiscal year-end:

a) The statutorily or contractually required employer contribution. For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, to separately finance specific liabilities of the individual employer to the pension plan.

b) The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution. For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan's fiduciary net position during the employer's fiscal year resulting from actual contributions and from contributions recognized by the

c) The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution.

d) The employer's covered payroll.

e) The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the employer's covered-employee payroll.

Schedule of Houston Community College System Contributions
For the Year Ended August 31, 2015

Fiscal Year Fnding August 31st		2015
Legally Required Contributions:	$	7,441,218
Actual Contributions:		7,441,218
Contribution deficiency (excess)		
Houston Cotmnunity College System covered employee payroll amount	$	111,062,958
Ratio of Actual contrbutions / RE covered payroll amount		6.7%

* The amounts presented above are as of Houston Community College System most recent fiscal year-end

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

Notes to RSI Schedules

Changes of Benefits Terms include:

Information about factors that significantly affect trends in the amounts reported in the RSI schedules should be presented (for example, COLA increase)

Changes of Assumptions:

There were no changes of assumptions for the year ended August 31, 2015

SUPPLEMENTAL SCHEDULES

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2015
With Memorandum Totals for the Year Ended AUGUST 31, 2014

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	August 31, 2015 Total	August 31, 2014 Total
Tuition :						
State FWlded Courses:						
In-District Resident Tuition	$ 21,410,31 1	$	$ 21,410,311	$	$ 21,410,311	$ 20,885,668
Out-of-District Resident Tuition	7,961,485		7,961,485		7,961,485	7,848,313
TPEG (Credit)	1,730,840		1,730,840		1,730,840	2,385,439
State Ftmded Continuing Education :	7,562,618		7,562,618		7,562,618	6,766,013
TPEG (Non-Credit)	399,839		399,839		399,839	384,339
Non-Resident Tuition	15,483,171		15,483,171		15,483,171	14,652,333
Non-State Ftmded Continuing Education	2,838,943		2,838,943		2,838,943	1,361,046
Total Tuition	57,387,207		57,387,207		57,387,207	54,283,151
Fees:						
Installment Plan Fees	997,845		997,845		997,845	991,859
Non-Instructional Contract Training Fees	453,718		453,718		453,718	220,800
General Fees	34,915,096		34,915,096		34,915,096	34,428,754
Laboratory Fees	4,531,903		4,531,903		4,531.903	4,422,208
Other Fees	1 1,252,840		1 1,252,840		1 1,252,840	11,176,420
Out-of-District Fees	16,273,156		16,273,156		16,273,156	16,029,993
Student Service Fees	2,270,185	311,981	2,582,166	2,032,934	4,615,100	4.097,206
Total Fees	70,694,743	311,981	71,006,724	2,032,934	73,039,658	71,367,240
Scholarship Allowances and DiscolUlts:						
Remissions and Exemptions-State	(6,638,393)		(6,638,393)		(6,638,393)	(6,995,065)
Remissions and Exemptions-Local	(1,953,474)		(1,953,474)		(1,953,474)	(2,061,952)
Title IV Federal Grants	(37,517,706)		(37,517,706)		(37,517,706)	(38,887,877)
Other Federal Grants	(2,741,222)		(2,741,222)		(2,741,222)	(2,527,554)
TPEG Awards	(1,505,558)		(1,505,558)		(1,505,558)	(1,506,869)
Other State Grants	(3,871,174)		(3,871,174)		(3,871,174)	(I,783,368)
Other Local Grants	(1,120,108)		(1,120,108)		(1,120,108)	(1,198,671)
Total Scholarship Allowances	(55,347,635)		(55,347,635)		(55,347,635)	(54,961,356)
Total Net Tuition and Fees	72.734,315	311.981	73.046,296	2,032,934	75,079,230	70,689,034
Other Operating Revenues:						
Federal Grants and Contracts		13,782,1 10	13,782,110		13.782,1JO	14,019,776
State Grants and Contracts		8,772,358	8,772,358		8,772.358	5,543,642
LocaJ Grants And Contracts		162.920	162,920		162,920	116.899
Non-Governmental Grants And Contracts		2,446,357	2,446,357		2,446,357	2,441,076
Sales And Services	176,257		176257	965	177,222	189,043
Total Other Operating Revenues	176,257	25,163,744	25,340,001	965	25,340,967	22,310,436
Auxiliary Enterprises:						
Bookstore				2,623,595	2,623,595	2,884,880
Long-Term Parking				516,962	516,962	543,753
Qatar				4,120,662	4,120,662	6,779,102
Rental Of Facilities				5,646,222	5,646,222	5,502,779
Restaurant				508,050	508,050	517,458
Vending And Other Comm issions				129,500	129,500	192,087
Total AuxiJiary Enterprises				13,544,991	13,544.991	16,420.060
Total Operating Revenues	$ 72,910,572	$ 25,475,725	$ 98,386,297	$ 15,578,890	$ 1 13,965,188	$ 109,419,530

*In accordance with Education Code 56.033, $2,130,679 **and $2223,442 of tuition for fiscal years ended August 31,.201 5 and 2014, respectively '\A.ere set** aside for Texas Public Education Grants (TPEG).

See Independent Auditor's Report

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2015
With Memorandum Totals for the Year Ended AUGUST 31, 2014

Schedule B

	Operating Exnses					
	Salaries and Wa es	Benefits State	Benefits Local	Other Expenses	2015 Total	2014 Total
Unrestricted E.ducational Activities						
Instruction	$ 93,741,512	$ -	$ 11,890,075	$ 3,925,102	$ 109,556,689	$ 104,054,989
Public Setvice	705,894		89,348	755,844	1,551,086	1,382,418
Academic Support	19,837,098	-	2,224,595	6,359,347	28,421,040	23,497,772
Student Setvices	20,870,110	-	2,609,031	2,811,237	26,290,378	25,170,810
Institutional Support	33,737,250	-	5,077,168	21,532,988	60,347,406	60,004,032
Operation and Maintenance of Plant	2,106,513	-	267,093	26,446,422	28,820,028	35,885,631
Total Unrestricted E.ducational Activities	170,998,377		22,157,310	61,830,940	254,986,627	249,995,652
Restricted E.ducational Activities						
Instruction	791,316	7,297,957	81,932	655,237	8,826,442	8,573,417
Public Service	3,994,063	-	547,429	4,202,831	8,744,323	9,245,686
Academic Support	752,690	1,544,356	116,740	946,899	3,360,685	3,201,429
Student Setvices	3,154,443	1,624,778	39,861	338,957	5,158,039	4,073,794
Institutional Support	-	2,626,510	-	107,481	2,733,991	2,669,337
Scholarship and Fellowship	-	-	-	61,638,293	61,638,293	58,733,940
Total Restricted E.ducational Activities	8,692,512	13,093,601	785,962	67,889,698	90,461,773	86,497,603
Total E.ducational Activities	179,690,889	13,093,601	22,943,272	129,720,638	345,448,400	336,493,255
Auxiliary Enterprises	1,738,008	-	383,187	7,685,315	9,806,510	10,957,583
Auxiliary Enterprises - Qatar Expenses	3,067,600	-	655,960	323,563	4,047,123	6,276,345
Depreciation - Buildings	-		-	14,967,062	14,967,062	12,913,723
Depreciation - Equipment	-	-	-	6,008,752	6,008,752	6,290,320
Depreciation - Library Books				508,694	508,694	539,468
Total Operating Expenses	$ 184,496,497	$ 13,093,601	$ 23,982,419	$ 159,214,024	$ 380,786,541	$ 373,470,694
					(E'<hibit 2)	(Exhibit 2)

See Independent Auditor's Report

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF NONOPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015
With Memorandum Totals for the Year Ended AUGUST 31, 2014

Schedule C

	Unrestricted	Restricted	Auxiliary Pnterprises	Total 2015	Total 20I4
NONOPERATING REVENUES:					
State Appropriations:					
Educational and General State Support	$ 69,I48,935	$ -	$ -	$ 69,I48,935	$ 69,I48,935
State O'oup Insurance	-	9,984,372	-	9,984,372	9,302,498
State Retirement Matching	-	3,Io<J,230		3,I o<J,230	3,170,857
Other State Appropriations	6,958	-		6,958	53,429
Total State Appropriations	69,I55,893	13,()<)3,602		82,249,495	8I,675,7I9
Maintenance Ad-Valorem Taxes	I 25,073,172	-	-	I 25,073,I 72	I 13,987,287
Debt Service Ad-Valorem Taxes	48,383,832	-	-	48,383,832	29,402,457
Gifts	-	1,260,854		I ,260,854	I ,436,292
Investment Income, Net	2,950,I56	-	-	2,950,156	3,704,35I
Title IV Ciants	-	95,673,I1 I	-	95,673,111	94,092,798
Nursing Shortage Reduction	-	478,272	-	478,272	17I,333
Other Nonoperating Revenue	7,455,996	-	4,041	7,460,037	I ,672,I49
Total Nonoperating Revenues	253,019,049	I10,505,839	4,04I	363,528,929	326,142,386
NONOPERATING EXPENSES:					
Interest on Capital-Related Debt	(24,312,876)	-	-	(24,3I2,876)	(I6,346,638)
Other Nonoperating Expenses	(5,431,725)	-	-	(5,43I,725)	(10,955,750)
Total Nonoperating Expenses	(29,744,601)	-	-	(29,744,601)	(27,302,388)
N f NONOPERATING REVENUES	$ 223,274,448	$ 1 10.505.839	$ 4.041	$ 333,784,328	$ 298,839,998
				(Exhibit 2)	(Exhibit 2)

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2015
With Memorandum Totals for the Year Ended AUGUST 31, 2014

Schedule D

	Unrestricted	Restricted Expendable	Restricted Non-Expendable	Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
ClDTent:							
Unrestricted	$ 46,970,407	$ -	$	$	$ 46,970,407	$ 46,970,407	$
Auxiliary enterprises	7,698,664	-			7,698,664	7,698,664	
Loan		480,121			480,121	-	480,121
Plant:							
Unexpended	5.687,84 1	-	-		5,687,841	5,687,841	
Investment in Plant		12,810,427	-	290,770,960	303,581,387	12,810,427	290,770,960
Total Net Position August 31, 2015	60,356,912	13,290,548	-	290,770,960	364,418,420	73,167,339	291,251,081
					Fxbibit 1		
Total Net Position August 31, 2014, as restated	114,974,877	14.803,61 4	-	244.073,582	373,852,073	129,778,491	244.073,582
					Fxbibit 1		
Cwnulative Effect For Changes in Acco1D1ting Principle	(76,396,628)				(76,396,628)	(76,396,628)	
Net Increase(Decrease) in Net Position	$ 21,778,663	$ (1,513,066)	$ -	$ 46,697,378	$ 66,962,975	$ 19,785,476	$ 47,177,499
					Fxbibit 2		

STATISTICAL SECTION
(Unaudited)

HOUSTON COMMUNITY COLLEGE SYSTEM
STATISTICAL SECTION NARRATIVE

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

This segment presents 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.

Economic & Demographic Information

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

Operating information

This segment displays service and capital asset 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 stated, the information in this section is derived from the comprehensive annual financial reports for the relevant year. The College implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, in FY 2000-01; schedules presenting government-wide activities include information beginning from that year.

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

Table 1

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
			For the Year Ended August 31,							
Net Investment in Capital Assets	$ 290,771	$ 244,073	$ 230,706	$ 234,825	$ 207,977	$ 197,013	$ 197,253	$ 190,084	$ 173,412	$ 146,493
Restricted - Expendable	13,290	14,804	1,216	488	488	449	449	449	449	582
Unrestricted	60,357	114,975	107,142	87,004	73,959	70,083	62,731	62,334	55,872	60,092
Total Primary Government, Net Position	$ 364,418	$ 373,852	$ 339,063	$ 322,317	$ 282,424	$ 267,545	$ 260,433	$ 252.867	$ 229,733	$ 207,166
Increase(Decrease) in Net Position	$ (9.434)	$ 34,789	$ 16,746	$ 39,893	$ 14.879	$ 7.112	$ 7.566	$ 23,134	$ 22,567	$ 15,626

*The decrease in Net Position is due to the impact of the implementation of GASB 68 and 71. A decrease of $76,396,628 is the cumulative effect for changes in accowll ing principle.

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

Table 2

	For the Year Ended August 31,								
	21;I $	2014	2013	2012	011	2010	2009	2008	2007
OPERATING REVENUES:									
Tuition and Fees, Net of Discoimts	$ 75,079,230	$ 70,689,034	$ 71,433,953	$ 71.415,957		$ 65,655.752	$ 64,689,510	$ 58,939,437	$ 54,389,997
Federal Grants and Contracts	1 3,782,110	14,01 9,776	14,702,419	16,848,269	16,064,089	16,243,394	12,480,512	13,001,562	12,924.612
State Grants and Contracts	8,772,358	5,543,642	6.156,585	5,152,251	6,448.589	5,157,058	3,695,688	2,988,267	2,796,870
Local Grants and Contracts	162,920	116,899	81,407	95,226	275,085	79,055	77,955	81,761	77,116
Non-Governmental Grants and Contracts	2,446,357	2,441,076	2,41 3,531	2,497,892	1,283,150	1,286,822	854,759	467,151	605,832
Sales and Services of Educational Activities	177,222	189,043	193,328	329,382	369,530	315,835	261,861	203,207	208,228
Other Operating Revenues									527,125
Auxiliary Enterprises	13,544,991	16,420,059	16,092,899	16,096,494	14.535,914	10,493,233	8,709,724	7,937, 176	7,35 1,627
Total Operating Revenues	113,965,188	109,419,530	1 1 1,074,122	1 12,435,472	I06,884,254	99,231,149	90,770,009	83.618,561	78,881,407
NONOPERA TING REVENUES:									
State Appropriations	82,249,495	81.675,719	82,105,228	81,839,826	84,838,315	84,665,409	81,677,836	80,863,825	77,302,202
Ad Valorem Taxes	173,457,004	143,389.744	129,256,277	123,638,019	1 15,820,065	1 19,273,809	I 07,746,487	97,214,316	88,882,876
Gifts	1,260,854	1,436,292	1,591,888	2,053,638	1,573,601	1 ,555,967	1,115,895	964,033	491,270
Investment Income	2,950,156	3,704,351	(140,747)	789,917	566,945	900,323	4,213.587	II, 160,656	17,507,157
Disaster Relief Grants						1.415,592	1,525,611		
Title IV (Pell)	95,673,1 11	94,092.798	94,423,841	I 02.023,662	96, 171,936	75,639.561	41,239,311	31,591 ,860	30,325,297
Nursing Slortage Reduction	478,272	171,333	111,309	14,038	151,786	73,453	19,969	33,974	66,969
Other Non-operating Revenues	7,460,037	1,672,149	6.446,858	9,341,129	6,153,631	3,455,364	2.241,061	7,768,434	3,866,533
Total Non-operating Revenues	363,528,929	326, 142,386	313,794,654	319.700,229	305,276,279	286,979,477	239,779,757	229,597,098	218.442.304
TOT AL REVENUES	$ 477.494.1 17	$435,561 ,916	$424,868.776	$432, 135,70 I	$412, 160,533	$386,21 0,626	$330,549,766	$313,215,65	S2'J7,323.71 1

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

Table 2

(percentage of total)

For the Year Ended August 31,

	2015	2014	2013	2012	011	2010	2009	2008	2007
OPERATING REVENUES:									
Tuition and Fees, Net of Discowits	15.72%	16.23%	16.81%	16.53%	16.48%	17.00%	19.57%	18.82%	18.29%
Federal Grants and Contracts	2.89%	3.20%	3.46%	3.90%	3.90%	4.21%	3.78%	4.15%	4.35%
State Grants and Contracts	1.84%	1.29%	1.45%	1.19%	1.56%	1.34%	1.12%	0.95%	0.94%
Local Grants and Contracts	0.03%	0.03%	0.02%	0.02%	0.07%	0.02%	0.02%	0.03%	0.03%
Non-Governmental Grants and Contracts	0.51%	0.56%	0.57%	0.58%	0.31%	0.33%	0.26%	0.15%	0.20%
Sales and Services of Educational Activities	0.04%	0.04%	0.05%	0.08%	0.09%	0.08%	0.08%	0.06%	0.07%
Other Operating Revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.18%
Auxiliary Enterprises	2.84%	3.77%	3.791o	3.72%	3.53%	2.72%	2.63%	2.53%	2.47%
Total Operating Revenues				26.02%	25.93%	25.69%	27.46%	26.70%	26.53%
NONOPERA TING REVENUES:									
State Appropriations	23.87%	25.12%	26.14%	18.94%	20.58%	21.92%	24.71%	25.82%	26.00%
Ad Valorem Taxes				28.61%	28.10%	30.88%	32.60%	31.04%	29.89%
Gifts	17.23%	18.75%	19.32%	0.48%	0.38%	0.40%	0.34%	0.31%	0.17%
Investment Income	36.33%	32.92%	30.42%	0.18%	0.14%	0.23%	1.27%	3.56%	5.89%
Disaster Relief Chnts	0.26%	0.33%	0.37%	0.00%	0.00%	0.37%	0.46%	0.00%	0.00%
Title IV (Pell)	0.62%	0.85%	-0.03%	23.61%	23.33%	19.59%	12.48%	10.09%	10.20%
Nursing Shortage Reduction	0.00%	0.00%	0.00%	0.00%	0.04%	0.02%	0.01%	0.01%	0.02%
Other Nonoperating Revenues	20.04%	21.60%	22.22%	2.16%	1.49%	0.89%	0.68%	2.48%	1.30%
	0.10%	0.04%	0.03%						
	1.56%	0.38%	1.52%						
Total Nonoperating Revenues				73.98%	74.07%	74.31%	72.54%	73.30%	73.47%
	76.13%	74.88%	73.86%						
TOTAL REVENUES	100.00%	100.00%	100.00%	100.00%	100 00%	1 00.00°,	100.00%	1 00.00%	100.00%

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

Table 3

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OPERATING EXPENSES:										
Instruction	$ 118,383,131	$ 112,628,406	$ 111,931,030	$ 100,319,497	$ 112,617,877	$ 113,319,505	$ I05,158,760	S 96,006,367	$ 92,249,139	$ 88,156,430
Public Service	10,295,409	10,628,104	11,638,013	11,868,925	11,766,675	11,477,787	9,988,399	9,868,651	11,362,415	11,435,129
Academic Support	31,781,726	26,699,201	25,060,153	22,771,173	19,616,391	23,449,473	20,632,551	19,645,603	17,972,637	16,355,817
Student Services	31,448,417	29,244,604	29,165,865	24,906,487	31,901,438	30,902,922	27,473,142	25,822,223	24,659,370	24,919,075
Institutional Support	63,081,397	62,673,369	56,398,020	58,952,631	55,747,071	53,302,151	47,880,656	44,359,869	43,163,084	40,884,807
Operation and Maintenance of Plant	28,820,028	35,885,631	31,438,811	27,969,778	28,350,817	35,937,690	32,628,588	26,917,292	26,782,535	23,055,592
Scholarships and Fellowships	61,638,293	58,733,940	57,092,409	61,504,372	65,346,087	49,920,320	24,796,647	18,201,589	16,474,485	15,634,651
Auxiliary Enterprises	13,853,632	17,233,929	18,760,757	15,736,795	14,607,330	9,740,078	8,718,772	6,698,807	6,726,829	3,919,787
Depreciation	21,484,508	19,743,511	19,492,034	18,848,802	17,067.466	14,832,747	11,098,086	10,096,713	10,524,141	9,965,132
Total Operating Expenses	380,786,541	373,470,694	360,977,093	342,878,460	357,021,152	342,882,673	288,375,60I	257,617,114	249,914,635	234,326,420
NON-OPERATING EXPENSES:										
Interest on Capital Related Debt	24,312,876	16,346,638	36,827,644	28,498,392	29,424,886	25,379,834	25,375,863	20,640,888	21,187,768	17,201,531
Hurricane Ike Expense, Net			12,431	626,194	284,103	561,861	297,616			
Other Non-Operating fapenses	5,431,725	10,955,750	10,305,162	20,240,555	10,550,397	10,274,777	8,934,397	7,768,434	3,682,262	5,597,748
Total Non-Opera!ing Expenses	29,744,601	27,302,388	47.145.2.17	49,365,141	40,259,386	36,216,472	34,607,876	28,409,322	24,870,030	22,799,279
						$ 379.099.145	S :122,983.477	$ 286,026,436	$ 274.784.065	$ 257.125.699
Total Expenses	S 410,531,142	S 400.773.082	S 408.121..1.10	S :l92.24.1.60I	S 197.280,538					

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

Table 3

(percentage of total)
For the Year Ended A 31,

	2015	2014	2013	2012	2011	2010	2009	:008	2007	2006
OPERATING EXPENSES:										
Instruction	28.84%	28.10%	27.43%	25.58%	28.35%	29.89%	32.56%	33.57%	33.57%	34.29%
Public Service	2.51%	2.65%	2.85%	3.03%	2.96%	3.03%	3.09%	3.45%	4.14%	4.45%
Academic &Ipport	7.74%	6.66%	6.14%	5.81%	4.94%	6.19%	6.39%	6.87%	6.54%	6.36%
Student Services	7.66%	7.30%	7.15%	6.35%	8.03%	8.15%	8.51%	9.03%	8.97%	9.69%
Institutional &!pport	15.37%	15.64%	13.82%	15.03o/o	14.03%	14.06%	14.82%	15.51%	15.71%	15.90%
Operation and Maintenance of Plant	7.02%	8.95%	7.70%	7.13%	7.14%	9.48%	10.10%	9.41%	9.75%	8.97%
Scholarships and Fellow.;hips	15.01%	14.66%	13.99%	15.68%	16.45%	13.17%	7.68%	6.36%	6.00%	6.08%
Auxiliary Enterprises	3.37%	4.30%	4.60%	4.01%	3.68%	2.57%	2.70%	2.34%	2.45%	1.52%
Depreciation	5.23%	4.93%	4.78%	4.81%	4.30%	3.91%	3.44%	3.53%	3.83?e	3.88%
Total Operating Expenses	92.75%	93.19%	88.45%	87.41%	89.87%	90.45%	89.28%	90.07%	90.95%	91.13%
NON-OPERA TING EXPENSES:										
Interest on Capital Related Debt	5.92%	4.08%	9.02%	7.27%	7.41%	6.69%	7.86%	7.22%	7.71%	6.69%
HtnTicane Ike Expense, Net	0.00%	0.00%	0.00%	O.I6%	0.07%					
Other Non-Operating Expenses	1.32%	2.73%	2.53%	5.16%	2.66%	2.71%	2.77%	2.72%	1.34%	2.18%
Total Non-Operating Expenses	7.25%	6.81%	11.55%	12.59%	10.13%	9.55%	10.72%	9.93%	9.05%	8.87%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00°.	10000%	100.00·	100.00%

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

Table 4

		SEMFSTFR CRIDIT HOUR (SCH)						
				IN-DISTRICT				
Academic Year	Semester	In-District Tuition	General Fees	Techno-logy Fees	Student Activity / Services Fee	Recrea-tion Fee	Cost for 12 SCH	Increase from Prior Year-Fall
2014-2015	Fall	$ 372	$ 306	$ 118.80	$ 12	$ 6	$ 814.80	0.00%o
2013-2014	Fall	372	306	118.80	12	6	814.80	0.15%
2012-2013	Fall	372	306	117.60	12	6	813.60	0.15%
2011-2012	Fall	372	306	116.40	12	6	812.40	18.56%
2010-2011*	Summer	372	306	115.20	12	6	811.20	n/a
2010-2011	Fall	300	264	103.20	12	6	685.20	0.18%
2009-2010	Fall	300	264	102.00	12	6	684.00	1.79%
2008-2009*	Spring	300	264	96.00	12	6	678.00	n/a
2008-2009	Fall	300	264	96.00	12		672.00	2.28%
2007-2008	Fall	300	264	81.00	12		657.00	2.82%
2006-2007	Fall	300	264	63.00	12		639.00	8.67%
2005-2006*	Spring	300	264	48.00			612.00	n/a
2005-2006	Fall	276	264	48.00			588.00	0.00%o

Note: After Spring 2011, Workforce students no longer pay extra $1 per hour tuition; Recreation Fee previously known as Athletic Fee. In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.
* Changes to Rates in Semester other than Fall.

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

Table 4

		0Uf-OF-DIS1RICT							
Academic Year	Semester	In-District Tuition	Out-of-District Tuition	General Fees	Techno-logy Fees	Student Activity / Services Fee	Recrea-tion Fee	Cost for 12 SCH	Increase from Prior Year-Fall
2014-2015	Fall	$ 372	$ 768	$ 402	$ 118.80	$ 12	$ 6	$ 1,678.80	0.00%o
2013-2014	Fall	372	768	402	118.80	12	6	1,678.80	0.07%
2012-2013	Fall	372	768	402	117.60	12	6	1,677.60	0.07%
2011-2012	Fall	372	768	402	116.40	12	6	1,676.40	18.29'1o
2010-2011*	Summer	372	708	402	115.20	12	6	1,615.20	n/a
2010-2011	Fall	300	672	324	103.20	12	6	1,417.20	6.40%
2009-2010	Fall	300	648	264	102.00	12	6	1,332.00	0.91%
2008-2009*	Spring	300	648	264	96.00	12	6	1,326.00	n/a
2008-2009	Fall	300	648	264	96.00	12		1,320.00	l.15%
2007-2008	Fall	300	648	264	81.00	12		1,305.00	l.40%
2006-2007	Fall	300	648	264	63.00	12		1,287.00	4.13%
2005-2006*	Spring	300	648	264	48.00			1,260.00	n/a
2005-2006	Fall	276	648	264	48.00			1,236.00	0.00%o

Note: After Spring20l I, Workforce students no lonr pay extra $1 per hour tuition; Recreation Fee previously known as Athletic Fee.
In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.
* Chan to Rates in Semester other than Fall.

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

Table 4

		our OF STATFJINTERNATIONAL						
Academic Year	Semester	Out of State / lnter-national Tuition	General Fees	Techno-logy Fees	Student Activity / Services Fee	Recrea-tion Fee	Cost for 12 SCH	Increase from Prior Year-Fall
2014-2015	Fall	$ 1,140	$ 600	$ 118.80	$ 12	$ 6	$ 1,876.80	0.00%
2013-2014	Fall	I140	600	1 18.80	12	6	1,876.80	0.06%
2012-2013	Fall	1140	600	I17.60	12	6	1,875.60	0.06%
201 1-2012	Fall	1140	600	I16.40	12	6	1,874.40	10.70%
2010-2011*	Summer	1080	600	I15.20	12	6	1,813.20	n/a
2010-201I	Fall	972	600	103.20	12	6	1,693.20	7.71%
2009-2010	Fall	912	540	102.00	12	6	1,572.00	0.77%
2008-2009	Spring	912	540	96.00	12	6	1,566.00	n/a
2008-2009	Fall	912	540	96.00	12		1,560.00	0.97%
2007-2008	Fall	912	540	81.00	12		1,545.00	1.18%
2006-2007	Fall	912	540	63.00	12		1,527.00	3.46%
2005-2006*	Spring	912	540	48.00			1,500.00	n/a
2005-2006	Fall	888	540	48.00			1,476.00	0.00%

Note: After Spring 201 I, Workforce students no longer pay extra $1 per hour tuition; Recreation Fee previously known as Athletic Fee. In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.
* Changes to Rates in Semester other than Fall.

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

Table 5

Fiscal Year	Assessed Valuation of Property	Less: Exemptions & Abatements	Taxable Assessed Value (TAY)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations	Debt Service	Total Direct Rate (a)
2015	$ 198,955,482,183	$ 36,077,649,997	$ 162,877,832,186	81.87%	0.077055	0.029835	0.106890
2014	180,734,029,067	34,213,942,090	146,520,086,977	81.07%	0.077055	0.020118	0.097173
2013	145,875,030,461	12,890,703,534	132,984,326,927	91.16%	0.079673	0.017500	0.097173
2012	159,141,889,758	31,729,564,366	127,412,325,392	80.06%	0.083399	0.013823	0.097222
2011	157,165,651,239	31,190,173,147	125,975,478,092	80.15%	0.074901	0.017319	0.092220
2010	158,860,572,423	28,430,763,993	130,429,808,430	82.10%	0.077839	0.014381	0.092220
2009	141,650,283,263	24,628,568,950	117,021,714,313	82.61%	0.077504	0.014926	0.092430
2008	128,541,398,956	23,751,022,792	104,790,376,164	81.52%	0.077505	0.014926	0.092433
2007	114,880,333,614	23,035,765,722	91,844,567,892	79.95%	0.081333	0.013842	0.095175
2006	103,397,321,246	18,595,499,000	84,801,822,246	82.02%	0.081333	0.014436	0.095769

Source: Local Appraisal Districts

Notes: Property is assessed at full market value.

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

HOUSTON COMMUNITY COLLEGE SYSTEM
STATE APPROPRIATION PER FSTE AND CONTACT HOURS
LAST TEN FISCAL YEARS
(Unaudited)

Table 6

Fiscal Year	State Appropriation (Unrestricted)	FTSE **	State Appropriation per FTSE
2014-2015	$ 69,155,893	50,596	$ 1,367
2013-2014	69,202,364	49,448	1,400
2012-2013	70,014,003	49,824	1,405
2011-2012	70,232,038	52,032	1,350
2010-2011	65,957,104	53,418	1,235
2009-2010	65,791,457	50,445	1,304
2008-2009	63,627,432	43,835	1,452
2007-2008	63,627,433	39,602	1,607
2006-2007	61,312,488	38,641	1,587
2005-2006	61,312,368	36,922	1,661

Fiscal Year	State Appropriation (Unrestricted)	Academic Contract How-s	Vocff ech Contract Hours	CEU Contract How-s	Total F1IDded Contract Hours	State Appropriation per Contact How-
2014-2015	$ 69,155,893	15,873,248	6,122,448	2,290,228	24,285,924	$ 2.85
2013-2014	69,202,364	15,931,744	5,822,268	1,980,830	23,734,842	2.92
2012-2013	70,014,003	16,237,296	5,744,810	1,933,271	23,915,377	2.93
2011-2012	70,232,038	17,354,256	5,822,072	1,798,940	24,975,268	2.81
2010-2011	65,957,104	17,802,080	5,924,078	1,914,445	25,640,603	2.57
2009-2010	65,791,457	16,652,752	5,680,164	1,880,857	24,213,773	2.72
2008-2009	63,627,432	14,345,992	4,883,890	1,810,761	21,040,643	3.02
2007-2008	63,627,433	12,739,232	4,422,336	1,847,195	19,008,763	3.35
2006-2007	61,312,488	12,077,904	4,378,250	2,091,365	18,547,519	3.31
2005-2006	61,312,368	11,487,128	4,260,486	1,974,799	17,722,413	3.46

Note:

The methodology used to calculate FTSE (Full-time Student Equivalent) has been revised for FY2012 and the total FTSE has been restated for all years shown.

* Revised based on FY2011 AFR

** One FTSE is equal to 480 annual contact how-s [30 semester credit how-s (Fall 12SCH + Spring 12SCH + Swnmer 6SCH) x 16 contact how-s per SCH = 480 annual contact hours]. Total annual FTSE is equal to total flillded contact hours divided by annual contact how-s per student (480).

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

Table 7

Taxpayer	Industry	2015	2014	2013	2012	201 1	2010	2009	2008	2007	1006
					Taxable Assessed Value (TAV) by Tax Year						
Centerpoint Energy Inc	Utility	$ 1,418,862,516	$ 1,362,799,831	$ 1,382,750,044	$ 1,153,697,187	$ 1,119,456,415	$ 1,122,000,954	$ 1.155,200,888	$ 1,039,824,086	$ 1,020,251,119	$ 1,031,341,633
Crescent Real Estate	Real Estate	792,215,117	917,216,307	831,337,622	716,169,026	1,129,509,857	1,027,978,140	1.136,315,715	1,378,543,156	1,213,068,497	880,336,507
CuUen Allen Holdings Lp	Real Estate						632,088,821	679,738,613	740,183,451	597,559,584	
Hines Interests Lid Ptnrsp	Real Estate				1,163,749,277	967,638,791	855,622,627	649,533,262	962,302,817	982,519,591	574,840,017
AT&T Mobility UC	Utility				318,206,364	446,070,581	499,096,180	573,892,778	584,854,404		
Tpg 2101 Citywest 1 & 2 Lp	Real Estate					497,060,529	469,096,180	520,865,513	576,224,151		
Chevron Chemical Co	Oil & Gas	1,084,645,39 1	1,066,441,442	982,653,385	724,298,902	627,685,117	469,387,624	460,639,861	478,700,396	407,061,688	343,365,607
Anheuser Busch Inc	Brewery				357,792,263	366,424,086	404,399,350	421,420,837	451,539,258	461,994,178	470,539,317
Houston Refining	Oil& Gas							407,442,917			
Valero l'nergy Corp	Oil & Gas		418,086,374	426,028,458	363,437,432			374,025,572	386,831,716	309,554,958	
Teachers Insurance	Insurance								578,530,234	512,401,996	300,049,967
Shell Oil Co	Oil & Gas	492,784,337			334,605,330	331,875,591					
Southwestern Bell	Utility									529,778,957	554,904,933
HG Galleria 111111 LP	Real Estate	508,214,845	475,503,575	385,054,953	363,274,752	319,442,735	315,388,094			324,487,276	
Triaechahn A lien Ctr LP	Real Estate										494,993,746
Lyondell Chemical Co	Oil & Gas										295,571,464
HG Shopping Centers LP	Real Estate										292,756,445
Block 98 Partners LID	Real Estate										
f.xxon Mobil Corp	Oil & Gas				317,979,103	305,020,231	305,281,064				
Continental Airlines	Airline										
1000 Louisiana LP	Real Estate	499,000,000	504,063,645	426,551,193							
Texas Tower LTD	Real Estate		562,735,621	409,839,382							
Four Oaks Place Operating	Real Estate		464,133,747	401,202,733							
BG HOIDCO LLC	Real Estate		444,102,836	398,000,000							
BUSYCON Properties lLC	Real Estate	505,450,307	536,989,676	453,269,103							
Cousins Greenway & POC	Real Estate	1,115,262,076									
One, Two & Three Allen	Real Estate	866, 158,50I									
Southwestern Bell & ATT Mobility	Utility	476,957,952									
	Totals	$ 1759,55 1,042	$ 6,752,073,054	$ 6,096,686,873	S 5,813,209,636	$ 6.110, 183,933	$ 6. 100.339.034	$ ld7'!.(>7),9:'i6	S 7.177.533.669	$ 6,358,677.844	$ 5,238,699,636
Total Taxable Assessed Value		lu2..877.8.l2. I.llu	1.\6.520.0So,'Ji7	S 112.984.326.927	S I27.41 2.3J.5..l'J2	125,Y i:'i.478,WJ	$ l.l0.429,808,430	S 117.021.714.31.1	S IO.790.3117.164	S y 1.84-1.567.892	S 84,801

.822.246

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

Table 7

TB"l)ayer	Industry	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
		% of Taxable Assessed Value (TAV) by Tax Year									
Cente!pOint Energy Inc	Utility	0.87'/o	0.93%	1.04%	0.91%	0.89%	0.86%	0.99%	0.99%	1.11%	1.22%
Crescent Real Estate	Real Estate	0.49%	0.63%	0.63%	0.56%	0.90%	0.79%	0.97%	1.32%	1.32%	1.04%
Cullen Allen Holdings Lp	Real Estate	0.00%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.48%	0.58%	0.71%	0.65%	0.00o/o
Hines Interests Ltd Ptnrsp	Real Estate	0.00%	0.00%	0.00o/o	0.91%	0.77%	0.66%	0.56%	0.92%	1.07%	0.68%
AT&T Mobility LLC	Utility	0.00%	0.00%	0.00o/o	0.25%	0.35%	0.38%	0.49%	0.56%	0.00o/o	0.00o/o
Tpg 2101 Citywest I & 2 Lp	Real Estate	0.1)0%	0.00%	0.00o/o	0.00o/o	0.39%	0.36%	0.45%	0.55%	0.00o/o	0.00o/o
Chevron Chemical Co	Oil & Gas	0.66%	0.73%	0.74%	0.57%	0.50%	0.36%	0.39%	0.46%	0.44%	0.40%
Anheuser Busch Inc	Brewery	0.00%	0.00%	0.00o/o	0.28%	0.29%	0.31%	0.36%	0.43%	0.50%	0.55%
Houston Refining	Oil & Gas	0.00%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00%	0.35%	0.00o/o	0.00o/o	0.00o/o
Valero Energy Corp	Oil & Gas	0.00%	0.29%	0.32%	0.29%	0.00o/o	0.00o/o	0.32%	0.37%	0.34%	0.00o/o
Teachers Insurance	Insurance	0.00%	0.00%	0.00o/o	0.00%	0.00%	0.00o/o	0.00o/o	0.55%	0.56%	0.35%
Shell Oil Co	Oil & Gas	0.30%	0.00%	0.00o/o	0.26%	0.26%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o
Southwestern Bell	Utility	0.00%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.58%	0.65%
HG Galleria 111III LP	Real Estate	0.31%	0.32%	0.29%	0.29%	0.25%	0.24%	0.00o/o	0.00o/o	0.35%	0.00%
Triaechahn Allen Or LP	Real Estate	0.00%	0.()()%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.58%
Lyondell Chemical Co	Oil & Gas	0.00%	0,()()%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.35%
HG Shopping Centers LP	Real Estate	0.00%	0,()()%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.35%
Block 98 Partners Lt D	Real Estate	0.00%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o
E>ocn Mobil Corp	Oil & Gas	0.00%	0.00%	0.00o/o	0.25%	0.24%	0.23%	0.00o/o	0.00o/o	0.00o/o	0.00o/o
Continental Airlines	Airline	0.00%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o
1000 Louisiana LP	Real Estate	0.31%	0.34%	0.32%	0,()()0o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o
Texas Tower LTD	Real Estate	0.00%	0.38%	0.31%	0.()()0/o	0.00o/o	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o
Four Oaks Place Operating	Real Estate	0.00%	0.32%	0.30%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o
BGHOLDCO LLC	Real Estate	0.00%	0.30%	0.30%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o
'BUSYCON Properties LLC	Real Estate	0.31%	0.37%	0.34%	0.00o/o	0.00o/o	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o
Cousins Greenway & POC	Real Estate	0.68%	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o	0.00o/o
One, Two & Three Allen Center CO LLC	Real Estate	0.53%	0.00%	0.00o/o	0.00%	0.00o/o	0.00%	0.00o/o	0.00o/o	0.00o/o	0.00o/o
Southwestern Bell & ATT Mobility	Utility	0.29%	0.00o/o	0.00o/o	0.00o/o	0.00%	0.00%,	0.0(J%	0.0()'%	0.00o/o	0.00o/o
Totals		4.75%	4.6J°o	4.58%	4-56°o	4.85.o	..f .()80{l	5.45°·0	6.85°0	6.92o/o	6.18°/o

Source: Local County Appraisal District

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

Table 8

Fiscal Year	Tax Rate Per $100	Tax Base (Assessed Value)	Total Tax Levy	Collected within the Fiscal Year of the Levy: Actual Collections per AFR	Collected within the Fiscal Year of the Levy: % of Levy	Collections in Subsequent Years *	Total Collections to Date: Amount	Total Collections to Date: % of Levy
2014-2015	0.106890	$ 162,877,832,186	$ 174,100,115	$ 173,168,964	99.47%	$ 3,471,135	$ 176,640,099	101.46%
2013-2014	0.097173	146,520,086,977	142,377,964	141,871,329	99.64%	3,233,799	145,105,128	101.92%
2012-2013	0.097173	132,984,326,927	129,224,860	126,900,573	98.20%	3,135,356	130,035,929	100.63%
2011-2012	0.097222	127,412,325,392	123,872,811	121,247,023	97.88%	4,017,805	125,264,828	101.12%
2010-2011	0.092220	125,975,478,092	116,179,580	113,187,929	97.42%	3,994,879	117,182,808	100.86%
2009-2010	0.092220	130,429,808,430	120,614,601	116,730,716	96.78%	3,995,418	120,726,134	100.09%
2008-2009	0.092430	117,021,714,313	108,163,171	105,021,974	97.10%	4,064,764	109,086,738	100.85%
2007-2008	0.092433	104,790,367,164	96,860,880	93,854,407	96.90%	4,164,454	98,018,861	101.20%
2006-2007	0.095175	91,844,567,892	87,413,067	85,811,200	98.17%	3,882,996	89,694,196	102.61%
2005-2006	0.095769	84,801,822,246	81,213,857	79,013,014	97.29%	3,882,996	82,896,010	102.07%

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

Source: Local Tax Assessor/Collector's and District records.

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

Table 9

	For the Year Ended August 31									
	2015	2014	2013	2012••	2011	2010	2009*	2008*	2007*	2006*
General Obligation Bonds	$ 552,429,370	568,407,15I $	578,139,I57	126,509,613	122,%5,813 $	128,335,993 $	133,079,110 $	137,982,325 $	142,755,540 $	147,393,756
Notes	16	168,926,738	177,016,887	184,862,037	169,764,659	129,970,994	65,5%,500	67,%8,928	11,595,000	12,000,000
Net General Bonded Debt	713,210,757	737,333,888	755,156,045	311,371,650	292,730,472	258,306,987	198,675,610	205,951,253	154,350,540	159,393,756
Per Capita	303	319.02 $	333.59 $	139.69 $	134.63 $	118.77 $	92.82 $	95.80 $	72.86 $	76.23
Per ITSE	13,068	13,732.91 $	13,921.98 $	5,511.88 $	5,104.01 $	4,723.11 $	4,153.09 $	4,711.77 $	3,593.56 $	3,904.89
As a Percentage of Taxable Assessed Value	0.44%	0.50%	0.57%	0.24%	0.23%	0.20%	0.17'/o	0.20%	0.17%	0.19%
Revenue Bonds	$ 288,802,667	306,455,246 $	323,322,694	342,071,187	341,086,330 $	356,162,958 $	338,468,001 $	352,607,948 $	304,517,738 $	163,843,158
Notes	1,346,598				691,584	1,383,167	2,074,750		631,285	29.912,400
Capital Lease Obligations			-		1,304,824	3.914.472	6,524,120		34,395,970	35.436,616
Deposits	440	440								
Net Pension Liability	67,428,372									
Total Outstanding Debt	$ I 070788 835	I 043,789,574 $								
Per Capita	456	452 $	476 $	293 $	292 $	285 $	255 $	260 $	233 $	186
Per ITSE	19,619	19,441 $	19,883 $	11,567 $	11,086 $	11,332 $	11,408 $	12,779 $	11,499 $	9,520
As a Percentage of Taxable Assessed Value	0.66%	0.71%	0.81%	0.51%	0.50%	0.48%	0.47%	0.53%	0.54%	0.46%

*The rrethodology used to calculate ITSE (Full-tin10 Student Equivalent) has been revised for FY2012 and the "Per ITSE" calculation has been restated for all years shown.
(ITSE includes both fundable & non-fundable contact hours) Source: HCCOIR_DataMart (per ITSE).

HOUSTON COMMUNITY COLLEGE SYSTEM
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

Table 10

	For the Year Ended August 31				
	2015	2014	2013	2012	2011
TAXABLE As.5Es.5ED VALUE	$ 162,877,832,186	146,520,086,977	$ 132,984,326,927	$ 127,412,325,392	$ 125,975,478,092
GENERAL OBLIGATION BONDS:					
Statutory Tax Levy Limit for Debt Service	814,389,161	735,016,644	664,921,635	637,061,627	629,877,207
Less: Funds Restricted for Repayment of General Obligation Bonds					
Total Net General Obligation Debt	814,389,161	735,016,644	664,921,635	637,061,627	629,877,207
Current Year Debt Service Requirements	31,529,519	28,852,217	22,600,842	18,904,514	20,616,717
Excess of Statutory Limit for Debt Service over Current Keqwrements	$ 782,859.642	$ 706,164,427	$ 642 ,320.793	$ 618,157.113	$ 609,260,490
Net Current Requirements as a % of Statutory Limit	3.87 %	3.93%	3.40%	2.97%	3.27%

	For the Year Ended August 3I				
	2010	2009	2008	2007	2006
TAXABLE As.5Es.5ED VALUE	$ 130,429,808 ,430	1 17,021,714,3 13	$ 104,790,367,164	$ 91 .844,567,892	$ 84,801,822,246
GENERAL OBLIGATION BONDS:					
Statutory Tax Levy Limit for Debt Service	652, 149,042	585,I 08,572	523,951,836	459,222,839	424,009,111
Less: Funds Restricted for Repayment of General Obligation Bonds					
Total Net General Obligation Debt	652,149,042	585,108,572	523,951,836	459,222,839	424,009,1 1 1
Current Year Debt Service Requirements	16,768,273	11,034,759	11,059,125	1 1,069,990	10,258,879
Excess of Statutory Limit for Debt Service over Current Requirements	$ 635,380,769	$ 574,073,813	$ 5I2,892,71I	$ 448,152.849	$ 413,750,232
Net Current Requirements as a % of Statutory Limit	2.57%	1.89%	2.11%	2.41%	2.42%

Note: Texas Education Code Section I30.122 limits the debt service tax levy of community colleges to $0.50 per hundred dollars taxable assessed valuation.

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

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

Table 11

Fiscal Year Ended August 31	Pledged Revenues: Total	Tuition	Technology Fee	Registration Fees	Laboratory Fees	Community Education Fees	Other Fees	Interest Income	Vending Commission	Bookstore Commission	Rental Revenue
2015	$ 98,017,475	$ 11,646,452	$ 5,639,728	$ 51,188,252	$ 1,674,943	$ 11,523,728	$ 7,601,377	$ 543,991	$ 140,275	$ 2,623,595	$ 5,435,135
2014	94,161,412	11,442,938	5,614,551	50,458,748	1,779,425	9,093,829	7,066,095	432,133	201,162	2,884,880	5,187,651
2013	94,956,856	11,731,661	5,747,728	50,940,723	1,828,481	9,136,539	7,031,565	432,022	129,999	2,786,137	5,192,001
2012	98,214,059	12,206,115	5,998,853	53,283,093	1,974,359	9,330,828	7,234,999	303,384	151,823	2,864,738	4,865,866
2011	89,655,895	10,549,582	4,930,929	48,356,423	2,085,644	8,614,733	6,777,965	260,462	175,322	2,693,341	5,211,494
2010	81,401,974	9,587,926	4,543,879	43,168.485	3,393,362	8,699,410	4,250,888	405,337	167,930	2,166,708	5,018,051
2009	74,049,779	8,304,454	3,902,031	38,912,692	2,890,446	8,136,071	3,550,828	1,344,876	156,180	1,666,446	5,185,754
2008	68,374,594	7,346,541	3,485,805	35,489,400	2,434,803	7,982,248	2,700,926	2,636,536	167,813	1,545,225	4,585,297
2007	63,047,174	6,782,289	3,322,933	33,609,081	2,185,444	7,320,576	2,251,444	2,321,875	180,620	1,190,950	3,881,962
2006	57,789,907	6,013,923	3,173,494	32,368,441	2,026,721	5,287,298	1,297,184	2,697,279	181,235	1,345,057	3,399,274

Fiscal Year Ended August 31	Debt Service Requirements: Principal	Interest	Total	Coverage Ratio
2015	$ 12,545,000	$ 8,421,828	$ 20,966,828	4.67
2014	11,320,000	9,658,049	20,978,049	4.49
2013	13,435,000	10,254,199	23,689,199	4.01
2012	12,715,000	10,579,416	23,294,416	4.22
2011	11,335,000	10,712,486	22,047,486	4.07
2010	10,770,000	10,325,724	21,095,724	3.86
2009	10,430,000	10,408,632	20,838,632	3.55
2008	7,520,000	8,402,868	15,922,868	4.29
2007	7,015,000	6,608,404	13,623.404	4.63
2006	5,750,000	6,867,244	12.617,244	4.58

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

Table 12

Calendar Year	Service Area PoEulation		Service Area Personal Income	Service Area Personal Income Per CaEita	Service Area Unemployment Rate
2014	2,308,004	$	68,275,374,328	29,582	3.7%
2013	2,263,741		62,320,789,730	27,530	5.4%
2012	2,228,995		64,750,075,755	29,049	4.8%
2011	2,174,361		61,960,591,056	28,496	5.1%
2010	2,174,919		60,334,427,979	27,741	5.1%
2009	2,140,484		56,172,721,612	26,243	5.1%
2008	2,149,766		51,992,090,710	24,185	5.8%
2007	2,118,315		52,815,947,895	24,933	6.3%
2006	2,091,041		51,383,150,493	24,573	4.7%
2005	2,063,673		45,089,191,377	21,849	4.8%

Sources: HCCS Maplnfo Files with 2011 Board Redistricted Boundaries, Service Area additions per HB 3659, Northwest & Southwest College Boundary changes per exec. team, Sept. 2013; and Census and BLS data from Applied Geographic Solutions (AGS) on PCensus CD-ROM, TETRAD Computer Applications, Inc., Dec. 2014 (with 2014 AGSfor Business/Occupation info.), Dec. 2014.

HOUSTON COMMUNITY COLLEGE SYSTEM
PRINCIPAL EMPLOYERS
Fiscal Years 2012-2015
(Unaudited)

Table 13

Houston-Sugar Land-Baytown MSA (Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty Montgomery, San Jacinto, Waller)	June 2015 E)	June 2014	June 2013	June 2012
	Number of Employees			
Trade, Transportation, & Utilities	607,500	594,900	564,300	547,800
Professional, & Business Services	477,700	466,800	429,700	410,900
Government	379,400	373,900	364,500	359,300
Education & Health Services	361,700	347,400	335,900	327,000
Mining/Logging & Construction	314,100	312,000	298,100	279,600
Manufacturing	247,000	255,300	252,800	244,600
Leisure & Hospitality	312,900	294,100	277,500	264,300
Financial Activities	146,700	148,100	143,200	141,000
Other Services	106,100	105,500	100,300	%,900
Information	33,900	33,300	32,700	31,500
Total	2,987,000	2,931,300	2,799,000	2,702,900
	Percent of Employees			
Trade, Transportation, & Utilities	20.34%	20.29%	20.16%	20.27%
Professional, & Business Services	15.99%	15.92%	15.35%	15.20%
Government	12.70%	12.76%	13.02%	13.29'o
Education & Health Services	12.11%	11.85%	12.00%	12.10%
Natural Resources, Mining & Construction	10.52%	10.64%	10.65%	10.34%
Manufacturing	8.27%	8.71%	9.03%	9.05%
Leisure & Hospitality	10.48%	10.03%	9.91%	9.78%
Financial Activities	4.91%	5.05%	5.12%	5.22%
Other Services	3.55%	3.60%	3.58%	3.59'o
Information	1.13%	1.14%	1.17%	1.17%
Total	100.00%	100.00%	100.00%	100.00%

(p) preliminary
Source:http://www.bls.gov/ro6/fax/houston _ces.htm
Note: Employees on nonfarm payrolls by industry supersector, not seasonally adjusted

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

Table 14

	2015	2014	2013	2012	2011					
Faculty										
Full-Time	759	759	789	809	910					
Part-Time	1,687	1,742	1,715	2,781	2,921					
Total	2,446	2,501	2,504	3,590	3,831					
Percent										
Full-Time	31.0%	30.3%	31.5%	22.5%	23.8%	26.6%	28.8%	24.7%	24.4%	25.4%
Part-Time	69.0%	69.7%	68.5%	77.5%	76.2%	73.4%	71.2%	75.3%	75.6%	74.6%
Staff and Administrators										
Full-Time	1,385	1,323	1,350	1,327	1,272	1,185	1,102	1,079	1,080	1,053
Part-Time	1.170	1,413	1,443	1,088	1,169	1,323	1,259	1.504	1,408	1,226
Total	2.555	2,736	2,793	2,415	2,441	2,508	2,361	2,583	2,488	2,279
Percent										
Full-Time	54.2%	48.4%	48.3%	54.9%	52.1 %	47.2%	46.7%	41.8%	43.4%	46.2%
Part-Time	45.8%	51.6%	51.7%	45.1%	47.9%	52.8%	53.3%	58.2%	56.6%	53.8%
Students per Full-time••										
Faculty	72.5	72.0	71.0	71.2	62.2	57.I	53.6	53.0	55.3	51.6
Staff Member	39.7	41.3	41.5	43.4	44.5	40.9	40.3	40.3	41.5	39.9
Average Annual 9/12 Month Faculty Salary•	$ 65,038	$ 64,962	$ 63,366	$ 63,473	$ 62.533	$ 62,833	$ 60.378	$ 56.047	$ 54,766	$ 55,228

• Prior to 2009, average annual 9 month faculty salary reported.

••All figures are calculated from the CBMOO1&OOA reports combined

HOUSTON COMMUNITY COLLEGE SYSTEM

Annual Student Enrollment Trends by Residency Code

Semester Credit Hour (SCH)

Fiscal Years 2011 through 2015 (End of Term)

(Unaudited)

Table 15

	FY2010-l l	FY201 l-12	FY2012-13	FY2013-14	FY2014-15
In-District	58,898	59,567	57,745	56,732	56,070
Out-of-District	23,265	22,674	21,263	21,468	21,839
Out-of-State	10,399	10,104	9,139	9,259	10,093
Unduplicated Enrollment	92,562	92,345	88,147	87,459	88,002

Annual Student Enrollment Trends by Career Type

Fiscal Years 2011 Through 2015 (End ofTerrn)

	FY2010-l 1	FY2011-12	FY2012-13	FY2013- 14	FY20 14-15
Semester Credit Hour (SCH)	10,801	92,345	88,147	87,459	88,002
Workforce Continue F.ducation Unit (CEU)	17,134	16,971	17,705	16,344	18,170
Non Funded Continue F.ducation	1,673	1,265	1,116	4,708	2,214
Adult Literacy / High School	10,801	10,062	9,749	7,992	9,167
Unduplicated Enrollment *	120,805	119,185	115,534	113,688	115,575

Note:

• The 111<11.,licated enrollment total cannot be arrived at by swnming the colwnns. This is because students may take courses in multiple career types.

Students with Qatar or Saigon Tech tuition residency codes are not included

Source: HCC OlR DataMart Files. End of Term. FY I I - FYl5.

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

Table 16

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
Student Classification*	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	27,504	49.97%	28,599	52.36%	29,955	53.48%	32,304	56.07%	32,660	57.71%	28,401	58.23%	25,883	58.78%	25,559	57.95%
Sophomore	14,681	26.67%	14,414	26.39%	14,380	25.67%	14,529	25.22%	13,447	23.76%	10,695	22.24%	9,883	20.14%	8,756	19.67%
Unclassified	5,213	9.47%	4,904	8.98%	4,677	8.35%	4,437	7.70%	3,390	5.99%	2,374	4.59%	2,042	4.31%	1,872	4.15%
Assoc. Degree	30	0.05%	37	0.07%	53	0.09%	64	0.11%	120	0.21%	165	0.40%	177	0.39%	168	0.37%
BS & Above	118	0.21%	152	0.28%	171	0.31%	279	0.48%	361	0.64%	514	1.45%	644	1.38%	601	1.40%
Continuing Ed. Only	7,495	13.62%	6,515	11.93%	6,778	12.10%	6,002	10.42%	6,614	11.69%	6,256	13.09%	5,817	15.01%	6,528	16.47%
Total	55,041	100.00%	54,621	100.00%	56,014	100.00%	57,615	100.00%	56,592	100.00%	48,405	100.00%	44,446	100.00%	43,484	100.00%

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
Semester Hour Load**	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	650	1.18%	652	1.19%	660	1.18%	835	1.45%	748	1.32%	624	1.38%	613	0.71%	310	1.51%
3-5 semester hrs	12,503	22.72%	12,363	22.63%	13,116	23.42%	13,153	22.83%	13,516	23.88%	10,755	23.01%	10,229	23.45%	10,198	23.48%
6-8 Semester hrs	14,009	25.45%	13,915	25.48%	13,433	23.98%	14,622	25.38%	13,781	24.35%	11,575	23.70%	10,532	23.69%	10,301	23.08%
9-11 semester hrs	9,791	17.79%	9,717	17.79%	9,999	17.85%	10,856	18.84%	10,359	18.30%	8,750	17.07%	7,589	16.00%	6,956	15.82%
12-14 semester hrs	9,103	16.54%	9,933	18.19%	10,438	18.63%	10,645	18.48%	9,958	17.60%	8,950	18.40%	8,176	17.92%	7,791	16.75%
15-17 semester hrs	1,376	2.50%	1,381	2.53%	1,470	2.62%	1,364	2.37%	1,443	2.55%	1,341	2.97%	1,318	2.91%	1,264	2.54%
18 & over	114	0.21%	145	0.27%	120	0.21%	138	0.24%	173	0.31%	154	0.39%	172	0.31%	136	0.35%
Continuing Ed. Only	7,495	13.62%	6,515	11.93%	6,778	12.10%	6,002	10.42%	6,614	11.69%	6,256	13.09%	5,817	15.01%	6,528	16.47%
Total	55,041	100.00%	54,621	100.00%	56,014	100.00%	57,615	100.00%	56,592	100.00%	48,405	100.00%	44,446	100.00%	43,484	100.00%
Average course load	7.7 SCH		7.7 SCH		7.8 SCH		7.8 SCH		7.8 SCH		7.9 SCH		7.8 SCH		7.7 SCH	

	Fall 2013		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
Tuition Status***	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	31,296	56.86%	31,806	58.23%	32,735	58.44%	32,896	57.10%	31,267	55.25%	26,003	49.86%	22,159	50.18%	21,820	49.87%
Texas Resident (out-of-District)	10,603	19.26%	10,592	19.39%	10,821	19.32%	12,056	20.93%	12,298	21.73%	10,446	25.32%	11,254	24.67%	10,728	25.20%
Non-Resident Tuition	5,234	9.51%	5,124	9.38%	5,302	9.47%	6,332	10.99%	6,170	10.90%	5,528	11.39%	5,061	9.81%	4,264	8.07%
Tuition Waiver	413	0.75%	584	1.07%	378	0.67%	329	0.57%	243	0.43%	172	0.35%	155	0.33%	144	0.39%
Other	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Not Applicable (Cont. Ed.)	7,495	13.62%	6,515	11.93%	6,778	12.10%	6,002	10.42%	6,614	11.69%	6,256	13.09%	5,817	15.01%	6,528	16.47%
Total	55,041	100.00%	54,621	100.00%	56,014	100.00%	57,615	100.00%	56,592	100.00%	48,405	100.00%	44,446	100.00%	43,484	100.00%

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

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

Table 17

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fa11 2010		Fall 2009		Fall 2008		Fall 2007	
Gender	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	30,007	54.52%	29,652	54.29%	30,881	55.13%	31,985	55.52%	30,865	54.54%	26,452	54.65%	24,173	54.39'/o	23,603	54.28%
Male	25,034	45.48%	24,969	45.71%	25,133	44.87%	25,630	44.48%	25,727	45.46%	21,953	45.35%	20,273	45.61%	19,881	45.72%
Total	55,041	100.00%	54,621	100.00%	56,014	100.00%	57,615	100.00%	56,592	100.00'/o	48,405	100.00'/o	44,446	100.00'/o	43,484	100.00'/o

	Fall 2014*		Fall 2013*		Fa11 2012*		Fall 2011*		Fall 2010*		fall 2009		Fall 2008		Fall 2007	
F.thnic Origin	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	9,302	16.90%	9,564	17.51%	10,242	18.28%	10,912	18.94%	11,393	20.13%	9,506	19.40%	8,623	21.40%	9,307	23.80%
African American	16,079	29.21%	15,631	28.62%	16,085	28.72%	17,346	30.11%	15,685	27.72%	11,558	22.85%	10,156	22.85%	9,938	23.18%
Hispanic	18,368	33.37%	18,346	33.59%	18,266	32.61%	17,812	30.92%	17,721	31.31%	14,160	29.83%	13,257	28.45%	12,371	27.94%
Asian	5,354	9.73%	5,542	10.15%	5,641	10.07'/o	6,107	10.60%	5,881	10.39%	4,832	10.52%	4,676	10.85%	4,718	10.63%
Native American	118	0.21%	118	0.22%	110	0.20'/o	131	0.23%	138	0.24%	121	0.23%	JOI	0.21%	91	0.24%
Foreign	4,040	7.34%	3,830	7.01%	3,884	6.93%	4,086	7.09%	4,270	7.55%	3,875	8.22%	3,654	7.34%	3,190	6.40%
Unknown	1,780	3.23%	1,590	2.91%	1,786	3.19'/o	1,221	2.12%	1,504	2.66%	4,353	8.95%	3,979	8.90%	3,869	7.80%
Total	55.041	100 00%	54.621	1 00.00'/o	56,014	100.00%	57.615	100.00'/o	56,592	100.00%	48,405	100 00%	44.446	10'.HXl%	43.484	100 00%

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fa11 2010		Fall 2009		Fall 2008		Fall 2007	
Age	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	4,031	7.32%	3,962	7.25%	4,639	8.28%	2,908	5.05%	3,046	5.38%	1,886	4.00'/o	1,778	6.50%	2,826	6.00'/o
18-21	15,074	27.39"/o	16,041	29.37%	16,027	28.61%	17,222	29.89%	17,205	30.40%	15,275	31.93%	14,191	30.26%	13,157	29.03%
22-24	8,753	15.90%	8,849	16.20%	8,962	16.00%	9,760	16.94%	9,328	16.48%	8,303	17.43%	7,745	16.56%	7,203	16.62%
25-35	16,903	30.71%	15,741	28.82%	15,842	28.28%	17,194	29.84%	16,569	29.28%	14,186	28.49'/o	12,663	27.91%	12,137	28.05%
36-50	7,688	13.97'/o	7,477	13.69'/o	7,862	14.04%	8,055	13.98%	7,957	14.06%	6,749	13.99'/o	6,219	14.25%	6,198	15.57'/o
51 & over	2,589	4.70%	2,531	4.63%	2,664	4.76%	2,464	4.28%	2,468	4.36%	1,967	4.01%	1,783	4.24%	1,842	4.40%
Unknown	3	0.01%	20	0.04%	18	0.03%	12	0.02%	19	0.03%	39	0.15%	67	0.28%	121	0.33%
Total	55,041	100.00'/o	54,621	100.00%	56,014	100.00%	57.615	100.00%	56,592	100.00'/o	48,405	100.00'/o	44,446	100.00'/o	43,484	100.00'/o
Average Age	27.7 ..		27.4 ••		27.4 ••		27.5 ••		27.4		273		27.2		27.2	

*The methodology for indicating ethnicity change in Fall 2010 to comply with federal guidelines.

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

Table 18

Fiscal Year	Funded Contact Hours			
	Academic	Voc Tech	Total	CEU
2014-2015	15,873,248	6,122,448	21,995,6%	2,290,228
2013-2014	15,931,744	5,822,268	21,754,012	1,980,830
2012-2013	16,237,2%	5,744,810	21,982,106	1,933,271
2011-2012	17,354,256	5,822,072	23,176,328	1,798,940
2010-2011	17,802,080	5,924,078	23,726,158	1,914,445
2009-2010	16,652,752	5,680,164	22,332,916	1,880,857
2008-2009	14,345,992	4,883,890	19,229,882	1,810,761
2007-2008	12,739,232	4,422,336	17,161,568	1,847,195
2006-2007	12,077,904	4,378,250	16,456,154	2,091,365
2005-2006	11,487,128	4,260,486	15,747,614	1,974,799

Note:
In FY2012, the data in the table has been revised to reflect all fundable contact hours. The contact hours has been restated to reflect the change for all year shown.

HOUSTON COMMUNITY COLLEGE SYSTEM
TRANSFERS TO SENIOR INSTITUTIONS
2013-2014 GRADUATES*
(Includes Only Public Senior Colleges in Texas)

Table 19

	Total Student Count Academic	Total Student Count Technical	Total Student Count Tech-PreJ:!	Total ofall Sample Transfer Students	% ofall Sample Transfer Students
I Angelo State University	6			6	0.05%
2 Baylor College of Medicine	4			4	0.03%
3 Lamar University	152	8		161	1.36%
4 Midwestern State University	14	2		16	0.14%
5 Prairie View A&M University	335	15		351	2.97%
6 Sam Houston State University	344	12		357	3.02%
7 Stephen F. Austin State University	162	8		170	1.44%
8 Sul Ross State University	3			4	0.03%
9 Tarleton State University	8			8	0.07%
10 Texas A&M International University	3			3	0.03%
11 Texas A&M University	1,026	9	2	1,037	8.77%
12 Texas A&M University - Central Texas	I			I	0.01%
13 Texas A&M University - Commerce	15	2		17	0.14%
14 Texas A&M University - Corpus Christi	72	I		73	0.62%
15 Texas A&M University - Kingsville	31	2		33	0.28%
16 Texas A&M University - San Antonio					0.01%
17 Texas A&M University - Texarkana	I				0.01%
18 Texas A&M University at Galveston	34			35	0.30%
19 Texas A&M University System Health Science Center	19			19	0.16%
20 Texas Southern University	609	55	5	669	5.66%
21 Texas State University - San Marcos	353	9		362	3.06%
22 Texas Tech University	360	6		366	3.10%
23 Texas Tech University Health Sciences Center	30	4		34	0.29%
24 Texas Tech University Health Sciences Center - El Paso					0.01%
25 Texas Woman's University	146	8		154	1.30%
26 The University of Texas - Pan American	10			10	0.08%
27 The University ofTexas at Arlington	136	21		158	1.34%
28 The University of Texas at Austin	1,122	12		1,135	9.60'/o
29 The University of Texas at Brownsville	I			I	0.01%
30 The University of Texas at Dallas	87	2		89	0.75%
31 The University of Texas at El Paso	6			6	0.05%
32 The University of Texas at San Antonio	237	4		242	2.05%
33 The University of Texas at Tyler	100			102	0.86%
34 The University of Texas Health Science Center at Housto1	132	13		145	1.23%
35 The University of Texas Health Science Center at San Ani	10	I		II	0.09%
36 The University of Texas M.D. Anderson Cancer Center	42	3		45	0.38%
37 The University of Texas Medical Branch at Galveston	67	9		76	0.64%
38 The University of Texas of the Permian Basin	37	2		39	0.33%
39 The University of Texas Southwestern Medical Center	3			3	0.03%
40 University of Houston	3,404	113	8	3,525	29.82%
41 University of Houston - Clear Lake	193	19		212	1.79%
42 University of Houston - Downtown	1,522	134	3	1,659	14.03%
43 University of Houston - Victoria	327	27		354	2.99%
44 University of North Texas	109	4		113	0.96%
45 University of North Texas at Dallas				1	0.01%
46 University of North Texas at Dallas College of Law				I	0.01%
47 University of North Texas Health Science Center	6			6	0.05%
48 West Texas A&M University	5			5	0.04%
	11,287	509	25	11,821	100.00%

Source: Texas Higher Education Coordinating Board http://www.txbighereddata.or g/report s/perfonnanc e/ctcasalf/ctcaddl/

*Latest information available.

HOUSTON COMMUNITY COLLEGE SYSTEM
CAPITAL ASSET INFORMATION
FISCAL YEARS 2012 - 2015
(Unaudited)

Table 20

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Academic buildin *				
Number of Academic Buildings	57	56	56	56
Square footage	3,1 58,812	3,141,592	3,100,787	3,117,169
Libraries				
Number of Libraries	15	15	15	15
Square footage	166,637	168,020	148,020	148,020
Number of Volumes				
Circulating books	252,646	248,133	241,382	231 ,099
Reference books	25,541	24,799	24,299	24,190
Media items	26,426	24,356	28,016	21,886
Magazines, Journals, Newspapers	415	589	230	210
Electronic books (Digital video)	207,507	186,540	69,609	46,195
Electronic Journals	23,746	48,758	23,535	I9,136
Total	536,281	533,175	387,071	342,716
Adm inistrative and su1212ort buildin				
Number of Administrative and support buildings	4	4	4	4
Square footage	656,124	656,124	656,124	656,124
Transportation				
Bus	2	2	2	2
Cars	36	35	31	31
Golf Cart	24	23	28	29
Motorcycle/Segw.ty	4	4	4	4
Motor Home/Mobile Unit	2	3	3	3
SUV	3	2	2	2
Tank	2	2	2	2
Tractors	31	33	29	29
Trailers	45	50	49	49
Truck	9	16	14	13
Truck, Heavy (Fire Truck)	6	4	4	4
Vans	24	21	21	20
Utility Vehicles	7	6		
Total	195	201	190	189

*Buildings include academic, workforce, administrative, central chiller plants, and warehouses. Not including parking

SINGLE AUDIT

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

Board of Trustees
Houston Community College System
Houston, TX

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Houston Community College System (the "System"), which comprise the statement of net position as of August 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2015.

Internal control over financial reporting

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

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

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

Compliance and other matters

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

Intended purpose

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

Grant Thornton LLP

Houston, Texas
December 18, 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Trustees
Houston Community College System
Houston, Texas

Report on compliance for each major federal and state program

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

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the System's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to fmancial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *The State of Texas Single Audit Circular*.

The above-mentioned standards and OMB Circular A-133 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 and state program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each major federal and state program

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

Instances of noncompliance

The results of our audit procedures disclosed instances of noncomance, dcribed in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-6'04, 2015-005, 2015-006, 2015-007 that are required to be reported in accordance with Ol\IB Circular A-133. Our opinion on each major federal and state program is not modified with respect to these matters.

System's response to findings

The System's response to our noncompliance findings, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the System's response.

Report on internal control over compliance

Management of the System is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. Inplanning and performing our audit of compliance, we considered the System's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal and state program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Ol\IB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

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

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

We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, and 2015-007 that we consider to be significant deficiencies in the System's internal control over compliance.

The System's response to our findings on internal control over compliance, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the System's response.

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 O:MB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
December 18, 2015

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

Schedule E

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			
Direct Program;:			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		$ 1,019,765
Federal Work-Study Program	84.033		1,039,332
Federal Pell Grant Program	84.063		94,653,346
Federal Direct Student Loans	84.268		87,466,957
Teacher Education Assistance for College and Higher Education Grants (TFACH Grants)	84.379		25,380
Total Financial Assistance Cluster			184,204,780
TRIO Cluster			
TRIO - Student Support Services	84.042		375,799
TRIO - Upward Bound	84.047A		854,490
Total TRIO Ouster			1,230,289
Higher Education - Institutional Aid	84.031A		200,106
Minority Science and Engineering l111>rovem:::nt	84.120A		232,656
Transition Program; for Students with Intellectual Disabilities into Higher Education	84.407A		554,605
Pass-Through From:			
Tell8S A& M Univeisity			
Adult Education - Basic Grants to States	84.002	02-S140283	90,357
Tell8S Workforce ColTlllission			
Adult Education - Basic Grants to States	84.002A	2814ABE005	852,629
Adult Education - Basic Grants to States	84.002A	2814ELC002	839
Houston - Galveston Area Council			
Aduh Education - Basic Grants to States	84.002A	2814AElAOO	3,338,150
Adult Education - Basic Grants to States	84.002A	2814AElAOO	586,231
Total Texas Workforce Commission, Adult Education - Basic Grants to States			4,777,849
Univeisity of St. Thoims			
Higher Education - Institutional Aid	84.031C	UST HSI STEM	292,256
Debnar College			
Career and Technical Education - Basic Grants to States	84.048		3,529
Career and Technical Education - Basic Grants to States	84.048		17925
Total Delmar College- Career and Technical Education - Basic Grants to States			21,454
Tell8S Higher Education Coordinating Board			
Career and Technical Education - Basic Grants to States	84.048	13253	31.543
Career and Technical Education - Basic Grants to States	84.048	14041	8,635
Career and Technical Education - Basic Grants to States	84.048	14033	1.285,994
Total Tmx::B - Career and Technical Education - Basic Grants to States			1,326,172
Statewide Longitudinal Data System;	84.372	R372A90010	9,197
Total Dertment of Education			$ 192,939,721

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED AUGUST 31, 2015

Schedule E

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. Department of Agriculture			
Direct Programs:			
Hispanic Serving Institutions &location Gants	10.223		$ 745
Pass-Through From			
Tell8S A&M University - Corpus Christi			
Hispanic Serving Institutions &location Gants	10.223	10-035	(1,780)
University of Houston			
Hispanic Serving Institutions &location Gants	10.223	R-14-0006	19,131
Sam Houston State University			
Capacity Building for Non-Land Gant College of Agricuhure	10.326	22062A	13,692
Total U.S. Department of Agriculture			31,788
U.S. Department of Commerce			
Direct Programs:			
Minority Business Development Agency - Business Center	11.805		265,908
Total U.S. Department of Commerce			265,908
U.S. Department of Housing and Urban Develo)lllent			
Pass-Through From			
City of Houst-0n			
Community Development Block Gants/Fntitlement Gants	14.218	B-12-MC-48-0018	700.000
Total U.S. Department of Housing and Urban Department			700,000
U.S. Department of Justice			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607		825
Total US.Department of Justice			825
U.S. Department of State			
Pass-Through From			
Northern Vrgina Community College			
Academic B«:hange Programs- Undergraduate Programs	19.009	SECAGD-13-CA 088	137.073
Total U.S. Department of State			137,073
National Science Foundation			
Direct Programs:			
Mathematical and Physical Sciences	47.049		12.918
Pass-Through From			
Tell8S Southern University			
F.ducation and Human Resources	47.076	3283-5	39.341
Total National Science Foundation			$ 52,259

See accompanying notes to Schedule of Expenditures of Federal Awards

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED AUGUST 31, 2015

Schedule E

Federal Grantor Pass-through Grantor Program Tide	Federal CfTIA Number	Pass-Through Grantor's Number	Pass-Through Disoorsements and f.\rrnditures
US. Depirtment of Veterans Afl'airs			
Direct Programs:			
Post 9/1I Veterans F.ducational Assistance	64 028		2.117,()48
Total US. Depirtmeot of Veterans AIJairs			2,117,048
US. Nuclear Regulatory Commission			
Pass-Through From:			
University of Houston • Dowtown			
NRC Scholarship/Fellowship and Faculty Development Program	77.008	FYI4 NRC HQ84-14-G-0028VI	7.,431
Total US. Nuclear Regulatory Commission			7,431
US. Depirtment of Energy			
Direct Programs:			
Renewable Fnergy Research and Development	81.(l!?		148,877
Pass-Through From			
Houston -Galveston Area Council			
Fnergy Efficiency and Renewable Fnergy Information Dissemination, Outreach, Training and Technical Analysis Assistance	81.117	UDOEl3.0I03-IO	9,940
Total US. Depirtment of Energy			158,817
US. Depirtment of Health and Human Senices			
Direct Programs:			
Head Start Cluster			
Head Start	93Ji00		7,674
Pass-Through From			
University of Teias at Austin			
Substance Abuse and Mental Health Services· Projects of Regional and National Significance	93.243	UTA 12-00!074	11,938
Houston -Galveston Area Council			
TANF Cluster			
Terqior.uy Assistance for Needy Families	93.558	28I4A El.A 00	149,570
Teias Work Force Cornnission			
Terqior.uy Assistance for Needy Families	93.558	2814ABF005	12,273
Terqior.uy Assistance for Needy Families	93.558	2815SMP002	'Xl,999
Total Terqior.uy Assistance for Needy Families			103,272
YMCA of Greater Houston			
Refugee and Fntrant Assistance· Targeted Assistance Grants	93.584	529-IMm-00036	32,693
Refugee and Fntrant Assistance· Targeted Assistance Grants	93.584	529-IMm-00036	110,621
Total Refugee and Fntrant Assistance· Targeted Assistance Grants			143,314
Total US. Depirtment of Health and Human Senices			S 415,768

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED AUGUST 31, 2015

Schedule E

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-Th rough Grantor's Number	Pass-Th rough Dis bursements and Expenditu res
Corporation for National and Community Senice			
Direct Programs:			
ArreriCorps	94.006		$ 95.540
Total Corporation for National and Community Senice			$ 95,540
Total Federal Financial Assis ta nce			$ 196,922,178

See accompanying notes to Schedule of Expenditures of Federal Awards

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEUDLE

The Schedule of Expenditures of Federal Awards presents the federal grant activity of the System 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.

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 revenues received.

NOTE 2-FEDERAL ASSISTANCE RECONCILIATION

Federal Grants and Contracts Revenue -per Schedule A	$	13,782,110
Reconciling items:		
Schedule C-Title IV Grants		95,673,111
Federal Direct Student Loans		87,466,957
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$	196,922,178

NOTE 3-SUBRECIPIENTS

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

Alliance for Multicultural Community Services	$	668,445
Association for the Advance of Mexican Americans		582,737
AVANCE - Houston, Inc.		164,961
Chinese Community Center		145,281
Community Family Center		536,366
Houston Center for Literacy		467,748
Houston International University		72,909
Neighborhood Centers, Inc.		189,486
Total Passed-through to Subrecipients	$	2,827,933

NOTE 3 - SUBRECIPIENIS - CONTINUED

The following were sub-recipients of the Minority Science and Engineering Improvement Grant, CFDA 84.120A. This amount is included as expenditures in the accompanying Schedule of Expenditures of Federal Awards.

Houston Independent School District	$	12,970
Rice University		32,572
Synergistic STEM Outreach Center		2,225
Total Passed-through to Subrecipients	$	47,767

The following was a sub-recipient of the Department of Commerce Minority Business Development Agency Business Center grant, CFDA 11.805. This amount is included as expenditures in the accompanying Schedule of Expenditures of Federal Awards.

Houston Minority Supplier Development Council	$	15,000

The following was a sub-recipient of the Renewable Energy Research and Development grant, CFDA 81.087. These amounts are included as expenditures in the accompanying Schedule of Expenditures of Federal Awards.

Sam Houston State University	$	5,529

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

Schedule F

State Grantor Pr!,!g ram Tide	Grantor's Number	Pass-Through Disbursements and Exi!nditures
Texas F.ducation Agency		
Dropout Recovery Pilot Program Cycle	101045587110008	$ (157)
Dropout Recovery Pilot Program Cycle	lll045477110007	9,542
Total Texas Education Agency		9,385
Texas Higher Education Coordinating Board		
Adult Basic F.ducation Innovation Gant	11562	100,113
Accelerate Texas - Jobs for the Future	NIA	4,000
Accelerate Texas - ABE Scaling & Sustaining Success	14160	1,915
Corrmunity in School (CIS) Counselor	NIA	7,000
Collegiate G-Force Work-Study Mentorship Program	NIA	25,543
Houston Pathways Initiative - College for Readiness	09928	7,796
Nursing Shortage Under 70 Program	NIA	478,272
Rider 58 ATCP Scholarship Gant	NIA	7,600
Texas College Work Study Program	NIA	407,397
Texas F.ducational Opportunity Gant	NIA	6,181,815
Texas Gant Program	NIA	364,456
Pass-Through From:		
Austin Conm.mity College/United Way of Geater Houston - THRIVE		
Texas Innovative Adult Career F.ducation Program- Round# 1		177,989
Texas Innovative Aduh Career F.ducation Program- Round# 2		88,802
Total Texas Higher Education Coordinating Board		7,852,698
Texas Workforce Commission		
ABE- GED	2814ABE005	14,184
Tel11lorary Assistance for Needy Families	2814ABE005	25
Skilles Development - Ben E. Keith Co.	2813SDF003	(2,075)
Skills Development - Fugro	2813SDF006	31,963
Skills Development - Owens - Coming	2814SDF001	47,301
Skills Development - Schlumberger	2814SDF002	333,501
Pass-Through From:		
Houston - Galveston Area Council		
ABE-GED	2814AEIAOO	808,660
Terrporary Assistance for Needy Families	2814AEIAOO	56,339
Lone Star College		
Veterans & Industry Partnerships	2814SDF005	47,988
College of the Mainland		
GRFCOM Texas Fast Start	2814GRF001	38,393
Total Texas Workforce Commission		1,376,279
Texas State Board of PuUic Accountancy		
Fifth Year Accounting Student	NIA	12,268
Total Texas State Board of PuUic Accountancy		12,268
Total State Financial Assistance		$ 9,250,630

See accompanying notes to Schedule of Expenditures of State Awards.

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

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of State of Texas Awards presents the activity of State of Texas awards programs of Houston Community College System (the "System") for the year ended August 31, 2015. State of Texas awards received directly from State agencies, as well as State of Texas awards passed-through other government agencies, are included in this schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State of Texas 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. State receivables represent amounts expended in excess of revenue received.

NOTE 3 - STATE ASSISTANCE RECONCILIATION

State Grants and Contracts revenue - per Schedule A	$	8,772,358
Reconciling items:		
Schedule C - Nursing Shortage Reduction		478,272
Total State revenues per Schedule of Expenditures of State of Texas Awards	$	9,250,630

NOTE 4 - SUBRECIPIENTS

The following were sub-recipients of the ABE Innovation Grant program. These amounts are included as expenditures in the accompanying Schedule of Expenditures of State of Texas Awards.

Alvin Community College	$	22,515
Galveston College/TGCC		13,286
Total Passed-through to Subrecipients	$	35,801

The following was a sub recipient of the Texas Higher Education Coordinating Board CIS Counselor Grant. This amount is included as expenditures in the accompanying Schedule of Expenditures of State of Texas Awards.

Communities in Schools in Houston	$	7,000

HOUSTON COMMUNITY COLLEGE SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____	yes	X	no
Significant deficiencies identified that are not considered to be material weaknesses?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	no

Federal and State of Texas Awards

Internal control over major programs:

Material weakness(es) identified?	____	yes	X	no
Significant deficiencies identified that are not considered to be material weaknesses?	X	yes	____	none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 and the *State of Texas Single Audit Circular ?*	X	yes	____	no

Identification of Major Programs:

Federal - CFDA Number	Name of Federal Programs
Cluster of Programs - Student Financial Assistance:	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loan Program
84.375	Academic Competitiveness Grants
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

Federal - CFDA Number	Name of Federal Programs
64.028	Post 9111 Veterans F.ducational Assistance
84.002	Adult F.ducation - State Grant Program

State - Contract Number	Program Title
NIA	Nursing Shortage Under 70
NIA	Texas F.ducational Opportunity Grant

Dollar threshold used to distinguish between

Type A and type B programs:

Federal	$381,522
State of Texas	$300,000

Auditee qualified as low-risk auditee?

Federal	X yes	____ no
State of Texas	X yes	____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None to be reported

SECTION III - FEDERAL AWARD FINDINGS AND OUESTIQNED COSTS - MAJOR FEDERAL AND STATE OF TEXAS AWARD PROGRAMS AUDIT

Finding #: 2015-001
Program Title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.038, 84.063, 84.268, 84.379

Federal Award Number: NIA
Federal Award Year: 2015

Federal Agency: U.S. Department of Education
Type of Finding: Noncompliance

Return of Title IV Funds
Criteria or Specific Requirement:
Per 34 CFR sections 668.22 (a) (1) through (a) (5) When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began

attendance, the institution must accurately determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. Per 34 CFR section 668 173(b) the institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew.

Condition:
Houston Community College (HCC) did not return Title IV funds to the Title IV program within the 45 day requirement. Additionally, there were instances where the return of Title IV amount was not calculated correctly.

Questioned Costs:
None reported.

Context:
Through testing performed, the following was noted:

- One out of the forty sample items tested the return amount was not correct.
- Two out of the forty sample items tested the return amount was not returned within the required time frame.

Effect:
Failure to return the Title IV funds within 45 days and/or calculate the funds correctly could cause HCC to be in noncompliance with federal regulations, which could potentially lead to loss or return of funding.

Cause:
The policies and procedures surrounding the Return of Title IV funds was not consistently followed to ensure funds were calculated correctly and remitted within the prescribed time frame.

Recommendation:
We recommend HCC institute appropriate controls to ensure that the Title IV funds are calculated correctly and are remitted no later than 45 days after the date it determines that the student withdrew.

Views of responsible officials and planned corrective actions:
Houston Community College (HCC) developed procedures from November 2013 through December 2014 to improve financial aid processing and ensure compliance with Title IV regulations. This included developing automated system workflows, hiring a compliance manager, hiring an outside firm to conduct random audits, and implementing an extensive training program. These procedures were provided on December 17, 2014 at the conclusion of the 2013-2014 compliance audit. As a result of the audit finding report in December 2014, additional measures were put in place to further improve the process and ensure that R2T4 calculations were done in a timely manner, within the 45 day deadline. These additional measures were provided to the Department of Education on July 13, 2015 in response to a request for a preliminary audit response report. The report and corrective action plan was accepted by the Department on October 13, 2015.

There were two cases of non-compliance found during the 2014-2015 compliance audit. The first case was a 2013-2014 financial aid record in which the student withdrew in the summer and the funds were returned on September 5, 2014, at the start of the new fiscal year. The second case was a 2014-2015 financial aid record in which the student withdrew early fall (September 2014), the calculation was completed and funds reversed from the student's account within the 45 day deadline but the system did not pick up the return and submit to COD until shortly after the 45 day deadline in November 2014. As a result of the 2013-2014 audit findings received in December 2014, procedures where instituted to require processing staff to manually update the COD system to record the R2T4 return rather than rely on the system to pick up the return.

Both instances oflate returns occurred prior to the receipt of the 2013-2014 Audit Findings and prior to instituting additional measures to ensure timely returns. There were no instances of late returns found after the December 2014 report was issued.

There was one instance in which a calculation was done incorrectly. This was due to human error in which the financial aid administrator failed to update the enrollment dates to account for two modules that occurred within the one semester. Therefore, a return was calculated when in fact the student attended more than 60% of the semester and earned all aid. The financial aid administrator is aware of the requirements for modules and reported it as an oversight on her part. The student's aid has since been reinstated. This occurred for the Summer 2015 semester/term. Training and random audits continue to occur to strengthen the processing of student records.

Finding#: 2015-002
Program Title: Student Financial Assistance Cluster CFDA Number: 84.063, 84.268
Federal Award Number: NIA
Federal Award Year: 2015

Federal Agency: U.S. Department of Education
Type of Finding: Significant Deficiency and Noncompliance

Enrollment Reporting
Criteria or Specific Requirement:
Under the Pell grant and loan program, institutions must complete and return within 30 days and in some instances 60 days the Enrollment Reporting roster file formally the Student Status Confirmation Report (SSCR) placed in the Student Aid Internet Gateway mailboxes sent by the Department of Education via NSLDS.

Condition:
HCC did not meet the requirement of reporting student status changes accurately or within the 30 or 60 day requirement.

Questioned Costs:
None reported.

Context:
Through testing performed it was noted that 8 of the 40 sampled students' enrollment status changes were not submitted within the 30 or 60 day requirement and/or status changes were inaccurately reported.

Effect:
Failure to report the student status changes timely and accurately will cause errors in the in-school status and cause student's deferment and grace periods to be inaccurately calculated impacting the requirement to begin repaying loans.

Cause:
The policies and procedures surrounding reporting student status changes were not consistently followed to ensure changes were reported accurately and within the deadline.

Recommendation:
We recommend HCC institute appropriate controls to ensure the student status changes are reported accurately and no later than 30 days.

Views of responsible officials and planned corrective actions:
On April 25, 2014, an electronic announcement was released regarding the new NSLDS Enrollment Reporting requirements. These new requirements added program-level information that required a number of changes to the NSLDS Enrollment Reporting file layouts. The new requirements took effect beginning October 1, 2014. These new requirements were implemented by the college's enterprise administrative system team in early fall 2014. The changes to the file structure and layout caused an unknown issue that was not discovered until summer 2015. The issue affected the reporting of withdrawn records that occur during each semester. The system picked up the withdrawn record one month, the month that the student withdrew from their class(es), but reverted back to the original enrollment status the next month causing the most recent information to be incorrect. The Information Technology department worked closely with the Registrar's Office during the fall of 2015 to resolve the reporting problems which required major program changes that exist in the enterprise system.

HCC contracts with a third party servicer, The National Student Clearinghouse, which reports enrollment to the National Student Loan Data System (NSLDS) on behalf of the college. HCC submits enrollment files to the Clearinghouse on a monthly basis and the Clearinghouse completes the Enrollments Reports (formerly SSCR) and transmits the results to NSLDS. Prior to October 1, 2014, the Clearinghouse had contracted with the Department to receive enrollment data on a continuous basis. HCC's enrollment reporting was consistent and reported timely prior to the change in file layout and contract ending between the Department and the Clearinghouse. Schools were not notified in advance of the contract end date and HCC was unprepared for the change in reporting and was focusing attention on the new reporting data that went into effect on October 1, 2014.

The exceptions noted in the audit were primarily the result of the system changing withdrawal records back to an original enrollment status and the loss of enrollment information being reported to NSLDS monthly. These changes prevented data from being reported accurately and timely.

HCC is in the process of evaluating the services provided by the National Student Clearinghouse and the timing of when enrollment data is reported to NSLDS. Based on the assessment and evaluation of data reporting, HCC will determine if it is necessary to obtain the SSCR Enrollment Reports directly from the Department of Education and complete the Enrollment Reporting requirements through the NSLDS online file upload process. The Registrar continues to work closely with the IT Department and the Clearinghouse to ensure that the information is complete, accurate, and timely.

Finding #: 2015 - 003
Program Title: Adult Education -Basic Grants to States CFDA Number: 84.002
Federal Award Number: N/A
Federal Award Year: 2015
Federal Agency: U.S. Department of Education
Pass-through Entity: Texas Workforce Commission / Houston -Galveston Area Council
Type of Finding: Significant Deficiency

Procurement, Suspension and Debarment

Criteria or Specific Requirement:
In accordance with 2 CFR section 180, nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g. grants or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR 180.220.

Condition:
The College could not provide support of their inspection of the subrecipients in the System for Award Management (SAM) to ensure the subrecipients were not suspended or debarred.

Questioned Costs:
None reported.

Context:
It was noted for the eight subrecipients utilized, the College did not have documented evidence supporting the fact that they performed an inspection of the subrecipients in the System for Award Management (SAM) to ensure the subrecipients were not suspended or debarred prior to executing an agreement.

Effect:
The College's lack of supporting documentation to indicate that it did not contract with a suspended or debarred party could cause the College to be at risk ofloss or return of funding.

Cause:
The College was unaware that the suspension and debarment inspection needed to be documented.

Recommendation:
We recommend that the College maintain adequate documentation to ensure compliance with the suspension and debarment requirement. This documentation could include a print out from SAM, collection of a certification from the subrecipient, or adding a clause to the agreement with the subrecipient

Views of responsible officials and planned corrective actions:
The action of researching the eight subrecipients in the System for Award Management (SAM) to determine that they were not suspended or debarred was completed, although no written documentation was generated. In the future, to document that Adult Education and Literacy subrecipients are not debarred or suspended, Houston Community College will amend its current subrecipient agreement to include a certification from subrecipients confirming that they are not debarred or suspended from receiving federal funding awards. Additionally, the SAM print-out for the subrecipients will be included in the subrecipient agreement as an appendix.

Finding #: 2015 - 004
Program Title: Nursing Shortage Under 70 Program
State Award Number: *NIA*
State Award Year: 2015
State Agency: Texas Higher Education Coordinating Board
Pass-through Entity: *NI*A
Type of Finding: Significant Deficiency and Noncompliance

Equipment and Real Property Management

Criteria or Specific Requirement:
In accordance with the State of Texas Uniform Grants Management Standards paragraph 32(d)(l) and (2) "property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal or state participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Condition:
The College did not meet the equipment requirement of properly maintaining property records.

Questioned Costs:
None reported.

Context:
Of the 10 items selected for testing, none of the items were properly tagged. All other requirements for maintaining property records were met. In addition, the control system surrounding properly tagging equipment is not operating effectively.

Effect:
The College's lack of adhering to the equipment requirement of properly tagging equipment impacts the College's ability to properly track the asset as being grant funded and its ability to meet the appropriate requirements upon disposition of the grant funded equipment.

Cause:
The purchasing and receiving departments are segregated at HCC. The purchasing department (housed in the HCC Administration Building) orders the equipment. The Inventory Control Department inputs the equipment into the Asset Management system and creates an inventory tag, however, the receiving of equipment is at the campus level. The tag created by Inventory Control is mailed to the campus to attach to the equipment and no follow-up is performed by Inventory Control to ensure the tag was properly placed on the equipment.

Recommendation:
We recommend the College establish more adequate physical inventory policies and procedures to ensure compliance with the equipment requirement. Policies and procedures should include a follow-up by the

Inventory Control department to ensure tags are properly attached to equipment. Additionally, the College should evaluate the feasibility of establishing a central receipting location of equipment.

Views of responsible officials and planned corrective actions:
More robust inventory procedures were placed into effect on September 1, 2015 by HCC District Asset Management when it implemented procedures for receiving all inventory items over $1,000 so that they are automatically tagged. The procedure places the responsibility for tagging of all items on HCC's Distribution Specialists within the HCC Asset Management and Inventory Control Department. This department maintains reports to ensure that all items are properly tagged.

Finding #: 2015 - 005
Program Title: Nursing Shortage Under 70 Program
State Award Number: N/A
State Award Year: 2015
State Agency: Texas Higher Education Coordinating Board
Pass-through Entity: N/A
Type of Finding: Significant Deficiency and Noncompliance

Program Income

Criteria or Specific Requirement:
Per the State of Texas Uniform Grants Management Standard "program income" refers to income from fees for services performed, from the use or rental of real or personal property acquired with grant funds, from the sale of commodities or items fabricated under a grant agreement, and from payments of principal and interest on loans made with grant funds, where authorized. Except as otherwise provided in regulations of the federal or state awarding agency, program income does not include interest on federal grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them. Interest earned in excess of $250 on grants from purely state sources is considered program income.

Additionally, except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantee or subgrantee may keep interest amounts up to $100 per year for administrative expenses. Interest earned in excess of $250 per year on grants from purely state sources is considered program income. Interest earned on grants which combine state and federal funds must be prorated between the sources. Earnings attributable to federal funds may be used only in accordance with applicable federal law and regulations.

Condition:
The College could not provide the amount of program income generated by the Nursing Shortage under 70 Program funds as the interest income amounts are not separately tracked. As a result, program income amounts were not reported to the Texas Higher Education Coordinating Board (THECB) on a cash or accrual basis.

Questioned Costs:
None reported.

Context:
HCC received approximately $2,300,000 in Nursing Shortage Under 70 Program funds starting in FY 2012 of which $1,155,715 has not been spent by the end of FY 2015. This amount is currently being held in an interest bearing account with other HCC cash.

Effect:
Noncompliance with program requirements could lead to loss of funding for the program.

Cause:
HCC did not separately track interest earned for this grant (as the cash is commingled with other HCC cash)""

Recommendation:
We recommend that the College maintain adequate documentation to ensure interest income amounts related to advanced funding received from THECB as part of the Nursing Shortage Under 70 Program is separately tracked and properly reported to THECB.

Views of responsible officials and planned corrective actions:
HCC Grants Accounting Department will develop and implement a procedure to ensure that interest earned from applicable sponsored programs is accurately accounted for, tracked, and reported to the grantor. As part of the procedure, Grants Accounting will coordinate with Treasury to book quarterly program interest income in grants which have received advanced funding. A separate revenue account and department code will be used to track and report program income.

Finding #: 2015-006
Program Title: Texas Education Opportunity Grant
State Award Number: N/A
State Award Year: 2015
State Agency: Texas Higher Education Coordinating Board
Type of Finding: Significant Deficiency and Noncompliance

Cash Management

Criteria or Specific Requirement:
Per Texas Administrative code Title 19 Part 1, Chapter 22, Subchapter M Texas Educational Opportunity Grant Program, Rule 22.262 Allocation and Reallocation of Funds, letter (f) "Disbursement of Funds to Institutions. As requested by institutions throughout the fall and spring terms, the Board shall forward to each participating institution a portion of its allocation of funds for immediate release to students or immediate application to student accounts at the institution."

Condition:
Houston Community College (HCC) did not immediately disburse funds to students that were drawn down in advance.

Questioned Costs:
None reported.

Context:
It was noted that funds were withdrawn on February 6, 2015, in the amount of $1,968,776 in advance of disbursement to students. Subsequent to withdrawal, funds were disbursed to students from February through July.

Effect:
Failure to immediately disburse funds could cause noncompliance with state regulations, which could potentially lead to loss or return of funding.

Cause:
Management believed that as long as the disbursement occurred prior to the end of the semester that they were meeting the requirements of the program.

Recommendation:
We recommend HCC institute appropriate controls to ensure that funds drawn down in advance of disbursement are immediately applied to student's accounts.

Views of responsible officials and planned corrective actions:
Houston Community College (HCC) implemented new procedures at the conclusion of the 2014-2015 processing year. These procedures were implemented to ensure that state funds are delivered to students timely. In February 2015, HCC requested and received additional funds from the Texas Higher Education Coordinating Board in an effort to assist the number of high need students that attend the college. Additional excess TEOG funds became available to Texas colleges and HCC was able to identify a number of students with need for

those additional funds. Once the college was notified of its receipt of additional funds, students had to be manually awarded and notified of the requirement to complete the Statement of Student Eligibility. This process took a few weeks due to the significant amount of additional funds received by HCC. HCC awarded, processed, and disbursed the additional funds as quickly as possible once the funds were received.

HCC has implemented new automated procedures to award TEOG funds, collect the Statement of Student Eligibility form, and disburse the funds to the student accounts in a timely manner.

Finding#: 2015-007
Program Title: Texas Education Opportunity Grant
State Award Number: N/A
State Award Year: 2015

State Agency: Texas Higher Education Coordinating Board

Pass-through Entity: N/A
Type of Finding: Significant Deficiency and Noncompliance

Eligibility

Criteria or Specific Requirement:
In accordance with the Texas Educational Opportunity Grant (TEOG) Program Institution Guidelines for 2014-2015, institutions are required to collect a statement of eligibility (electronically or on paper) from each TEOG recipient prior to disbursement of funds confirming eligibility in regards to the controlled substance restrictions of the program.

Condition:
HCC did not obtain the Statement of Eligibility prior to disbursement.

Questioned Costs:
None reported.

Context:
Through testing performed the following was noted:

- For seven out of forty students sampled the Statement of Eligibility was not obtained
- For twelve of forty students sampled the Statement of Eligibility was received after the disbursement date.

Effect:
Failure to collect the Statement of Eligibility in accordance with the guidelines could lead to the disbursement of funds to ineligible students.

Cause:
The policies and procedures related to collection of the Statement of Eligibility prior to disbursement were not consistently followed.

Recommendation:
We recommend HCC adhere to the policies and procedures surrounding collection of the required documents prior to disbursement of funds to students. This can be accomplished by creating a checklist that is required to be completed and maintained in the student's file noting receipt of all required documentation and instituting a review process prior to disbursement.

Views of responsible officials and planned corrective actions:
Prior to implementing the new procedures, collecting the Statement of Student Eligibility was a manual process and required follow-up with the student. HCC has implemented a new automated system process that posts a requirement on a student's record as soon as the TEOG is awarded. This requirement, called a checklist, notifies the student by email that they must complete a Statement of Student Eligibility prior to receiving TEOG funds.

The checklist is set up to prevent disbursement of the TEOG funds until the checklist is completed upon receipt of the Statement of Student Eligibility.

HOUSTON COMMUNITY COLLEGE SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS

Finding #: 2014-001 -Misapplication of GAAP

Condition:

1. Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB establishes guidance on capitalizing interest cost as part of the historical costs of acquiring certain assets. The historical cost of acquiring an asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use. Interest shall be capitalized for assets that are constructed or otherwise produced for an entity's own use, including assets constructed or produced for the entity by others for which deposits or progress payments have been made. It was noted that the College did not compute and properly record the capitalized interest associated with the General Obligation Bonds issued for the use in capital related projects. The College adjusted the financial statements to properly record capitalized interest and we recommend the College formulate a process to compute and record the capitalized interest in accordance with the standards and create a written policy to include the capitalization of interest related to capital related debt and the method(s) of which it will be determined in accordance with GASB 62.

   Status:

   Capitalized interest on construction projects related to the 2013 General Obligation Bonds has been capitalized in FY 2015. The accounting procedures have been amended to include the annual capitalization entry.

2. Debt Advance Refunding: Although the College complied with GASB No. 23: "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities", we noted that the deferred inflow of resources charge on refunding calculation was not computed correctly. The College adjusted the financial statements to properly record the deferred inflow of resources and we recommend the College ensure that on all future refunding bonds the determination is made and recorded.

   Status:

   The advance refunding of the 2006 Jr Lien Revenue Bonds and PFC Bonds Series 2005A and 2005C in FY 2015 has been recorded in compliance with GASB No. 23.

3. Generally accepted accounting principles (GAAP) requires a debt issuance discount or premium to be amortized as interest expense or income over the life of the debt using the "interest" method. However, other methods of amortization may be used if the results obtained are not materially different from those which would result from the "interest" method. During the course of the audit, it was noted that discounts and premiums were calculated on a straight-line amortization method instead of the effective interest method. The College completed an analysis for its largest bond issuance and it was noted that the straight-line method used and the effective interest method calculated resulted in a difference. The College had not performed a recent evaluation to determine if there would be a difference in the method being utilized. The College has adjusted the financial statements to appropriately reflect the financial statements in accordance with GAAP for the one issuance and we

recommend that the College change its practices so as to utilize the effective interest method prospectively.

Status:

The effective interest rate method for amortization of premiums and discounts on bonds has been adopted for all outstanding debt. In FY 2015 journal vouchers were recorded to adjust the accumulated balances to new amortization schedules. The debt management procedures have been amended to include the effective interest rate method.

4. Generally accepted accounting principles defines liabilities as present obligations to sacrifice resources that the government has little or no discretion to avoid. Retainage payable represents a liability attributable to the acquisition, construction, or improvement of capital assets (in this case, construction in progress. During the course of the audit, it was noted that retainage payable was not being recorded. The College has adjusted the financial statements to appropriately reflect retainage payable and we recommend that the College recognize retainage payable on a prospective basis and include in its policies procedures to calculate retainage payable.

   Status:

   Retainage payable on outstanding construction contracts has been recorded as of 8/31/15. The capital projects accounting procedures have been amended to include the booking ofretainage payable.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS -MAJOR FEDERAL AND STATE OF TEXAS AWARD PROGRAMS AUDIT

Finding #: 2014-002 -Post 9/11 Veterans Educational Assistance

Condition:

HCC did not meet the reporting requirement of reporting enrollment status changes of graduated students to the Department of Veterans Affairs within 30 days of HCC being aware of the graduation, as outlined in the School Certifying Official Handbook.

Status:

The HCC District Office of Veterans Affairs (DOVA) has taken specific measures to identify (and subsequently report) all semester enrollment activities of HCC students using VA education benefits within thirty (30) days. The semester enrollment activities include initial course enrollments, course additions, course drops and course swaps. Student enrollment activity and financial data in PeopleSoft Student Administration is carefully analyzed throughout each semester in order to properly report to the U.S. Department of Veterans Affairs. Communication to the U.S. Department of Veterans Affairs occurs by means of individual student entries in the VA-ONCE system for each HCC student using VA education.

Finding #: 2014-003 -Student Financial Assistance Cluster

Condition:

HCC did not meet the requirement of returning the Title IV funds to the Title IV program within the 45 day requirement.

Status:

- In July 2013, under new leadership in the Student Financial Aid Department, a review was performed to identify effectiveness of processes and accuracy of content in policy.

- In November, 2013, Houston Community College contracted with an outside Financial Aid organization to review the accuracy and timeliness for all Return to Title IV calculations.

- In Spring 2014, Houston Community College implemented an extensive training program for all staff on the Return to Title IV process.

- Effective Spring 2014, all official withdrawals and students with grades reported as "FX" are automatically disseminated into the workflow the following day and are given priority processing. Implementation of the new process has reduced processing delays/ errors and has significantly reduced the time period in which funds are returned to the U.S. Department Education (DOE) significantly eliminating noncompliance of the 45 day requirement.

- In May 2014, Houston Community College hired a Compliance Manager to ensure regulatory oversight of all Federal Title IV and state programs. The Compliance Manager will periodically (45 day intervals) audit files throughout the year identifying deficiencies, training needs and accountability standards for the financial aid staff to ensure compliance. Any deficiencies will be immediately resolved.

As a result of the above, the Policy and Procedures Manual has been updated to reflect the changes..

Finding #: 2014-004 -Student Financial Assistance Cluster

Condition:

HCC did not meet the requirement of reporting student status changes within the 30 day requirement.

Status:

Future status changes for graduated students will be monitored more closely by newly implemented procedures. Effective Spring, 2014, the PeopleSoft graduation process was updated to allow the approving, applying and awarding of students to be automated. This allows for faster returns on necessary reporting and an adjusted submission schedule for the NSLDS. After working with our IT department in correcting initial issues with the procedure, we have been able to submit timely reports that can meet the requirements.