

**HCC.  
FOR EVERYONE,  
ANYTIME.**



**HOUSTON COMMUNITY COLLEGE**  
**Comprehensive Annual Financial Report**  
**& Single Audit Reports**

August 31, 2020 and 2019  
Houston, Texas



**HOUSTON COMMUNITY COLLEGE**

**Houston, Texas**

**Comprehensive Annual Financial Report**

**For the Years Ended**

**August 31, 2020 and 2019**

**Prepared by:**

**Finance and Administration**

# HOUSTON COMMUNITY COLLEGE SYSTEM

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## **INTRODUCTORY SECTION**

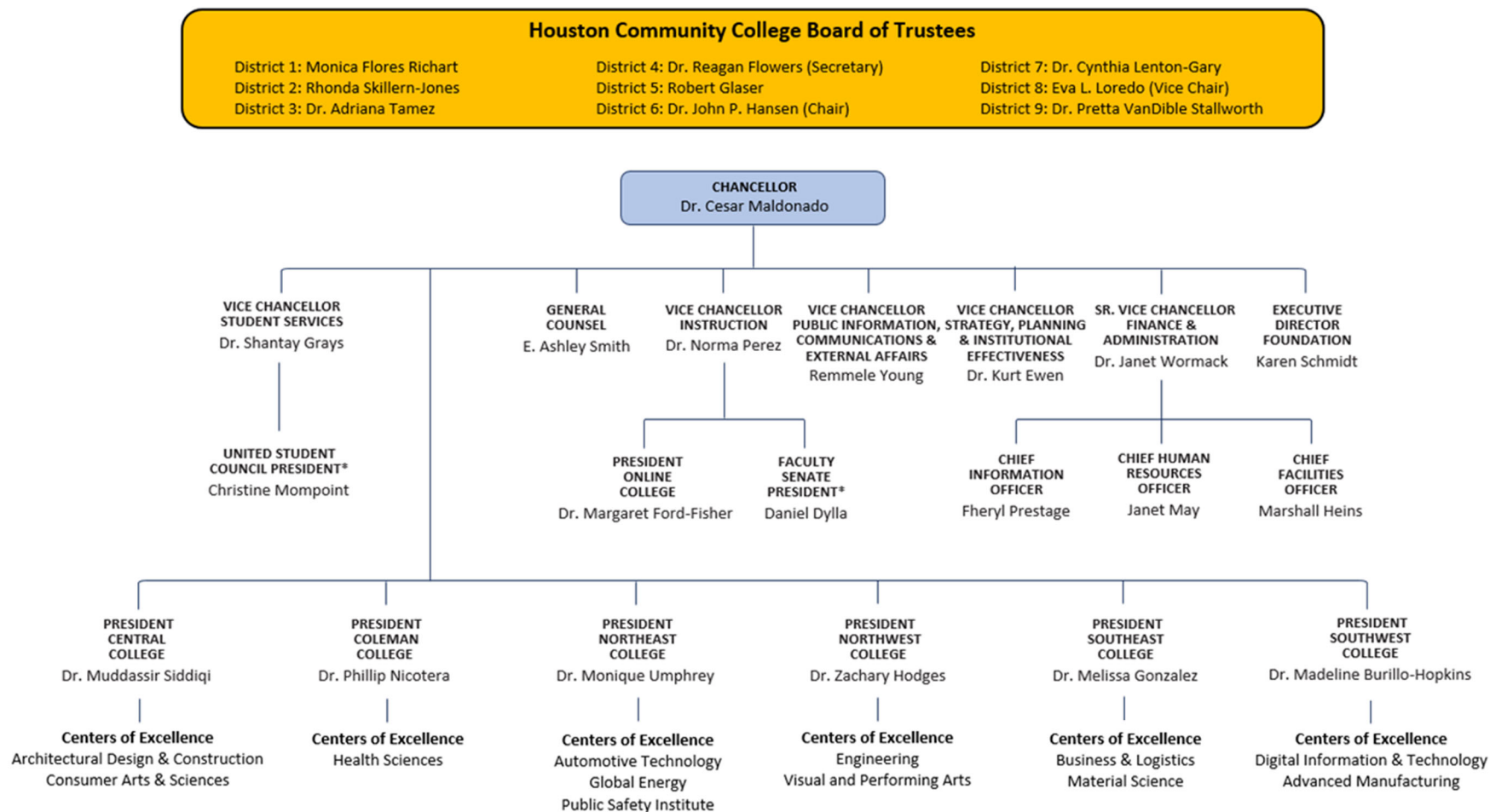
HOUSTON COMMUNITY COLLEGE SYSTEM  
ORGANIZATIONAL DATA  
FOR THE YEAR ENDED AUGUST 31, 2020

<u>BOARD OF TRUSTEES</u>		<u>Term Expires December 31,</u>
Dr. John P. Hansen, <i>Chair</i>	District VI, Houston, Texas	2021
Eva L. Loreda, <i>Vice Chair</i>	District VIII, Houston, Texas	2021
Dr. Reagan Flowers, <i>Secretary</i>	District IV, Houston, Texas	2023
Monica Flores Richart	District I, Houston, Texas	2025
Rhonda Skillern-Jones	District II, Houston, Texas	2025
Dr. Adriana Tamez	District III, Houston, Texas	2021
Robert Glaser	District V, Houston, Texas	2023
Dr. Cynthia Lenton-Gary	District VII, Houston, Texas	2025
Dr. Pretta VanDible Stallworth	District IX, Houston, Texas	2023

PRINCIPAL ADMINISTRATIVE OFFICERS

Cesar Maldonado, Ph.D., P.E.	Chancellor
Janet Wormack, Ed.D.	Senior Vice Chancellor, Finance & Administration and CFO
Norma Perez, Ed.D.	Vice Chancellor, Instructional Services & Chief Academic Officer
Fheryl Prestage, MBA	Chief Information Officer
Shantay Grays, Ed.D.	Vice Chancellor, Student Services
Kurt Ewen, Ph.D.	Vice Chancellor, Planning & Institutional Effectiveness
Muddassir Siddiqi, Ed.D.	President, Central College
Phillip Nicotera, MD	President, Coleman College
Monique Umphrey, D.M.	President, Northeast College
Zachary Hodges, Ed.D.	President, Northwest College
Melissa N. Gonzalez, Ph.D.	President, Southeast College
Madeline Burillo-Hopkins, Ed.D.	President, Southwest College
Margaret Ford Fisher, Ed.D.	President, Online College
Janet May, M.A.	Chief Human Resources Officer
Marshall Heins, MBA	Chief Facilities Officer
E. Ashley Smith, J.D.	General Counsel
Brian Malone, CPA	Interim Associate Vice Chancellor, Finance & Accounting
Remmele Young, J.D.	Vice Chancellor, Public Information, Communications and External Affairs
Daniel Dylla, M.S.	Faculty Senate President (2020-2021)
Karen Schmidt, MBA	Executive Director, HCC Foundation
Terrance Corrigan, CIA, CPA, CFE	Director, Internal Auditing
Christine Mompont	President, United Student Council (2020-2021)

## Organizational Chart As of August 31, 2020



\* Denotes Rotating Post



To the HCC Board of Trustees:

I have the honor of submitting to the Houston Community College System (HCC or System), the Board of Trustees (the Board) and to the citizens of our service area the HCC Comprehensive Annual Financial Report (CAFR) for the fiscal year beginning September 1, 2019 and ending August 31, 2020. HCC has strengthened its financial position in six short years through consistent and effective fiscal stewardship and financial reporting. The results show the delivery of more services to students and an increase in the economic viability of the Houston area.

As the FY 2020 Comprehensive Annual Financial Report reveals, HCC is committed to and has exceeded the fiscal responsibility typically performed by a publicly funded institution.

- ✓ Net Position: FY 2020 Net Position totals \$431.6 million, an increase of \$38.6 million from last year's \$393.0 million.
- ✓ Debt Reductions. Since FY 2015, HCC has accelerated the payment of its debt by \$19.1 million using excess cash, producing additional interest cost savings of \$9 million. Through eight separate refinance transactions since FY 2014, the System achieved future cash-flow savings of \$63.9 million. HCC's outstanding debt has decreased from a high of \$1.04 billion at the end of FY 2014 to a low of \$773.2 million at the end of FY 2020, reflecting the implementation of impactful debt-reduction strategies.
- ✓ Days Cash on Hand. Since 2018, when the Board adopted the financial reserve policy of 180+/- five percent days cash on hand (DCOH) which allowed for an increase in financial reserves, HCC has consistently exceeded the policy's threshold. As of August 31, 2020, the DCOH is 264 which represents \$233.2 million and exceeds the required minimum by 84 days and \$74.3 million. The \$233.2 million is an increase of \$22.5 million over the DCOH of \$210.7 million as of August 31, 2019. Approximately \$6.2M of the increase came from operational cost saving. Additionally, HCC's DCOH is strong relative to its large, Texas community college peers.
- ✓ Excellence in Financial Reporting. HCC, again, has received the Certificate of Achievement for Excellence in Financial Reporting for its FY2019 CAFR. This is the 13<sup>th</sup> year that the college has received this recognition from the Government Finance Officers Association. We expect that our FY2020 CAFR will receive the same recognition.

Notwithstanding the rapidly shifting environment born from the COVID-19 pandemic, we consistently provide critical services to the communities we serve. We have been able to accomplish many things together and a few of these achievements include the following:

- Created a stronger, more professional institution, achieving a Aaa (highest quality) bond rating from Moody's and AA+ (very strong) credit rating from Standard & Poor's.
- Placed more than 90% of our students in jobs or positioned them to further their education.
- Innovated "Next Learning," an educational model developed to transition students to and from in-person classes in response to the pandemic that has been adopted by other institutions as a programming model.
- Modernized the student experience, introducing artificial intelligence to anticipate and provide increased student support and high-quality education that is affordable and accessible for all. This is especially important to our student population, more than 40% of whom come from households earning less than \$20,000 a year.

- Completed capital improvement projects under budget.
- Recognized by the National Procurement Institute as an exceptional procurement program provider for five consecutive years – notably developing and implementing policies and procedures that help ensure that the procurement of goods and services follows high ethical standards.

Our willingness to push boundaries, create communities of scholars and encourage broad collaborations all contribute to a comprehensive picture of what makes HCC unique. These diverse pieces play a crucial role in the mosaic that is of HCC – all of us working in unison for student success.

I thank the Board of Trustees and the HCC faculty and staff for their continued dedication to changing the lives of students by providing pathways to academic and workforce success that align our students' needs with educational and career opportunities.

Sincerely,

A handwritten signature in black ink, appearing to read "Cesar Maldonado", with a stylized flourish at the end.

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



December 2, 2020

**To the Honorable Chair and Members of the Board of Trustees, Chancellor, and Citizens of Houston Community College**

I am honored to present the Comprehensive Annual Financial Report (CAFR) of Houston Community College (HCC or the System) for the fiscal years ended August 31, 2020 and 2019. This financial report provides detailed information about the financial position and activities of the System. The reliability of the information contained in this report is based upon a comprehensive framework of internal controls. Such internal controls are designed to provide reasonable, rather than absolute, assurance that the financial statements fairly present the financial position and results of operations of the System and are free of material misstatement. Responsibility for its preparation and integrity of the financial information, the completeness and fairness of the presentation, including all disclosures, rest with the System.

***Comprehensive Annual Financial Report***

HCC's CAFR is prepared by the College's Division of Finance and Administration. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). The financial statements also comply with the Annual Financial Reporting Requirements for Texas Public Community Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The notes provided in the financial section are considered an integral part of the financial statements and are essential for fair and adequate disclosure of all information. Additionally, attention should be given to Management's Discussion and Analysis that provides the reader with a narrative introduction, overview, and analysis of the financial statements.

***Reporting Entity***

HCC is a special-purpose governmental entity engaged solely in business-type activities (BTA). As such, the financial statement presentation combines all fund groups into a single column and resembles the format of a corporate presentation as defined by GASB. This reporting model also serves to make the financial statements more comparable across organizations.

The Houston Community College Foundation (Foundation) is reported as a component unit of the System using a discrete presentation. This is in accordance with the criteria established by GASB Statement No. 61, The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and 34 and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14.



### ***Organization and Governance Structure***

HCC was established as a public community college by the voters of the Houston Independent School District (HISD) through a referendum on May 8, 1971. By 1977, HCC was accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). In 1989, HCC separated from HISD, establishing its own Board of Trustees and taxing authority.

HCC operates under the Constitution of the State of Texas and the Texas Education Code. It is governed by an elected nine-member Board of Trustees who serve without remuneration. The trustees are elected from single-member districts to staggered six-year terms and as a body, have final authority to determine and interpret the policies that govern HCC. It has oversight responsibility for the System's activities, limited only by the state legislature, the courts, and the will of the people as expressed in Board of Trustee elections. Official Board action is taken in meetings that comply with the Texas Open Meetings Act.

HCC's Board of Trustees has a strong committee structure and those committees meet on the first Wednesday of each month. Regular meetings of the Board are held on the third Wednesday of each month at the System Administrative Building, 3100 Main Street, 2<sup>nd</sup> Floor Auditorium, Houston, TX 77002, unless otherwise announced. Other meetings such as workshops and special meetings are held on an as-needed basis. Public notices of all meetings are posted on the HCC website and at the Administrative Building whenever it is practical. Presently, these meetings are held remotely following Texas Governor Abbott's suspension of certain requirements of the Texas Open Meetings Act (TOMA). TOMA originally requires government officials and members of the public to be physically present at a specified meeting location. This temporary suspension allows for telephonic or videoconference meetings in order to maintain transparency while reducing face-to-face contact and mitigate the spread of COVID-19.

In general, the Board provides policy direction and sets goals for the System, consistent with the System's role and mission. 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 HCC.

### ***Economic Condition and Outlook***

Houston, with approximately 2.4 million residents, is the fourth largest city in America in terms of population behind New York, Los Angeles and Chicago. It is the largest city in Texas. The community is about one hour from the Texas Gulf Coast. The area is economically, educationally, and ethnically diverse. While the average household income is \$94,927, more than 21% of the households in the Service Delivery Area (SDA) have an income less than \$25,000. While 43% of the population has a college degree, 19% of the population has no high school degree or GED. The population's ethnicity is 42% Hispanic, 25% white, 22% African American, and 11% other. There is a relatively large young population, with 25% under the age of 18 years old.

As diverse as the city, Houston Community College is a diverse and complex multi-campus institution accredited by Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award associate degrees. HCC's SDA includes the independent school districts of Houston, Katy, Spring Branch, and Alief; Stafford Municipal District; and the portions of Fort Bend ISD located in the cities of Houston, Pearland, and Missouri City. With a service area population of about 2.4 million, HCC has the potential of providing a large workforce pool for its SDA, the state, and the nation in response to the current economic growth.

In the summer of 2020, HCC's operations, like that of all institutions that operate and provide face-to-face services, were not spared the impact of the coronavirus 2019 global pandemic. The college, in its response to this threat, had to close its facilities and convert all classes to online instruction mode. These twin threats to lives and livelihood are still holding the country's economic outlook hostage.

The Federal Reserve System publication called the "Beige Book" summarizes current economic conditions.

In the publication dated April 15, 2020, the Board of Governors of the Federal Reserve System reported a sharp and abrupt contraction of economic activity across all regions in the United States as a result of the COVID-19 pandemic. There was sudden and broad-based weakening of the Eleventh District economy, to which Houston belongs, during the reporting period. Activity in the energy, retail, and service sectors was the hardest hit. The September 2, 2020 report noted only modest gain and overall economic activity remained well below levels prior to the COVID-19 pandemic. It also reported that increasing infections in the 11<sup>th</sup> District have disrupted the budding economic recovery in some sectors and is the biggest risk to the near-term outlook.

#### ***Economic Value of Houston Community College***

Houston Community College creates a significant positive impact on the business community and generates a return on investment to its major stakeholder groups – students, taxpayers, and society. In a study conducted by Economic Modeling Specialists Inc. using a two-pronged approach that involves an economic impact analysis and an investment analysis, HCC added \$4.8 billion in income to the HCC regional area economy, a value approximately equal to 1.2% of the region's total gross regional product. Expressed in terms of jobs, HCC supported 51,971 regional jobs which represents one out of every 67 jobs in the region.

#### ***Financial Information***

HCC has three main sources of revenue:

1. Tuition and Fees – On May 2, 2019 the Board of Trustees approved some increases in the rates making the following schedule of tuition and fee rates effective Fall 2019:
  - \$ 33.00 per credit hour - Tuition In-District (Increased by \$2.00 from last year)
  - \$121.00 per credit hour - Tuition Out-of-District (Increased by \$10.00 from last year)
  - \$151.00 per credit hour - Tuition Out-of-State (Increased by \$20.00 from last year)
  - \$ 17.00 per credit hour - Technology Fee (Increased by \$3.00 from last year)
  - \$ 25.50 per credit hour - General Fee In-District
  - \$ 33.50 per credit hour - General Fee Out-of-District
  - \$ 50.00 per credit hour - General Fee Out-of-State
  - \$ 1.00 per credit hour (not to exceed \$12.00) - Student Activity Fee
  - \$ 6.00 per term - Recreation Fee
  - \$ 42.00 per class - Distance Education Fee

Fiscal year 2020 recorded an increase of \$7.0 million in Tuition and fees revenue net of scholarship allowances and discounts. This includes \$1.013 million in lost distance education fees in the summer term when all classes were converted to online and the fee was waived for all students. It will be, however, reimbursed under the CARES Act grants.

2. State Appropriations –During fiscal year 2020, HCC received a total of \$91.6 million in state appropriations. This is an increase of \$4.8 million compared to last year. While Educational and General State Support, primarily based on contact hour funding, remained basically on the same level, state retirement matching increased as more employees were deemed eligible for state funding.
3. Ad Valorem Taxes – In 2020, Ad Valorem Taxes increased \$8.6 million. Maintenance Ad Valorem taxes amounted to \$161.2 million and Debt Service Ad Valorem Taxes amounted to \$46.8 million for a total of \$208.0 million. While the total Ad Valorem tax rate in fiscal year 2020 is the same as fiscal year 2019 at \$0.100263, the increase in tax revenues for the year was due to increase in taxable values.

Overall, total operating revenues amounted to \$131.4 million; an increase of \$22.8 million, compared to last year's \$108.6 million. This overall increase was brought about by the increases in Tuition and Fees, Net of Discounts and Federal Grants and Contracts in the amount of \$7.0 million and \$15.6 million respectively. The increase in Federal Grants and Contracts was mainly due to the funds received by the college under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) for the Higher Education Emergency Relief Fund (HEERF). In the summer of 2020, HCC received HEERF funds in the amount of \$16.5 million out of \$30.1 million approved allocation broken down as follows:

- \$14.1 million – Student Aid
- \$14.1 million – Institutional Support
- \$ 1.9 million – Minority Serving Institutions (MSI)

Operating expenses increased by \$12.3 million in fiscal year 2020 primarily due to increases in Scholarship and Fellowship brought about by the additional student grant awards coming from the CARES Act.

#### ***Financial Health and Sustainability***

Fiscal Year 2020 started as the normalizing year for HCC after the monumental challenges that impacted our operations in FY 2018 brought about by Hurricane Harvey. The effects of that event to our service and our students and their families were unprecedented and lingered up to FY 2019. Notwithstanding those challenges, the HCC family and the community as a whole made tremendous recovery. We successfully minimized the adverse impact on instruction and were moving in the right direction concerning enrollment levels in 2020 when the COVID-19 pandemic spread throughout our region, the state, nation and the world.

The first cases in the United States were reported in February 2020 and escalated exponentially. In response to the threat posed by the virus against the health of students, faculty, and employees, HCC transitioned to remote, online operations in March. To help students transition to an online modality of instructions, the college provided emergency technology and other grants to students out of its own institutional funds. Having moved all summer term classes online, HCC also waived its online fee for all students.

Despite the challenges faced by the System, the current overall health of HCC is strong in relation to peer community colleges.

- The Composite Financial Index and the Equity and Leverage Ratios are above the Texas Higher Education Coordinating Board's Acceptable Standard and in line with the larger peer Texas community colleges.
- HCC's in-district tuition and fees and tax rate are the lowest among its peers.
- The Days Cash on Hand of \$233.2 million exceeds the required minimum of 180 days (+/- 5%) of operating expenditures by 84 days and by \$74.3 million.
- The Board's investment strategies are prudent and in compliance with the Public Funds Investment Act.
- HCC's bond credit ratings remain strong and stable.

<b>HCC's Bond Credit Ratings (06/11/2020)</b>		
	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
General Obligation Bonds/MTNs/MTBs	Aaa	AA+
Senior Lien Revenue Bonds	Aa2	AA-
Junior Lien Revenue Bonds	Aa2	A+

### ***Strategic Accomplishments***

As we conclude the Imagine HCC 2019 Strategic Plan, we reflect on the great progress made over the last six years. We have fundamentally reengineered the institution and we have made a profound impact on student success. Although we have not met some of our year- to-year goals, when viewed over time our achievements in student success and fiscal matters speak volumes of our discipline. We are having a lasting impact on our students and on the regional economy. More than 90% of our students are placed in jobs or go on to further their education. Through the outstanding work of faculty and staff we have infused the HCC Way across our institution. Student experience is modernized by introducing artificial intelligence to anticipate and provide increased student support and high-quality education. We have developed and implemented "Next Learning" an educational model in response to the pandemic that other institutions have patterned their programming after. We have also completed our capital improvements under budget. All of these were accomplished while keeping the over-all financial health of the college strong.

### ***HCC's 50<sup>th</sup> Anniversary***

In 2021, HCC will officially celebrate the institution's 50 years of educating and training Houstonians. We launched our 50<sup>th</sup> anniversary in 2020, and will continue a series of celebrations through 2022. A series of presentations celebrating the past, present, and future of all the ways HCC has impacted students and families throughout the Houston community is also planned. All the celebrations and special events will provide opportunities for our former students to gather and reminisce with faculty, friends, and current students about their years in the college, as well as share their vision for the future.

### ***Budget Control***

The Board of Trustees adopts an operating budget annually, providing authority to expend funds in accordance with state law, board policy, and HCC approved budgeting procedures. Included in the annual budget are the activities of the Unrestricted, Restricted, Auxiliary, Capital and Technology, and Retirement of Debt Service funds.

HCC adopted the concept of Zero-Based Budgeting in fiscal year 2019 and it was continued on for the budgets for fiscal years 2020 and 2021. It is an opportunity to build budgets from the bottom up and focus on what is needed today and in the future. This concept will continue to be improved upon and be the focus of future proposed budgets.

The Office of Fiscal Planning and Budget monitors the overall budget activities. Internal controls have been implemented to ensure that expenses fall within the budget and purchasing guidelines. Monthly financial and budget reports, which include the status of all HCC funds and accounts, are submitted to the Board of Trustees.

### ***Independent Audit***

State statutes require an annual audit by independent certified public accountants. The purpose of an independent audit is to provide assurance, based on independent review and testing, that the basic financial statements and accompanying notes are fairly stated in all material aspects. The College's Board of Trustees selected the accounting firm of Whitley Penn LLP to perform the annual financial audit starting in fiscal year

2019 through fiscal year 2023. In addition to meeting the state statutes requirements, their audit was also designed to meet the requirements of the Federal Single Audit Amendments of 1996 and related Uniform Guidance and Uniform Grant Management Standards (UGMS). The Single Audit financial reports consist of the Schedule of Expenditures of State of Texas Awards, Schedule of Expenditures of Federal Awards and the auditor's report on compliance and internal controls. Additionally, Whitley Penn reviews HCC's compliance with the Public Funds Investment Act.

#### **Awards**

Houston Community College, again, has been awarded The Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the fiscal year ended August 31, 2019. This is the thirteenth (13<sup>th</sup>) year that HCC has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

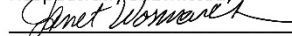
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

HCC's Procurement Operations Department received the prestigious Achievement of Excellence in Procurement (AEP) award from The National Procurement Institute, Inc. in 2020. This is the fifth consecutive year that HCC has earned this award. AEP is earned by those organizations that demonstrate excellence by obtaining a high score based on standardized criteria that measure innovation, productivity, e-procurement, and leadership attributes of the procurement organization.

#### **Acknowledgement**

The staff thanks the Board of Trustees for its oversight and unfailing support in advancing the highest standards of integrity, transparency and accountability in the College's financial operations. We also wish to acknowledge the Chancellor for providing the leadership and the resources necessary to achieve HCC's strong financial position and prepare this financial report. Credit also goes to Finance and Administration Division and all members of the staff for their hard work and dedication in preparing the CAFR. Finally, we would like to thank the accounting firm of Whitley Penn, LLP for their assistance with the audit.

Respectfully submitted,



---

Janet E. Wormack, Ed.D.

Senior Vice Chancellor, Finance & Administration and CFO





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, 2019**

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Houston Community College System  
Houston, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Houston Community College System (the "System"), as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the discretely presented component unit's financial statements of the Houston Community College Foundation (the "Foundation") as of and for the years ended August 31, 2020 and 2019. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

To the Board of Trustees  
Houston Community College System

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.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the System as of August 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 17 through 32 and pension information and other-post employment benefit information on pages 79 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Supplemental Schedules A through D as required by the Texas Higher Education Coordinating Board's (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of State Awards as required by the State of Texas *Uniform Grant Management Standards*, and other information such as the introductory and statistical sections are also presented for additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules A through D, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

To the Board of Trustees  
Houston Community College System

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules A through D, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

*Whitley Penn LLP*

Houston, Texas  
December 2, 2020

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

## INTRODUCTION

Management's discussion and analysis of the annual financial statements of the Houston Community College System (HCC or the System) is designed to help readers understand some of the conditions and events contributing to the current financial position of HCC as well as to point out trends and changes in the results of operations. Please read it in conjunction with the Chancellor's Letter, the Transmittal Letter, HCC's basic financial statements, and Notes to the Financial Statements. Responsibility for the completeness and fairness of this information rests with HCC. For purposes of the summary and discussion, the terms "2020", "2019" and "2018" refer to fiscal years ended August 31, 2020, August 31, 2019, and August 31, 2018, respectively.

## OVERVIEW OF FINANCIAL STATEMENTS

HCC is considered a special-purpose government engaged in business-type activities according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61). The requirements of this Statement result in financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The resulting financial statement format focuses on HCC as a whole. The basic financial statements are designed to emulate the corporate presentation model whereby HCC's fiscal activities are consolidated into one column total. Comparative data from the prior year is shown in a separate column on the face of each of the statements. The financial results and position are presented as of August 31, 2020 and 2019 and consists of three primary statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows.

The Houston Community College Foundation (the "Foundation") is a non-profit organization established in 1976 with its sole purpose being to provide benefits such as scholarships and grants to HCC. The Foundation has been discretely presented in HCC's financial statements as a component unit by including its Statements of Financial Position and Activities in HCC's CAFR in accordance with GASB 61. Since the financial statements of the Foundation are presented in a different format than those of HCC, the Foundation's financial statements are presented on separate pages from HCC's financial statements.

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

### **Financial Highlights for Fiscal Year 2020**

- Total assets decreased by \$6.2 million from fiscal year 2019. While deposits and investments (Note 4) increased by \$12.7 million and prepaid charges increased by \$6.2 million, capital assets, net of depreciation, decreased by \$18.4 million mainly due to depreciation being more than the assets additions. In addition, accounts receivable decreased by \$6.7 million mainly due to decline in student receivables.
- Total liabilities decreased by \$73 million primarily due to decreases in accounts payable in the amount of \$6.2 million, unearned revenue in the amount of \$14 million, notes payable in the amount of \$47 million, and bonds payable in the amount of \$7.8 million.



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The decreases in accounts payable and unearned revenue are direct results of the impact brought about by COVID-19. With the System's operations converted into remote modality for about half of the year, procurement of goods and services, aside from those necessary to address the pandemic, was greatly reduced. Fall enrollment was also impacted as prospective students had to weigh their options and the prevailing situation before committing to enrollment, thus a lower unearned revenue. The \$54.8 million decrease in outstanding debt in fiscal year 2020 is attributable to principal payments of \$40.4 million, premium amortization of \$5.7 million, principal reductions of \$103.3 million due to refunding of bonds, and new borrowings of \$94.6 million.

- The System's net position at August 31, 2020 was \$431.6 million, net of GASB Statement No. 65 (Pension) and GASB Statement No. 75 (OPEB) expenses, reflecting a \$38.6 million increase from the prior year. While the GASB No. 68 and GASB No. 75 expenses reduced net position, this decrease was offset by the reduction of liabilities.
- Operating revenue increased \$22.8 million mainly due to an increase in federal, local and non-governmental grants of \$15.8 million mainly due to receipts from the Coronavirus Aid, Relief, and Economic Security Act, (CARES Act). Also, tuition and fee revenue increased by \$7 million due to higher tuition rates. The \$13.5 million increase in non-operating revenues is primarily related to increases in restricted state appropriations (\$4.4 million) and property taxes (\$8.6 million) due to increased property values.
- Operating expenses by functional and natural classifications increased in fiscal year 2020 by \$12.3 million or 2.7% compared to fiscal year 2019. The increase is primarily due to Scholarship expenses which are \$10.5 million higher this fiscal year due to a significant number of scholarships granted to students affected by COVID-19.

### **Statements of Net Position**

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

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

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

GASB No. 75 (OPEB) and GASB No. 68 (Pension) continue to impact the current year's Statement of Net Position, including changes in liabilities, deferred inflows and outflows of resources and net position as described more fully in appropriate sections of this MD&A and Notes 14 and 21 in the accompanying Notes to the Financial Statements.

In the fall of 2018, it was discovered HCC had been overpaying its share of the retirement contributions for administrative employees from September 2013 – August 2017. Management was notified of the discovery along with TRS and HCC began working with TRS to recoup the approximate \$10.3 million to be used as credits against future payments to TRS. The full estimated amount of credits for the overpayments (\$10.3M) was recorded as a prepaid asset in June 2020. For FY 2020 HCC applied \$1.1 million in actual credits towards payments to TRS. Since the excess contributions relate to prior fiscal years, the System also restated beginning net position by this same amount.

HOUSTON COMMUNITY COLLEGE SYSTEM  
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In order to show the trends for the two years presented in the Statements of Net Position, a summary of three years of data for the fiscal years ended August 31, 2018 through 2020 is presented below.

**Statements of Net Position**

				Change	
	2020	2019	2018	2019 to 2020	2018 to 2019
<b>ASSETS:</b>					
Current Assets	\$ 271,327,573	\$ 247,869,964	\$ 186,491,490	\$ 23,457,609	\$ 61,378,474
Non-current Assets	31,717,356	43,037,598	114,238,243	(11,320,242)	(71,200,645)
Capital Assets, Net	1,185,930,883	1,204,309,974	1,199,871,386	(18,379,091)	4,438,588
Total Assets	1,488,975,812	1,495,217,536	1,500,601,119	(6,241,724)	(5,383,583)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Advance Funding Valuation	6,598,004	7,310,083	8,281,520	(712,079)	(971,437)
OPEB	96,603,510	106,771,070	2,582,938	(10,167,560)	104,188,132
Pension	37,571,124	45,154,241	14,134,885	(7,583,117)	31,019,356
Total Deferred Outflows of Resources	140,772,638	159,235,394	24,999,343	(18,462,756)	134,236,051
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,629,748,450</b>	<b>\$ 1,654,452,930</b>	<b>\$ 1,525,600,462</b>	<b>\$ (24,704,480)</b>	<b>\$ 128,852,468</b>
<b>LIABILITIES:</b>					
Current Liabilities	104,275,608	117,826,375	113,649,283	(13,550,767)	4,177,092
Non-current Liabilities	997,360,244	1,056,767,599	984,563,871	(59,407,355)	72,203,728
Total Liabilities	1,101,635,852	1,174,593,974	1,098,213,154	(72,958,122)	76,380,820
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Advance Funding Valuation	10,279,649	3,298,763	2,435,374	6,980,886	863,389
OPEB	53,088,135	63,300,384	18,739,982	(10,212,249)	44,560,402
Pension	33,098,931	20,235,389	16,089,600	12,863,542	4,145,789
Total Deferred Inflows of Resources	96,466,715	86,834,536	37,264,956	9,632,179	49,569,580
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 1,198,102,567</b>	<b>\$ 1,261,428,510</b>	<b>\$ 1,135,478,110</b>	<b>\$ (63,325,943)</b>	<b>\$ 125,950,400</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	417,973,160	383,077,877	363,332,433	34,895,283	19,745,444
Restricted-Expendable	13,829,077	13,040,855	12,120,519	788,222	920,336
Unrestricted	(156,354)	(3,094,311)	14,669,400	2,937,957	(17,763,711)
<b>TOTAL NET POSITION</b>	<b>\$ 431,645,883</b>	<b>\$ 393,024,421</b>	<b>\$ 390,122,352</b>	<b>\$ 38,621,462</b>	<b>\$ 2,902,069</b>

HOUSTON COMMUNITY COLLEGE SYSTEM  
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**Assets**

**Fiscal Year 2020:**

In comparing fiscal year 2020 to 2019, overall assets decreased by \$6.2 million. Current assets increased by \$23.5 million. This was comprised of a \$23.9 million increase in cash due to positive operating results and the maturities of short-term securities which were reinvested in cash due to falling interest rates. Non-current assets decreased by \$29.7 million due to a decrease of \$9.8M in restricted cash due to CIP spending and a decrease of \$18.4 million in Capital Assets due to depreciation being more than assets additions.

**Fiscal Year 2019:**

In comparing fiscal year 2019 to 2018, overall assets decreased by \$5.4 million. Current assets increased by \$61.4 million primarily due to a shift of unrestricted cash to short-term investments to take advantage of higher yields. Non-current assets decreased by \$71.2 million due to the shift to short-term investments and the completion of CIP projects. As a result of projects being completed, capital assets increased by \$37.8 million. The increase is offset by current year depreciation of \$33.4 million resulting in a net increase in capital assets of \$4.4 million.

**Deferred Outflows of Resources**

**Fiscal Year 2020:**

Deferred outflows of resources decreased by \$18.5 million from fiscal year 2019 to fiscal year 2020. The decrease is primarily related to GASB No. 75 (OPEB) and GASB No. 68 (Pension). The decrease for GASB No. 75 (OPEB) was \$10.2M and was mainly due to a decrease in the proportion and difference between the employer's contributions and the proportionate share of contributions, offset by an increase related to actuarial assumptions. The decrease of \$7.6 million related to GASB No. 68 (Pension) is primarily related to changes in actuarial assumptions. Deferred outflows from advance funding valuations decreased by \$.7 million due to amortization.

**Fiscal Year 2019:**

Deferred outflows of resources increased by \$134.2 million from fiscal year 2018 to fiscal year 2019 mainly due to an increase of \$104.2 million related to the change in the proportionate share from the new ERS allocation methodology for GASB 75 (OPEB). Previously, allocation percentages were based on employer contributions for retirees only. Currently, allocation percentages are based on employer contributions for active employees and retirees. There was also an increase of \$31 million related to GASB 68 (Pension). This increase resulted from the changes in demographic assumptions, economic assumptions, and decreased discount rate and long-term rate of return.

**Liabilities**

**Fiscal Year 2020:**

Overall liabilities decreased by \$73 million from fiscal year 2019 to fiscal year 2020. Current liabilities decreased by \$13.6 million mainly due to a \$14 million decrease in unearned revenue due to a decrease in enrollment as a result of the pandemic. In addition, there was a decrease of \$7 million in accounts payable and accrued liabilities due to a decrease in spending and travel related to remote working due to COVID-19. These decreases were offset by increases in the current portion of debt by \$2.7 million and OPEB liability by \$3.4 million. Also, compensated absences increased by \$1.3 million due to employees not taking time off due to COVID-19. Non-current liabilities decreased by \$59.4 million due primarily to a \$57.5 decrease in non-current debt, resulting from principal payments of \$40.3 million and defeasance of debt, and a \$17.7 million decrease in net pension liability related to GASB No. 68. The decrease is offset by an increase of \$15.9 million OPEB liability primarily related to changes in actuarial assumptions.

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**Fiscal Year 2019:**

Overall liabilities increased by \$76.4 million from fiscal year 2018 to fiscal year 2019. Current liabilities increased by \$4.2 million mainly due to a \$3 million increase in unearned revenue due to tuition and fee rate increases in the Fall of 2019. In addition, the current portion of debt and the OPEB liability increased by \$1.9 and \$2.0 million, respectively. These increases were offset by a decrease of \$2.6 million in accounts payable and accrued liabilities. Non-current liabilities increased by \$72.2 million due primarily to a \$76.8 million increase in OPEB liability related to GASB 75 and an increase of \$33.6 million in pension liability related to GASB 68. The increase in OPEB liability was the result of a change in the allocation methodology made by ERS. Previously, allocation percentages were based on employer contributions for retirees only. Currently, allocation percentages are based on employer contributions for active employees and retirees. The pension liability increase is related to changes in demographic and economic assumptions and the lowering of the projected long-term rate of return from 8% to 7.25%. These increases were offset by a \$36.2 million net decrease in total outstanding debt in fiscal year 2019 attributable to principal payments of \$37.5 million, premium amortization of \$7.3 million, principal reductions of \$4.2 million due to refunding of bonds and new borrowings of \$12.8 million related to the West Houston Expansion project.

**Deferred Inflows of Resources**

**Fiscal Year 2020:**

Deferred inflows of resources increased by \$9.6 million from fiscal year 2019 to fiscal year 2020. The increase is primarily related to GASB No. 75 (OPEB) and GASB No. 68 (Pension). The decrease for GASB No. 75 (OPEB) of \$10.2 million was offset by an increase of \$12.8 million for GASB No. 68 (Pension). Both of these differences are primarily related to changes in actuarial assumptions. Deferred inflows from advance funding valuations increased by \$7 million due to defeasance of bonds.

**Fiscal Year 2019:**

Deferred inflows of resources increased by \$49.6 million from fiscal year 2018 to fiscal year 2019. The increase is primarily related to GASB 75 (OPEB) and GASB 68 (Pension). The increase for GASB 75 (OPEB) was \$44.6 million and was due to the change in demographic assumptions, assumed expenses, and an increase in the discount rate assumption. An increase of \$4.1 million related to GASB 68 (Pension) resulted from the changes in demographic assumptions.

**Net Position**

**Fiscal Year 2020:**

Overall, net position for 2020 is \$431.6 million, which is a \$38.6 million increase from 2019. Current unrestricted increased in fiscal year 2020 from fiscal year 2019 by \$2.9 million. The GASB No. 75 expenses were lower in fiscal year 2020 than fiscal year 2019 by \$0.04 million and GASB No. 68 expenses were higher in fiscal year 2020 than fiscal year 2019 by \$4.6 million. Net investment in capital assets increased \$34.9 million mainly due to the capitalization of completed CIP projects. Restricted-Expendable increased by \$0.8 million.

**Fiscal Year 2019:**

Overall, net position for 2019 is \$393 million, which is a \$3 million increase from 2018. Current Unrestricted decreased in fiscal year 2019 from fiscal year 2018 by \$17.8 million related to GASB No. 75 and GASB No. 68. The GASB No. 75 and GASB No. 68 expenses were higher in fiscal year 2019 than fiscal year 2018 by \$17.2 and \$5.4 million, respectively. Net investment in Capital Assets increased \$19.7 million mainly due to the capitalization of completed CIP projects. Restricted-Expendable increased by \$0.9 million.

Net Position details are available in Schedule D.

HOUSTON COMMUNITY COLLEGE SYSTEM  
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**Statements of Revenues, Expenses and Changes in Net Position**

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

A summarized comparison of the System's revenues, expenses and changes in net position for the years ended August 31, 2020, 2019, and 2018 is presented below.

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	
				<b>2019 to 2020</b>	<b>2018 to 2019</b>
Operating Revenues	\$131,450,877	\$ 108,601,114	\$ 109,415,489	\$ 22,849,763	\$ (814,375)
Operating Expenses	464,384,268	452,076,684	425,853,990	12,307,584	26,222,694
Operating Loss	(332,933,391)	(343,475,570)	(316,438,501)	10,542,179	(27,037,069)
Non-operating Revenues, Net	361,254,853	346,377,639	339,033,740	14,877,214	7,343,899
Increase/(Decrease) in Net	\$ 28,321,462	\$ 2,902,069	\$ 22,595,239	\$ 25,419,393	\$(19,693,170)
Beginning Net Position	393,024,421	390,122,352	466,462,035	2,902,069	(76,339,683)
Cumulative Effect of Change in Accounting Principle	-	-	(98,934,922)	-	98,934,922
Cumulative Effect of TRS Credit Adjustment	10,300,000	-	-	10,300,000	-
Ending Net Position	<u>\$431,645,883</u>	<u>\$ 393,024,421</u>	<u>\$ 390,122,352</u>	<u>\$ 38,621,462</u>	<u>\$ 2,902,069</u>

**Revenues**

As described above and in accordance with GAAP, promulgated by GASB, state appropriations and ad valorem tax revenues are reported as non-operating revenues. This results in reporting a large operating loss which is significantly decreased after including these non-operating revenues that are intended to contribute to operations. State appropriations are restricted by law to be used only for the educational and general expenses, HCC's primary operations. Ad valorem tax revenues are broken into two types: those for maintenance and operations and those for debt service. The maintenance and operations portion is specifically designed to be utilized for operations.

The debt service portion is restricted to pay the principal, interest, and other costs associated with tax backed bonds (General Obligation or GO bonds and maintenance tax notes). Interest revenue is obtained through pooled investments, a large portion of which is attributable to operations. Also federal financial aid is classified as non-operating revenue by GASB.

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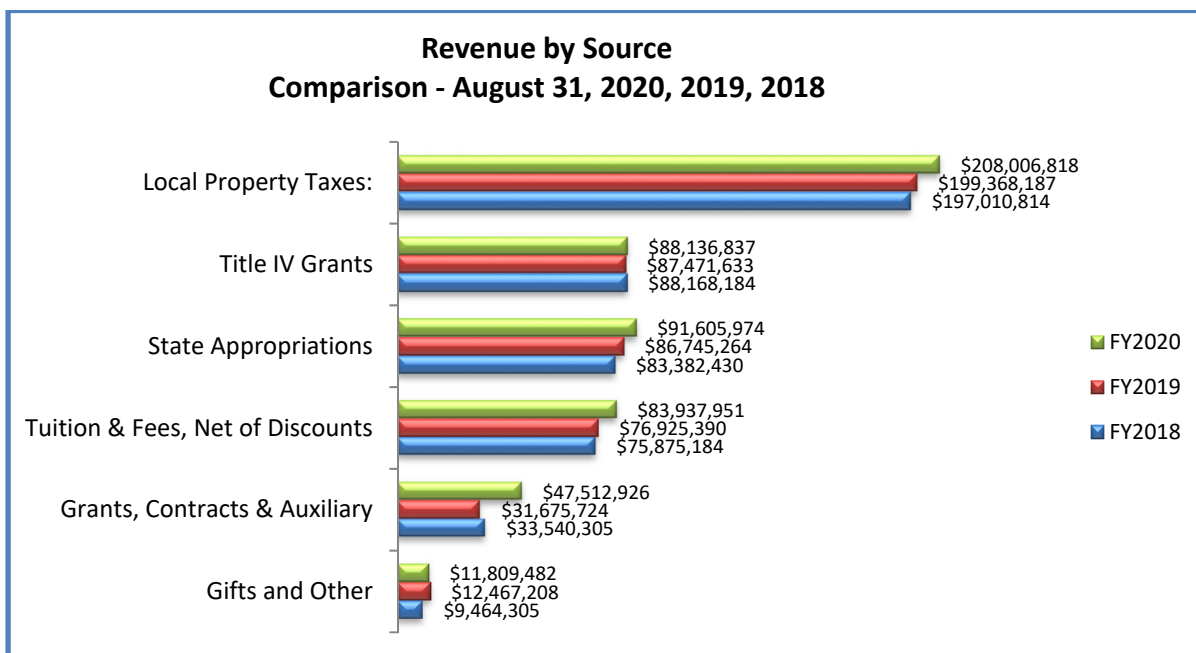
All revenues, both operating and non-operating, are presented below.

	Change				
	2020	2019	2018	2019 to 2020	2018 to 2019
<u>OPERATING REVENUES:</u>					
Tuition & Fees, Net of Discounts	\$ 83,937,951	\$ 76,925,390	\$ 75,875,184	\$ 7,012,561	\$ 1,050,206
Grants, Contracts & Auxiliary:					
Federal	29,265,821	13,664,066	14,618,765	15,601,755	(954,699)
State	4,386,846	5,257,785	7,241,239	(870,939)	(1,983,454)
Local, Private & Non-governmental	1,561,892	1,536,435	1,447,798	25,457	88,637
Sales and Services	2,319,427	447,777	281,262	1,871,650	166,515
Auxiliary	9,978,940	10,769,661	9,951,241	(790,721)	818,420
Total Grants, Contracts & Auxiliary	47,512,926	31,675,724	33,540,305	15,837,202	(1,864,581)
TOTAL OPERATING REVENUES	131,450,877	108,601,114	109,415,489	22,849,763	(814,375)
<u>NON-OPERATING REVENUES:</u>					
State Appropriations:					
Unrestricted	68,645,421	68,174,584	68,165,444	470,837	9,140
Restricted	22,960,553	18,570,680	15,216,986	4,389,873	3,353,694
Total State Appropriations	91,605,974	86,745,264	83,382,430	4,860,710	3,362,834
Local Property Taxes:					
M & O	161,157,699	152,465,955	150,689,019	8,691,744	1,776,936
Debt	46,849,119	46,902,232	46,321,795	(53,113)	580,437
Total Local Property Taxes	208,006,818	199,368,187	197,010,814	8,638,631	2,357,373
Title IV Grants	88,136,837	87,471,633	88,168,184	665,204	(696,551)
Gifts and Other:					
Gifts	1,853,254	2,351,677	2,009,979	(498,423)	341,698
Other	9,956,228	10,115,531	7,454,326	(159,303)	2,661,205
Total Gifts and Other	11,809,482	12,467,208	9,464,305	(657,726)	3,002,903
TOTAL NON-OPERATING REVENUES	399,559,111	386,052,292	378,025,733	13,506,819	8,026,559
TOTAL REVENUES	\$ 531,009,988	\$ 494,653,406	\$ 487,441,222	\$ 36,356,582	\$ 7,212,184



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**Revenue by Source**



**Fiscal Year 2020:**

Overall, operating revenues increased by \$22.8 million or 21% in fiscal year 2020 as compared to fiscal year 2019 (Exhibit 2). Although the System experienced a decrease in enrollment, tuition and fees revenue increased 9.1% or \$ 7 million due to higher tuition and fee rates. This tuition and fees rate increase was offset by an 8.7% increase in exemptions and waivers. Federal grants and contracts increased by \$15.6 million due to the funds received by HCC under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) for the Higher Education Emergency Relief Fund (HEERF). Sales and services revenue increased by \$1.9 million. The increases in operating revenues are offset by decreases of \$0.8 million in Auxiliary leasing revenue and \$0.9 million in state grants.

Non-operating revenues increased by \$13.5 million or 3.5% over the previous year (Schedule C). Total state appropriations were higher in fiscal year 2020 by \$4.9 million or 5.6% compared to fiscal year 2019 primarily in the restricted category. Unrestricted state appropriations are determined for each biennium period based on funded contact hours (90%) reported during a base year period and a three year average of student success points (10%). Fiscal year 2020 was the first year in the current biennium period, so unrestricted state appropriations will be consistent with fiscal year 2021. Restricted state appropriations include the 50% reimbursement of retirement and health care premiums for eligible HCC employees. This amount increased by \$4.4 million over the prior year due to the 2% salary increase and slight premium increases. In addition, for this biennium the 86th Legislature identified the HCC Regional Resiliency Operations Center (RROC) project as one serving the best interest of the state. Accordingly, it appropriated \$2.5 million to assist with the advancement of this project. This unique facility addresses the immediate need for emergency preparedness and public safety training related to flood water and swift water rescue. Property tax revenues also increased by \$8.6 million over the prior year. While the total tax rate remained the same as last year (\$0.100263), total tax revenue increased due to increases in property valuations. In addition, as HCC's debt service requirements decrease, more of the tax revenue can be utilized to cover costs such as salary increases.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Gifts and other non-operating revenues decreased over fiscal year 2019 primarily due to an overall decrease in returns on investments by \$3.2 million in fiscal year 2020 due to a general decrease in interest rates. Weighted average interest rates decreased from 2.17% at August 31, 2019 to .70% at August 31, 2020.

**Fiscal Year 2019:**

Overall, operating revenues decreased by \$0.8 million or 0.7 % in fiscal year 2019 as compared to fiscal year 2018 (Exhibit 2). Although the System experienced a 2.8% decrease in enrollment, tuition and fees revenue increased 1.4% or \$ 1.1 million due to an increase in tuition and fees rates in Spring 2019. This increase was offset by a 19.1% increase in exemptions and waivers. There was a decrease of 6.5% or \$1 million in federal grants and contracts due to a reduction in Adult Education Federal Grant funding and a decrease of 27.4% or \$2 million in state grants and contracts mainly due to a decrease in Texas Educational Opportunity Grants (TEOG) related to the decrease in enrollment. The decrease in operating revenues is offset by an increase of \$0.8 million in Auxiliary leasing revenue.

Non-operating revenues increased by \$8 million or 2.1% over the previous year (Schedule C). Total state appropriations were higher in fiscal year 2019 by \$3.4 million or 4% compared to fiscal year 2018 primarily in the restricted category. Unrestricted state appropriations are determined for each biennium period based on funded contact hours (90%) reported during a base year period and a three year average of student success points (10%). Fiscal year 2019 was the second year in the current biennium period, so unrestricted state appropriations were consistent with fiscal year 2018. Restricted state appropriations include the 50% reimbursement of retirement and health care premiums for eligible college employees. This amount increased by \$3.4 million over the prior year due to the 2% salary increase, slight premium increases and an increase in the number of college employees deemed eligible for reimbursement. Property tax revenues increased by \$2.4 million over the prior year. While the total tax rate remained the same as last year (\$0.100263), total tax revenue increased due to increases in property valuations. In addition, as HCC's debt service requirements decrease, more of the tax revenue can be utilized to cover costs such as salary increases. Gifts and other non-operating revenues increased \$2.6 million over fiscal year 2018 primarily due to an overall increase in returns on investments related to higher interest rate earnings throughout the year of approximately .24 %. The increases are offset by a \$0.7 million decrease in Title IV grants related to the decrease in enrollment.

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

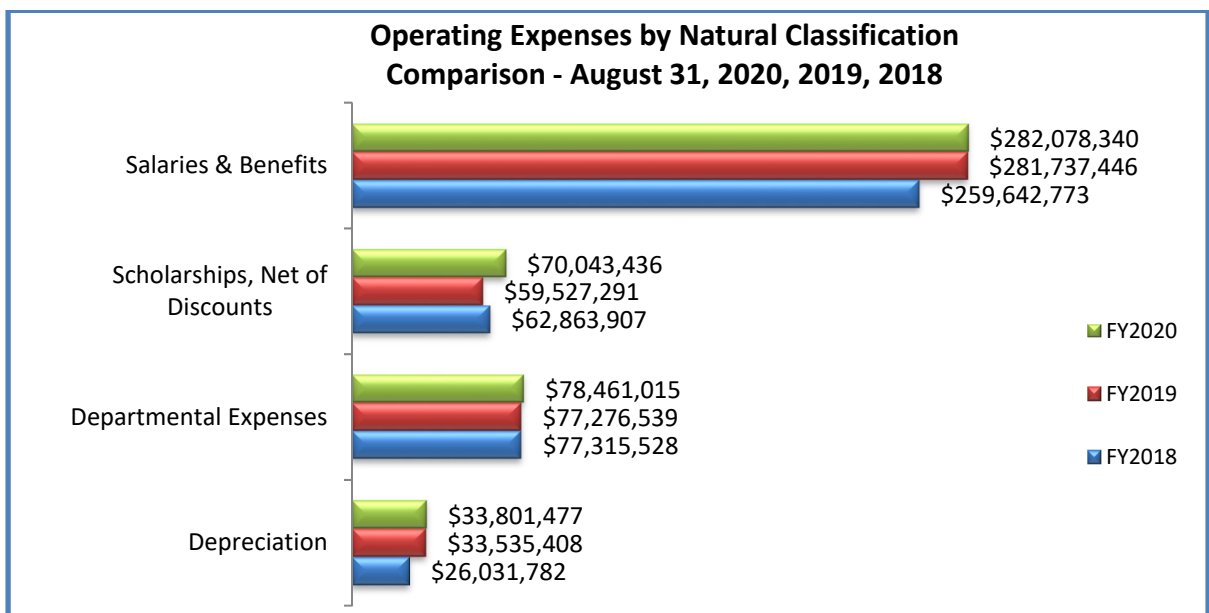
**Expenses**

Total Operating Expenses increased by \$12.3 million due largely to increases in Scholarships. Scholarships increased \$10.5 million due to funds received from the CARES Act and HEEFR for students affected by COVID-19. The \$4.1 million increases in the functional area of institutional support can be largely attributed to the \$4.6 million increase in GASB No. 68 (Pension) expenses. The increases are offset by an overall 2% reduction in expenses for FY 2020 implemented by the System.

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

The schedules below provide a three-year historical record of the use of funds by natural and functional classification. A schedule of pension and OPEB expenses has been added to show the impact of GASB No. 68 (Pension) and GASB No. 75 (OPEB) on total expenses for the three-year period. The expenses reported include both restricted and unrestricted funds.

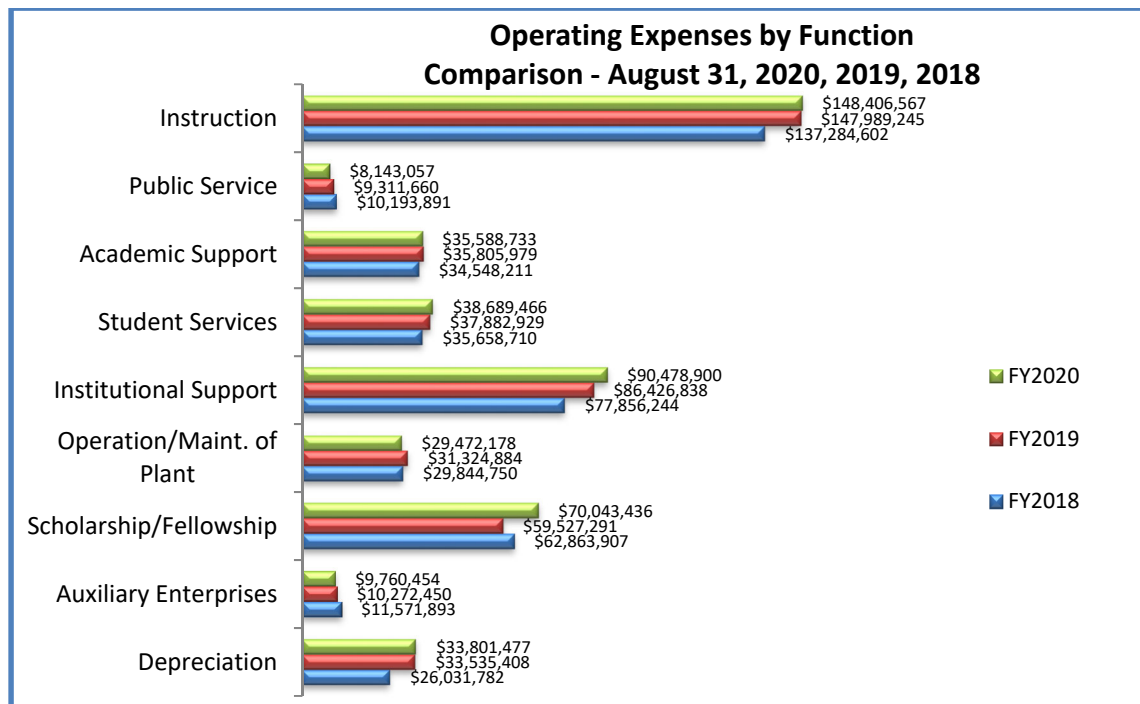
	Operating Expenses by Natural Classification						Change	
	2020	% of Total	2019	% of Total	2018	% of Total	2019 to 2020	2018 to 2019
Salaries & Benefits	\$ 282,078,340	60.7%	\$ 281,737,446	62.3%	\$ 259,642,773	61.0%	\$ 340,894	\$ 22,094,673
Scholarships, Net of Discounts	70,043,436	15.1%	59,527,291	13.2%	62,863,907	14.8%	10,516,145	(3,336,616)
Departmental Expenses	78,461,015	16.9%	77,276,539	17.1%	77,315,528	18.2%	1,184,476	(38,989)
Depreciation	33,801,477	7.3%	33,535,408	7.4%	26,031,782	6.1%	266,069	7,503,626
Total Operating Expenses	<u>\$ 464,384,268</u>	100%	<u>\$ 452,076,684</u>	100%	<u>\$ 425,853,990</u>	100%	<u>\$ 12,307,584</u>	<u>\$ 26,222,694</u>



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

	Pension and OPEB Expenses (Included in Salaries & Benefits)						Change	
	2020	% of Total	2019	% of Total	2018	% of Total	2019 to 2020	2018 to 2019
GASB 68 - Pension	\$ 11,367,226	37.2%	\$ 6,745,629	26.0%	\$ 1,350,865	40.6%	\$ 4,621,597	\$ 5,394,764
GASB 75 - OPEB	19,203,830	62.8%	19,163,889	74.0%	1,977,968	59.4%	39,941	17,185,921
Total Pension & OPEB Expenses	<u>\$ 30,571,056</u>	100%	<u>\$ 25,909,518</u>	100%	<u>\$ 3,328,833</u>	100%	<u>\$ 4,661,538</u>	<u>\$ 22,580,685</u>

	Operating Expenses by Functional Classification						Change	
	2020	% of Total	2019	% of Total	2018	% of Total	2019 to 2020	2018 to 2019
Instruction	\$ 148,406,567	32.0%	\$ 147,989,245	32.7%	\$ 137,284,602	32.2%	\$ 417,322	\$ 10,704,643
Public Service	8,143,057	1.8%	9,311,660	2.1%	10,193,891	2.4%	(1,168,603)	(882,231)
Academic Support	35,588,733	7.7%	35,805,979	7.9%	34,548,211	8.1%	(217,246)	1,257,768
Student Services	38,689,466	8.3%	37,882,929	8.4%	35,658,710	8.4%	806,537	2,224,219
Institutional Support	90,478,900	19.5%	86,426,838	19.1%	77,856,244	18.3%	4,052,062	8,570,594
Operation/Maint. of Plant	29,472,178	6.3%	31,324,884	6.9%	29,844,750	7.0%	(1,852,706)	1,480,134
Scholarship/Fellowship	70,043,436	15.1%	59,527,291	13.2%	62,863,907	14.8%	10,516,145	(3,336,616)
Auxiliary Enterprises	9,760,454	2.1%	10,272,450	2.3%	11,571,893	2.7%	(511,996)	(1,299,443)
Depreciation	33,801,477	7.3%	33,535,408	7.4%	26,031,782	6.1%	266,069	7,503,626
Total Operating Expense	\$ 464,384,268	100%	\$ 452,076,684	100%	\$ 425,853,990	100%	\$ 12,307,584	\$ 26,222,694



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

**Fiscal Year 2020:**

Operating expenses by functional classification increased in fiscal year 2020 by \$12.3 million due largely to increases in Scholarships. Scholarships increased \$10.5 million due to funds received from the CARES Act and HEEFR for students affected by COVID-19. The \$4.1 million increases in the functional area of institutional support can be attributed to the \$4.6 million increase in GASB No. 68 Pension expense. The increases are offset by decreases in public service and operations and maintenance of plant categories due to the transition to remote work related to COVID-19 and an overall 2% reduction in expenses for FY 2020 implemented by the System.

**Fiscal Year 2019:**

Operating expenses by functional classification increased in fiscal year 2019 by \$26.2 million or 6.2% compared to fiscal year 2018. The increases in most of the functional areas such as instruction, academic support, student services and institutional support can be attributed to salaries and benefits which are higher due to the increase in expenses recorded in fiscal year 2019 relative to fiscal year 2018 related to GASB 68 (Pension) and GASB 75 (OPEB). Operations and maintenance of plant has increased over fiscal year 2018 due to the new buildings that have been placed in service. Depreciation increased due to the substantial completion of all but one of the 2013 CIP program projects which are now operational and being depreciated. Last year scholarship expenses were \$3.3 million higher than this fiscal year due to scholarships granted during fiscal year 2018 to students affected by Hurricane Harvey.

**The Foundation**

As required by the reporting entity criteria in GASB 61, HCC includes the Statements of Financial Position and Statements of Activities for the Foundation in its CAFR. For the fiscal year ended August 31, 2020, the Foundation's total assets were \$16.2 million, an amount that represents 1% of HCC's total assets for the same period. For the fiscal year ended August 31, 2019, the Foundation's total assets were \$15.5 million, which represents 1% of HCC's total assets for the same fiscal year. The income from the Foundation is partially used to fund scholarships and grants for the students of HCC. However, most of the Foundation's net assets have donor restrictions and therefore not available for HCC's direct use. The Foundation net assets with donor restrictions were \$15.7 million and \$14.7 million for the fiscal years ended August 31, 2020 and 2019, respectively.

**Statements of Cash Flows**

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

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

**Capital Assets and Debt Administration**

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

**Capital Improvement Program**

As of the end of fiscal year 2020 all of the 2013 CIP projects were substantially complete. The projects were completed in different fiscal years starting from 2016 to 2020. In August 2019, the Board approved a new list of projects, collectively called the 2013 CIP 2.0 Program, that will be funded from residual savings from the 2013 CIP program. Included below is a summary of the 2013 CIP 2.0 projects approved by the Board. The West Houston Expansion with a budget of \$55 million was approved by the Board in fiscal year 2019. The Regional Resiliency Operations Center (RROC) has a tentative budget of \$24 million that will be approved by the Board in fiscal year 2020.

**2013 CIP 2.0 Program**

	Descriptions	Capital Budget
A	Complete Interior buildout/FFE Central Culinary Shell Spaces (two)	\$ 2,550,000
B	Residential wiring lab construction at Central, Central South, Brays Oaks, Gulfton	800,000
C	Construct Carpentry Labs at Central, Central South and Stafford	530,000
D	Certified Nursing Aid (CNA) NURSING BED EXPANSION AT Central South (funded by HCC 2020 Budget)	N/A
E	Line Worker training facility construction at Northeast Campus	550,000
F	Signage, Graphics and wayfinding program - Systemwide	6,000,000
G	Construct Eastside "view corridor" and main entrance from I-45 North	1,900,000
H	Construct main "view corridor" and access for Fraga and Navigation	1,900,000
I	Design and construct auditorium/planetarium (100 people) at the Fraga STEM Building in existing "shell" spaces	860,000
J	Construct Challenger Learning Center at Eastside Campus	5,500,000
K	Construct Collaboratoriums at each College (buildings TBD)	450,000
L	West Houston Institute FFE - 2013 CIP	380,000
	<b>Total</b>	<b>\$ 21,420,000</b>

Note: Projects G, H, and I require scope development for accurate budgets  
Projects G and H require valuation and verification of land cost  
Project J requires advanced programming and refined construction estimates to incorporate STEM programs

**West Houston Expansion** – The System will relocate and increase the size of the Katy Campus to meet the needs of the far west Houston area, our current service area, and to expand our programs to meet the growing needs for science and workforce programs, such as nursing, at the most economical cost and value to our district. With the support of the HCC Board of Trustees, the community, and a unique partnership with the University of Houston, HCC will co-locate its Katy Campus with the University of Houston to provide a seamless transfer program arrangement, accommodate additional instruction delivery and expand science facilities. The new 130,000 square foot building is anticipated to cost \$55 million including the land, design and construction.

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

**Regional Resiliency Operations Center (RROC)** – HCC continues to address sustainability and the long-term needs of the community by expanding its training offerings. The System plans to increase the size of the Northeast campus first response and public service training programs to meet the expectations of our community, the Gulf coast, and our state. With the support of the HCC Board of Trustees, we will build a unique facility that provides controlled, yet realistic, training scenarios in flood, rising and swift-water conditions. Our emergency responders are in need of a facility of this caliber and we are dedicated to providing it. To this end, HCC requested exceptional item funding totaling \$12 million via its Legislative Appropriations Request (LAR), submitted in August 2018 for the 2020-2021 biennium, to design, develop and construct the RROC at the Northeast Campus. In consideration of the rationale behind this initiative, the 86th legislature appropriated \$2.5 million for this project. To continue completion of this extraordinary resource for Texas, HCC requested additional funding support of \$2.3 million in the next biennium. HCC will continue to solicit funding from interested parties including our surrounding community, local, state and federal agencies, private sector industry and the educational sector. Depending on the final design and functionality, the estimated project cost is \$24 million pending approval by Board of Trustees.

**Capital Assets, Net**

	2020	2019	2018	Change	
				2019 to 2020	2018 to 2019
Capital Assets:					
Land	\$ 147,090,804	\$ 147,090,804	\$ 134,932,685	\$ -	\$ 12,158,119
Construction in Progress	4,081,802	23,719,776	47,421,069	(19,637,974)	(23,701,293)
Buildings	916,866,662	906,987,920	884,382,886	9,878,742	22,605,034
Other Real Estate Improvements	83,374,096	88,871,038	91,969,910	(5,496,942)	(3,098,872)
Library Books	3,206,843	3,068,980	3,149,404	137,863	(80,424)
Furniture, Machinery, Vehicles and Other Equipment	28,823,907	30,033,449	31,400,445	(1,209,542)	(1,366,996)
Telecommunications and Peripheral Equipment	2,486,769	4,538,007	6,614,984	(2,051,238)	(2,076,977)
Total Capital Assets, Net	<u>\$ 1,185,930,883</u>	<u>\$ 1,204,309,974</u>	<u>\$ 1,199,871,386</u>	<u>\$ (18,379,091)</u>	<u>\$ 4,438,588</u>

**Fiscal Year 2020:**

Net capital assets decreased \$18.4 million from fiscal year 2019 to fiscal year 2020. In fiscal year 2020 the remaining 2013 CIP projects were completed and transferred from Construction in Progress to Investment in Plant under their respective asset categories. The decrease is attributable to depreciation being more than the current year asset and CIP additions. In fiscal year 2020 the West Houston Expansion Project is in the design stage and construction will begin in fiscal year 2021. The Regional Resiliency Operations Center was approved by the Board of Trustees in 2019 and is currently in the design stage. The cost estimate for the RROC is \$24 million.

**Fiscal Year 2019:**

Net capital assets increased \$4.4 million from fiscal year 2018 to fiscal year 2019. All but one (Central Campus Culinary Institute) of the 2013 CIP projects were substantially completed and moved from CIP to their respective asset categories and are now being depreciated. As a result, depreciation was more than the prior year offsetting some of the current year asset and CIP additions. In fiscal year 2019, the Board approved \$55 million for the West Houston Expansion Project and \$12.5 million of that was used to purchase land for the new facility.

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

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

**Outstanding Debt**

	2020	2019	2018	Change	
				2019 to 2020	2018 to 2019
Outstanding Debt:					
Notes Payable	\$ 48,723,801	\$ 96,027,514	\$ 101,637,261	\$ (47,303,713)	\$ (5,609,747)
Tax-Exempt Note Purchase Agreement	13,098,857	12,804,100	-	294,757	12,804,100
Revenue Bonds	167,543,208	191,380,394	217,121,333	(23,837,185)	(25,740,939)
General Obligation Bonds	478,975,884	497,085,140	511,685,732	(18,109,256)	(14,600,592)
Maintenance Tax Bonds	64,900,036	30,747,737	33,873,578	34,152,298	(3,125,840)
Total Outstanding Debt	<u>\$ 773,241,786</u>	<u>\$ 828,044,885</u>	<u>\$ 864,317,903</u>	<u>\$ (54,803,099)</u>	<u>\$ (36,273,018)</u>

**Fiscal Year 2020:**

There was a \$54.8 million decrease in outstanding debt in fiscal year 2020 which was attributable to principal payments of \$40.4 million, premium amortization of \$5.7 million, new borrowings of \$94.6 million and principal reductions of \$103.3 million due to refundings of bonds.

**Fiscal Year 2019:**

There was a \$36.2 million decrease in outstanding debt in fiscal year 2019 attributable to principal payments of \$37.5 million, premium amortization of \$7.3 million, and principal reductions of \$4.2 million due to refunding of bonds. These decreases were offset by new borrowings of \$12.8 million for land related to the West Houston Expansion project.

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

**FUTURE OUTLOOK**

**Houston's Economic Outlook**

While most indications are that Houston's economy will experience continued growth at a slow to moderate pace, there are national and regional indicators that a recession is in progress. While we can't predict the future of the COVID-19 pandemic, any change in the economy will likely have some impact on the System. Typically in periods of growth, property values rise and enrollment can decline if workers are in high demand. In periods of recession, property values rise at a much slower pace or decline and enrollment can increase as the unemployment rate rises and unemployed workers go back to school to increase their skills and opportunities.

**Ad Valorem Taxes**

The total ad valorem tax rate for calendar year 2020 (fiscal year 2021) remains the same as calendar year 2019 (fiscal year 2020) at \$0.100263. The debt service tax rate of \$0.021058 per \$100 of assessed valuation is lower than last year's rate of \$0.022431 since the principal and interest payments for fiscal year 2021 are lower than the amounts due in fiscal year 2020. In contrast, the maintenance and operations (M & O) tax rate for fiscal year 2021 (\$0.079205 per \$100 of assessed valuation) is slightly higher than the fiscal year 2020 M & O rate (\$0.077832) to fund increases in operating expenses. The certified taxable values for calendar 2020 (fiscal year 2021) are 6.1% higher than the prior year contributing to an increase in estimated total tax revenues of \$12.9 million.



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

**Tuition and Fees**

The Board approved additional tuition and fee increases effective in the Fall 2019. Due to the COVID-19 pandemic distance education fees were waived for the Summer 2020 term. HCC's in-district rates remain the lowest among our local peers, and our out-of-district/state rates are very competitive. One of the Board of Trustees' priorities is to keep education affordable for HCC's students.

**Financial Reserves**

In June 2018, the Board of Trustees revised the financial reserves policy to establish 180 days (+/-5%) of operating expenditures as the minimum level for the System's Annual Days Cash on Hand. The revised policy provides for six months of reserves for unforeseen circumstances. HCC's Days Cash on Hand was \$233.2 million and \$210.7 million at August 31, 2020 and 2019 with 264 and 234 days, respectively.

Given the excess Days Cash on Hand at August 31, 2018, the Board of Trustees approved using \$8 million of these excess reserves to fund deferred maintenance in fiscal year 2020. The fiscal year 2020 approved operating budget included an additional \$3 million for a total commitment of \$11 million of funding for priority projects identified in the facility conditions assessment completed during fiscal year 2019.

**Opportunities**

HCC's strong financial position, prudent debt reduction strategies and excess Days Cash on Hand financial reserves policy will allow the Board of Trustees and the administration to continue to address funding of its deferred maintenance and GASB liabilities in the fiscal year 2021 – 2023 integrated budget and planning development process, which began in October 2020.

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATEMENTS OF NET POSITION  
AUGUST 31, 2020 AND 2019

Exhibit 1

ASSETS		
	2020	2019
CURRENT ASSETS:		
Cash and Cash Equivalents (Note 4)	\$ 152,915,467	\$ 94,740,550
Accounts Receivable and Other Receivable, Net (Note 5)	19,504,824	26,230,494
Prepaid Charges	15,972,337	9,779,544
Restricted Short - Investments (Note 4)	2,624,476	2,622,649
Other Short - Term Investments (Note 4)	80,310,469	114,496,727
Total Current Assets	271,327,573	247,869,964
NON-CURRENT ASSETS:		
Restricted Cash and Cash Equivalents (Note 4)	31,690,065	41,500,420
Other Long - Term Investments (Note 4)	-	1,499,254
Restricted Long - Term Investments (Note 4)	27,291	37,925
Capital Assets Net, (Note 6)	1,185,930,883	1,204,309,974
Total Noncurrent Assets	1,217,648,239	1,247,347,573
TOTAL ASSETS	1,488,975,812	1,495,217,537
DEFERRED OUTFLOWS OF RESOURCES		
Advance Funding Valuation	6,598,004	7,310,083
OPEB	96,603,510	106,771,070
Pension	37,571,124	45,154,241
Total Deferred Outflows of Resources	140,772,638	159,235,394
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable (Note 5)	6,415,411	12,632,897
Accrued Liabilities	11,690,345	12,437,192
Compensated Absences (Note 16)	5,060,464	3,713,263
Funds Held for Others	826,119	833,963
Unearned Revenues	31,447,590	45,482,734
Net OPEB Liability - Current Portion (Note 7 and 21)	5,793,110	2,405,639
Notes Payable - Current Portion (Note 7 and 11)	3,552,569	7,510,687
Bonds Payable - Current Portion (Note 7 and 8)	39,490,000	32,810,000
Total Current Liabilities	104,275,608	117,826,375
NON-CURRENT LIABILITIES:		
Net OPEB Liability (Note 7 and 21)	176,987,192	161,134,022
Net Pension Liability (Note 7 and 14)	90,173,836	107,909,379
Notes Payable (Note 7 and 11)	58,270,088	101,320,927
Bonds Payable (Note 7 and 8)	671,929,128	686,403,271
Total Non-current Liabilities	997,360,244	1,056,767,599
TOTAL LIABILITIES	1,101,635,852	1,174,593,974
DEFERRED INFLOWS OF RESOURCES		
Advance Funding Valuation	10,279,649	3,298,763
OPEB	53,088,135	63,300,384
Pension	33,098,931	20,235,389
Total Deferred Inflows of Resources	96,466,715	86,834,536
NET POSITION		
Net Investment in Capital Assets	417,973,160	383,077,877
Restricted for		
Expendable		
Loans	962,043	393,380
Debt Service	12,867,034	12,647,475
Unrestricted	(156,354)	(3,094,311)
TOTAL NET POSITION	\$ 431,645,883	\$ 393,024,421

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

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

<i>August 31,</i>	<b>2020</b>	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 447,202	\$ 484,205
Contributions receivable, current	379,714	356,943
Prepays and other current assets	124,725	57,313
Total current assets	951,641	898,461
Noncurrent assets		
Contributions receivable, net of current	42,062	-
Investments	4,748,894	4,338,330
Investments, restricted for endowments	10,499,140	10,219,792
Total noncurrent assets	15,290,096	14,558,122
Total assets	\$ 16,241,737	\$ 15,456,583
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 21,982	\$ -
Due to related party	149,148	177,103
Total current liabilities	171,130	177,103
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	414,398	552,523
With donor restrictions	15,656,209	14,726,957
Total net assets	16,070,607	15,279,480
Total liabilities and net assets	\$ 16,241,737	\$ 15,456,583

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Exhibit 2

	2020	2019
OPERATING REVENUES:		
Tuition and Fees, Net of Discounts	\$ 83,937,951	\$ 76,925,390
Federal Grants and Contracts	29,265,821	13,664,066
State Grants and Contracts	4,386,846	5,257,785
Local Grants and Contracts	172,245	88,039
Non-Governmental Grants and Contracts	1,389,647	1,448,396
Sales and Services of Educational Activities	2,319,427	447,777
Auxiliary Enterprises	9,978,940	10,769,661
Total Operating Revenues (Schedule A)	<u>131,450,877</u>	<u>108,601,114</u>
OPERATING EXPENSES:		
Instruction	148,406,567	147,989,245
Public Service	8,143,057	9,311,660
Academic Support	35,588,733	35,805,979
Student Services	38,689,466	37,882,929
Institutional Support	90,478,900	86,426,838
Operations and Maintenance	29,472,178	31,324,884
Scholarships and Fellowships	70,043,436	59,527,291
Auxiliary Enterprises	9,760,454	10,272,450
Depreciation	33,801,477	33,535,408
Total Operating Expenses (Schedule B)	<u>464,384,268</u>	<u>452,076,684</u>
OPERATING LOSS	<u>(332,933,391)</u>	<u>(343,475,570)</u>
NON-OPERATING REVENUES (EXPENSES):		
State Appropriations	91,605,974	86,745,264
Maintenance Ad Valorem Taxes	161,157,699	152,465,955
Debt Service Ad Valorem Taxes	46,849,119	46,902,232
Gifts	1,853,254	2,351,677
Investment Income, Net	3,961,565	7,155,919
Interest on Capital Related Debt	(28,456,822)	(28,956,205)
Title IV Grants	88,136,837	87,471,633
Hurricane Harvey	-	148,521
Other Non-operating Revenues	5,994,663	2,811,091
Other Non-operating Expenses	(9,847,436)	(10,718,448)
Net Non-operating Revenues (Schedule C)	<u>361,254,853</u>	<u>346,377,639</u>
Increase In Net Position	28,321,462	2,902,069
Net Position, Beginning of Year	393,024,421	390,122,352
Cumulative effect for TRS credit adjustments	10,300,000	-
Net Position, Beginning of the Year, Restated	403,324,421	-
Net Position, End of Year	<u>\$ 431,645,883</u>	<u>\$ 393,024,421</u>

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

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

<i>For the year ended August 31,</i>		<b>2020</b>		
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and income</b>				
Contributions and donations	\$ 170,745	\$ 3,953,511	\$	4,124,256
In-kind revenue from the System	1,403,949	-		1,403,949
Investment return, net	148,672	906,757		1,055,429
Vending and other income	122,500	-		122,500
Net assets released from restrictions	3,931,016	(3,931,016)		-
<b>Total support and income</b>	<b>5,776,882</b>	<b>929,252</b>		<b>6,706,134</b>
<b>Program services</b>				
Scholarships	1,192,733	-		1,192,733
Grant distributions	1,922,399	-		1,922,399
Student service distributions	84,000	-		84,000
Donated items	1,197,275	-		1,197,275
<b>Total program services</b>	<b>4,396,407</b>	<b>-</b>		<b>4,396,407</b>
<b>Support services</b>				
Fundraising	1,017,979	-		1,017,979
Administration	500,621	-		500,621
<b>Total support services</b>	<b>1,518,600</b>	<b>-</b>		<b>1,518,600</b>
<b>Total program and support services</b>	<b>5,915,007</b>	<b>-</b>		<b>5,915,007</b>
Change in net assets	(138,125)	929,252		791,127
<b>Net assets, beginning of year</b>	<b>552,523</b>	<b>14,726,957</b>		<b>15,279,480</b>
<b>Net assets, end of year</b>	<b>\$ 414,398</b>	<b>\$ 15,656,209</b>	<b>\$</b>	<b>16,070,607</b>

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

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

<i>For the year ended August 31,</i>		2019	
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and income</b>			
Contributions and donations	\$ 252,126	\$ 2,503,871	\$ 2,755,997
In-kind revenue from the System	1,236,271	-	1,236,271
Investment return, net	170,398	(239,348)	(68,950)
Vending and other income	210,000	-	210,000
Net assets released from restrictions	3,120,482	(3,120,482)	-
<b>Total support and income</b>	<b>4,989,277</b>	<b>(855,959)</b>	<b>4,133,318</b>
<b>Program services</b>			
Scholarships	1,990,433	-	1,990,433
Grant distributions	1,463,417	-	1,463,417
Student service distributions	126,000	-	126,000
Donated items	275,316	-	275,316
<b>Total program services</b>	<b>3,855,166</b>	<b>-</b>	<b>3,855,166</b>
<b>Support services</b>			
Fundraising	808,800	-	808,800
Administration	439,845	-	439,845
<b>Total support services</b>	<b>1,248,645</b>	<b>-</b>	<b>1,248,645</b>
<b>Total program and support services</b>	<b>5,103,811</b>	<b>-</b>	<b>5,103,811</b>
Change in net assets	(114,534)	(855,959)	(970,493)
<b>Net assets, beginning of year</b>	<b>667,057</b>	<b>15,582,916</b>	<b>16,249,973</b>
<b>Net assets, end of year</b>	<b>\$ 552,523</b>	<b>\$ 14,726,957</b>	<b>\$ 15,279,480</b>

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Exhibit 3

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Students and Other Customers	\$ 86,508,474	\$ 92,051,044
Receipts from Grants and Contracts	34,846,342	21,723,040
Payments to Suppliers for Goods and Services	(76,678,459)	(76,204,689)
Payments to or On Behalf of Employees	(262,773,740)	(257,260,961)
Payments for Scholarships and Fellowships	(68,002,644)	(59,737,797)
Receipts for Sales and Services	3,123,846	-
Other Operating Revenue	593,860	1,533,606
Net Cash Used in Operating Activities	<u>(282,382,321)</u>	<u>(277,895,757)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from Ad Valorem Taxes	207,043,101	198,327,778
Receipts from State Allocations	91,605,974	86,745,264
Receipts from Private Gifts	1,853,254	2,351,674
Payment of Taxes	-	(226,150)
Received Federal Direct Student Loans (SA: Federal Note 4)	67,552,413	74,170,077
Disbursement of Federal Direct Student Loans (SA: Federal Note 4)	(67,552,413)	(74,170,077)
Receipts from Title IV	88,136,837	87,471,633
Receipts from Harvey Relief	-	81,304
Net Cash Provided by Non-capital Financing Activities	<u>388,639,166</u>	<u>374,751,503</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Receipts from the Issuance of Capital Debt	94,550,138	44,995,127
Bond Issue Cost Paid on New Capital Debt Issue	(567,566)	(496,269)
Purchase of Capital Assets	(15,299,221)	(39,345,581)
Payments of Capital Related Expenses	(6,331,356)	(6,318,308)
Payments on Capital Debt and Leases - Principal	(135,400,687)	(72,135,951)
Payments on Capital Debt and Leases - Interest and Fees	(34,499,477)	(36,570,321)
Net Cash Used in Financing Activities	<u>(97,548,169)</u>	<u>(109,871,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	140,876,084	96,946,252
Interest on Investments	3,961,565	7,155,919
Purchase of Investments	(105,181,763)	(83,983,068)
Net Cash Provided by Investing Activities	<u>39,655,886</u>	<u>20,119,103</u>
<b>INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	48,364,562	7,103,546
<b>CASH AND RESTRICTED CASH EQUIVALENTS - BEG OF YEAR (EXHIBIT 1)</b>	<u>136,240,970</u>	<u>129,137,424</u>
<b>CASH AND RESTRICTED CASH EQUIVALENTS - END OF YEAR (EXHIBIT 1)</b>	<u>\$ 184,605,532</u>	<u>\$ 136,240,970</u>

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, 2020 AND 2019

Exhibit 3

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

	2020	2019
Operating loss	\$ (332,933,391)	\$ (343,475,570)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	33,801,477	33,535,408
Bad Debt Expense	819,139	833,561
OPEB Expense	33,028,573	33,839,898
Pension Expense	5,845,079	11,875,068
Changes in Assets and Liabilities:		
Accounts and Other Receivables	7,182,905	3,540,293
Prepaid Charges	4,107,205	(251,938)
Accounts Payables and Accruals	(5,006,782)	(877,305)
Deferred Outflows	(21,122,973)	(180,922,453)
Deferred Inflows	2,651,293	48,706,191
Unearned Revenues	(13,599,301)	3,036,371
Compensated Absences	1,347,201	(82,841)
Net Pension Liability	(17,735,543)	33,619,196
Net OPEB Liability	19,240,641	78,783,815
Funds Held for Others	(7,844)	(55,451)
Total Adjustments	50,551,070	65,579,813
Net Cash Used in Operating Activities	<u>\$ (282,382,321)</u>	<u>\$ (277,895,757)</u>

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

Payments Made Directly by State for Benefits	\$ 22,952,728	\$ 18,562,857
Increase (decrease) in Fair Value of Investments	118,700	129,080
Amortization of Premium on Bonds	5,680,564	7,346,924
Amortization of Deferred Charges on Bonds Refunding	712,079	971,437
Net Non-cash Investing, Capital and Financing Activities	<u>\$ 29,464,071</u>	<u>\$ 27,010,298</u>

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



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

Houston Community College System (HCC or the System) was established on May 18, 1971, in accordance with the laws of the State of Texas, and serves the educational needs of its service area as outlined in Chapter 130 of the Texas Education Code. The service area includes the Houston Independent School District, Alief Independent School District, Katy Independent School District, Spring Branch Independent School District, Stafford Municipal School District, and the portions of Fort Bend Independent School District located in the cities of Houston, Pearland and Missouri City. Those portions of the service area located in the Katy and Spring Branch Independent School Districts lie outside of the taxing authority of HCC. The System is a comprehensive public two-year institution offering academic, general, occupational, development, and continuing adult education programs through a network of locations.

HCC is considered to be a special purpose, primary government involved in business-type activities as defined by the Governmental Accounting Standards Board. 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Basis of Accounting

HCC's financial statements 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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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' behalves. Student financial assistance grants, such as Pell Grants, and other federal, state or non-governmental 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 (Lone Star) and Texas Local Government Investment Pool (TexPool) to be cash equivalents.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows of resources in circumstances specifically authorized by the GASB. HCC has deferred charges for other post-employment benefits (OPEB), pension, and advanced funding valuation.

Investments

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

Prepaid Charges

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

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

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

OPEB (Other Post - Employment Benefits)

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

Pension

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

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows of resources in circumstances specifically authorized by the GASB. The System has deferred inflows of resources for other post-employment benefits (OPEB), pension and advanced funding valuation.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.* HCC has minimal unrelated business income tax liability for the years ended August 31, 2020 and 2019.

Estimates

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

Operating and Non-operating Revenues and Expenses

The System presents its revenues and expenses as operating or non-operating based on recognition definitions promulgated by 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, ad valorem taxes and Title IV financial aid funds. Ad valorem 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.

Adoption of New Accounting Standards

Effective with fiscal year 2020, the System implemented GASB Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 91, *Conduit Debt Obligations*

Effective with fiscal year 2019, the System implemented the following:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

Pending Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- An amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

(IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Prior Year Reclassifications

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

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 demand deposits with financial institutions as of August 31, 2020 and 2019 was \$15,701,727 and \$7,877,568 and bank balances (physical assets) equaled \$19,219,283 and \$11,226,494, respectively. Of the bank balance for fiscal year 2019, \$750,000 is covered by FDIC and \$18,469,283 was covered by collateral pledged in the System's name. For fiscal year 2019, \$750,000 was covered by FDIC and \$10,476,494 was covered by collateral pledged in the System's name. For both fiscal years, the collateral was held in an account of an independent third party agent.

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

	2020	2019
Demand Deposits	\$ 15,701,727	\$ 7,877,568
Cash and Cash Equivalents:		
Petty Cash on Hand	54,951	54,868
Cash at Bank	634,426	2,228,156
Money Market Funds	12,340,915	19,776,558
TexPool	111,363,920	76,360,750
Lone Star	44,509,593	29,943,070
Total Cash and Cash Equivalents	168,903,805	128,363,402
Total Cash and Deposits	184,605,532	136,240,970
Restricted Cash and Cash Equivalents	(31,690,065)	(41,500,420)
Cash and Cash Equivalents ( Exhibit 1)	\$ 152,915,467	\$ 94,740,550

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

Items consisting of cash and investments included on Exhibit 1, Statements of Net Position, consist of the items reported below:

Type of Investments	Fair Value at August 31	
	2020	2019
U.S. Agency Securities	\$ 27,291	\$ 37,925
U.S. Government Securities - Treasuries	62,883,375	38,571,816
U.S. Government Securities - Agency	20,051,570	80,046,814
Total Investments	82,962,236	118,656,555
Total Cash and Deposits	184,605,532	136,240,970
Total Deposits and Investments	<u>\$ 267,567,768</u>	<u>\$ 254,897,525</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 152,915,467	\$ 94,740,550
Restricted Cash and Cash Equivalents (Exhibit 1)	31,690,065	41,500,420
Restricted Long - Term Investments (Exhibit 1)	27,291	37,925
Restricted Short - Term Investments (Exhibit 1)	2,624,476	2,622,649
Other Short - Term Investments (Exhibit 1)	80,310,469	114,496,727
Other Long - Term Investments (Exhibit 1)	-	1,499,254
Total Deposits and Investments	<u>\$ 267,567,768</u>	<u>\$ 254,897,525</u>

As of August 31, 2020 HCC had the following investments and maturities:

Investment Type	Amount	Weighted Average Maturity (Years)
Fannie Mae ARM pool	\$ 27,291	13.49
U.S. Government Securities - Treasuries	62,883,375	0.29
U.S. Government Securities - Agencies	20,051,570	0.19
Investment Pools	155,873,513	-
Cash and Money Market Funds	28,732,019	-
Total Fair Value	<u>\$ 267,567,768</u>	
Portfolio weighted average maturity		0.09

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

*Interest Rate Risk* - In accordance with state law and the System's investment 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 intention 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.

Commercial Paper, US Agency, Treasury Notes and bonds classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

The credit quality (ratings) and concentration of credit exposure of securities in excess of 5% of total investments as of August 31, 2020 is as follows:

	Credit Rating	Credit Exposure
FHLB (Federal Home Loan Bank)	AAA	6%

The Texas State Comptroller of Public Accounts (the Comptroller) exercises oversight responsibility over the TexPool. Oversight includes the ability to significantly influence operations, and designate management and accountability for fiscal matters. Additionally, the Comptroller has established an advisory board (the 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 Comptroller for review.

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.

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.



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

Fair Value Investments

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

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

As required by GASB Statement No. 72, *Fair Value Measurement and Application*, the following table presents the financial instruments carried on the statements of financial position by caption and by level of inputs within the valuation hierarchy as of August 31, 2020 and August 31, 2019:

<u>Description</u>	Assets at fair value as of August 31, 2020			
	Level 1	Level 2	Level 3	FY 2020
Fannie Mae ARM Pool	\$ -	\$ 27,291	\$ -	\$ 27,291
U.S. Government Securities - Treasuries	-	62,883,375	-	62,883,375
U.S. Government Securities - Agency	-	20,051,570	-	20,051,570
Total *	<u>\$ -</u>	<u>\$ 82,962,236</u>	<u>\$ -</u>	<u>\$ 82,962,236</u>

<u>Description</u>	Assets at fair value as of August 31, 2019			
	Level 1	Level 2	Level 3	FY 2019
Fannie Mae ARM Pool	\$ -	\$ 37,925	\$ -	\$ 37,925
U.S. Government Securities - Treasuries	-	38,571,816	-	38,571,816
U.S. Government Securities - Agency	-	80,046,814	-	80,046,814
Total *	<u>\$ -</u>	<u>\$ 118,656,555</u>	<u>\$ -</u>	<u>\$ 118,656,555</u>

\*This amount excludes investments in local government pools which are recorded at amortized cost. These excluded investments total \$155,873,513 and \$106,303,820 as of August 31, 2020 and August 31, 2019, respectively.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables at August 31, 2020 and 2019, were as follows:

	2020	2019
Accounts Receivable	\$ 4,124,865	\$ 2,141,512
Grants Receivable		
Federal Grants	3,307,102	2,370,389
State Grants	278,623	247,050
Local Grants	724	91,305
Private Grants	43,057	150,086
Other Receivables	1,313,769	1,441,909
Student Receivables	26,513,401	34,738,645
Taxes Receivable	8,839,861	7,334,175
Total Receivables	<u>44,421,402</u>	<u>48,515,071</u>
Less Allowance for Doubtful Accounts		
Accounts Receivable	(154,866)	(154,866)
Student Receivables	(19,679,258)	(17,832,389)
Taxes Receivable	<u>(5,082,454)</u>	<u>(4,297,323)</u>
Total Allowance for Doubtful Accounts	<u>(24,916,578)</u>	<u>(22,284,577)</u>
Total Receivables, Net of Allowances	<u>\$ 19,504,824</u>	<u>\$ 26,230,494</u>

Payables at August 31, 2020 and 2019, were as follows:

	2020	2019
Vendor Payables	\$ 837,188	\$ 2,299,339
Salaries & Benefits Payable	(1,302,807)	2,646,864
Student Payables	5,252,611	3,623,112
Retainage Payable	24,835	2,370,302
Other Payables	<u>1,603,584</u>	<u>1,693,280</u>
Total Accounts Payables	<u>\$ 6,415,411</u>	<u>\$ 12,632,897</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2020 was as follows:

	Balance August 31, 2019	Increases	Decreases/ Transfers	Balance August 31, 2020
Not depreciated:				
Land	\$ 147,090,804	\$ -	\$ -	\$ 147,090,804
Construction in Process	23,719,776	12,012,262	31,650,236	4,081,802
Subtotal	170,810,580	12,012,262	31,650,236	151,172,606
Other capital assets:				
Buildings	1,052,478,508	32,409,904	3,598,838	1,081,289,574
Other Real Estate Improvements	130,841,345	271,586	-	131,112,931
Subtotal	1,183,319,853	32,681,490	3,598,838	1,212,402,505
Library Books	18,971,690	489,376	45,366	19,415,700
Furniture, Machinery, Vehicles and Other Equipment	108,822,365	6,289,049	800,717	114,310,697
Telecommunications and Peripheral Equipment	41,542,342	-	-	41,542,342
Subtotal	1,352,656,250	39,459,915	4,444,921	1,387,671,244
Total Capital Assets	1,523,466,830	51,472,177	36,095,157	1,538,843,850
Accumulated depreciation:				
Buildings	145,490,588	18,932,324	-	164,422,912
Other Real Estate Improvements	41,970,307	5,768,528	-	47,738,835
Subtotal	187,460,895	24,700,852	-	212,161,747
Library Books	15,902,710	351,513	45,366	16,208,857
Furniture, Machinery, Vehicles and Other Equipment	78,788,916	6,697,874	-	85,486,790
Telecommunications and Peripheral Equipment	37,004,335	2,051,238	-	39,055,573
Total Accumulated Depreciation	319,156,856	33,801,477	45,366	352,912,967
Net Depreciable Capital Assets	1,033,499,395	5,658,438	4,399,555	1,034,758,277
Net Capital Assets	\$ 1,204,309,974	\$ 17,670,700	\$ 36,049,791	\$ 1,185,930,883

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS – CONTINUED

Capital asset activity for the year ended August 31, 2019 was as follows:

	Balance August 31, 2018	Increases	Decreases/ Transfers	Balance August 31, 2019
Not depreciated:				
Land	\$ 134,932,685	\$ 12,158,119	\$ -	\$ 147,090,804
Construction in Process	47,421,069	19,355,146	43,056,439	23,719,776
Subtotal	182,353,754	31,513,265	43,056,439	170,810,580
Other capital assets:				
Buildings	1,011,664,193	41,256,929	442,614	1,052,478,508
Other Real Estate Improvements	128,281,619	2,559,726	-	130,841,345
Subtotal	1,139,945,812	43,816,655	442,614	1,183,319,853
Library Books	18,793,805	286,898	109,013	18,971,690
Furniture, Machinery, Vehicles and Other Equipment	102,969,617	6,321,565	468,817	108,822,365
Telecommunications and Peripheral Equipment	41,542,342	-	-	41,542,342
Subtotal	1,303,251,576	50,425,118	1,020,444	1,352,656,250
Total Capital Assets	1,485,605,330	81,938,383	44,076,883	1,523,466,830
Accumulated depreciation:				
Buildings	127,281,307	18,209,281	-	145,490,588
Other Real Estate Improvements	36,311,709	5,658,598	-	41,970,307
Subtotal	163,593,016	23,867,879	-	187,460,895
Library Books	15,644,401	367,322	109,013	15,902,710
Furniture, Machinery, Vehicles and Other Equipment	71,569,171	7,223,228	3,483	78,788,916
Telecommunications and Peripheral Equipment	34,927,356	2,076,979	-	37,004,335
Total Accumulated Depreciation	285,733,944	33,535,408	112,496	319,156,856
Net Depreciable Capital Assets	1,017,517,632	16,889,710	907,948	1,033,499,395
Net Capital Assets	\$ 1,199,871,386	\$ 48,402,975	\$ 43,964,387	\$ 1,204,309,974

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - NON-CURRENT LIABILITIES

Non-current liabilities activity for the years ended August 31, 2020 and 2019 was as follows:

	Balance as of September 1, 2019	Additions	Reductions	Balance as of August 31, 2020	Current Portion	Noncurrent Portion
Long-Term Notes Payable	\$ 96,027,514		\$ (47,303,713)	\$ 48,723,801	\$ 3,552,569	\$ 45,171,232
Tax-Exempt Note Purchase Agreement	12,804,100	294,757	-	13,098,857	-	13,098,857
	<u>108,831,614</u>	<u>294,757</u>	<u>(47,303,713)</u>	<u>61,822,658</u>	<u>3,552,569</u>	<u>58,270,089</u>
Bonds:						
Revenue Bonds	191,380,394	16,208,792	(40,045,978)	167,543,208	20,470,000	147,073,208
General Obligation Bonds	497,085,140	40,481,227	(58,590,483)	478,975,884	12,685,000	466,290,884
Maintenance Tax Bonds	<u>30,747,737</u>	<u>37,565,362</u>	<u>(3,413,063)</u>	<u>64,900,036</u>	<u>6,335,000</u>	<u>58,565,036</u>
Total Bonds	<u>719,213,271</u>	<u>94,255,381</u>	<u>(102,049,524)</u>	<u>711,419,128</u>	<u>39,490,000</u>	<u>671,929,128</u>
Net Pension Liability	107,909,379		(17,735,543)	90,173,836	-	90,173,836
Net OPEB Liability	<u>163,539,661</u>	<u>19,240,641</u>		<u>182,780,302</u>	<u>5,793,110</u>	<u>176,987,192</u>
Total Non-current Liabilities	<u>\$ 1,099,493,925</u>	<u>\$ 113,790,779</u>	<u>\$ (167,088,780)</u>	<u>\$ 1,046,195,924</u>	<u>\$ 48,835,679</u>	<u>\$ 997,360,245</u>

	Balance as of September 1, 2018	Additions	Reductions	Balance as of August 31, 2019	Current Portion	Noncurrent Portion
Long-Term Notes Payable	\$ 101,637,261	\$ 1,896,775	\$ (7,506,522)	\$ 96,027,514	\$ 7,510,687	\$ 88,516,827
Tax-Exempt Note Purchase Agreement	-	12,804,100	-	12,804,100	-	12,804,100
	<u>101,637,261</u>	<u>14,700,875</u>	<u>(7,506,522)</u>	<u>108,831,614</u>	<u>7,510,687</u>	<u>101,320,927</u>
Bonds:						
Revenue Bonds	217,121,333	30,368,397	(56,109,336)	191,380,394	19,100,000	172,280,394
General Obligation Bonds	511,685,732	-	(14,600,592)	497,085,140	11,310,000	485,775,140
Maintenance Tax Bonds	<u>33,873,578</u>	<u>-</u>	<u>(3,125,840)</u>	<u>30,747,737</u>	<u>2,400,000</u>	<u>28,347,737</u>
Total Bonds	<u>762,680,643</u>	<u>30,368,397</u>	<u>(73,835,768)</u>	<u>719,213,271</u>	<u>32,810,000</u>	<u>686,403,271</u>
Net Pension Liability	74,290,183	33,619,196		107,909,379	-	107,909,379
Net OPEB Liability	<u>84,755,846</u>	<u>78,783,815</u>	<u>-</u>	<u>163,539,661</u>	<u>2,405,639</u>	<u>161,134,022</u>
Total Non-current Liabilities	<u>\$ 1,023,363,933</u>	<u>\$ 157,472,283</u>	<u>\$ (81,342,291)</u>	<u>\$ 1,099,493,925</u>	<u>\$ 42,726,326</u>	<u>\$ 1,056,767,599</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - BONDS PAYABLE

*Student Fee Revenue Bonds:*

The System issued several Student Fee Revenue Bonds as Senior Lien Bonds or Junior Lien Bonds during the fiscal years 2006 through 2020 with interest rates ranging from .31% to 5.25% and maturities ranging from 2007 through 2031. Debt service requirements are payable solely from and secured by a first lien on certain pledged revenues which include general fees, out-of-district fees and any other revenues or receipts of the System which may, in the future, be pledged to the payment of the bonds. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indenture. All authorized bonds have been issued. The System has never defaulted on any bond or interest payment.

The Bond Resolutions, which authorize the issuance of Revenue Bonds, do not establish specific events of default. Under Texas law, there is no right to the acceleration of the maturity of the Bonds upon the failure of the System to observe any covenant under the Bond Resolutions. If a default were to occur, the only practical remedy of a registered bond holder is to file a mandatory injunction to compel System officials to carry out their legally imposed duties with respect to the Bonds.

*Limited Tax Bonds:*

The System issued \$109,490,000 in Limited Tax Refunding Bonds, Series 2011 ("Series 2011 Bonds") on October 12, 2011 with interest rates ranging from 2.25% to 5.00%. The Bonds were issued at a premium of \$16,767,575. Bond maturities range from February 15, 2014 through February 15, 2028. Bonds maturing on or after February 15, 2022 are subject to redemption prior to their scheduled maturities on February 15, 2021. The Series 2011 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Series 2011 Bonds were used to partially refund \$112,195,000 of outstanding Limited Tax Bonds, Series 2003 ("Series 2003 Bonds") with interest rates ranging from 5.00% to 5.25%. The optional redemption date of the Series 2003 Bonds was February 15, 2013. Additionally, the Series 2011 Bonds were used to totally refund \$4,955,000 of outstanding Limited Tax Building and Refunding Bonds, Series 2005 ("Series 2005") with interest rates of 5.00%. The optional redemption date of the Series 2005 Bonds was November 14, 2011.

The System issued \$398,775,000 in Limited Tax General Obligation Bonds, Series 2013 ("Series 2013 Bonds") on March 19, 2013 with interest rates ranging from 3.0% to 5.0%. The Bonds were issued at a premium of \$55,392,571. Bond maturities range from February 15, 2015 through February 15, 2043. Bonds maturing on or after February 15, 2024, except those maturing in 2027, 2036 and 2037 are subject to redemption prior to their scheduled maturities on February 15, 2023. Bonds maturing on February 15, 2027 were called and redeemed on August 24, 2015. Bonds maturing on February 15, 2035 and February 15, 2036 were subject to redemption on February 15, 2020. These bonds totaling \$40,000,000 were defeased on February 19, 2020 with the issuance of the Limited Tax Refunding Bonds, Series 2020. See Note 9. Bonds maturing on February 15, 2037 were subject to redemption on February 15, 2017. These bonds totaling \$20,000,000 were defeased on September 21, 2016 with the issuance of the Limited Tax Refunding Bonds, Series 2016. 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 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 System issued \$19,455,000 in Limited Tax Refunding Bonds, Series 2016 ("Series 2016 Bonds") on September 21, 2016 with interest rates ranging from 3.00% to 4.00%. The Bonds were issued at a premium of \$1,192,336 and mature on February 15, 2037. Bonds maturing on February 15, 2037 are subject to redemption prior to their scheduled maturities on February 15, 2026. The Series 2016 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Series 2016 Bonds were used to partially refund \$20,000,000 of outstanding Limited Tax General Obligation Bonds, Series 2013 ("Series 2013 Bonds") with an interest rate of 5.00%. The optional redemption date of the Series 2013 Bonds was February 14, 2017.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - BONDS PAYABLE - CONTINUED

The System issued \$33,290,000 in Limited Tax Refunding Bonds, Series 2020 ("Series 2016 Bonds") on February 19, 2020 with interest rates ranging from 4.00% to 5.00%. The Bonds were issued at a premium of \$7,191,227 and mature on February 15, 2036. Bonds maturing on February 15, 2035 and February 15, 2036 are subject to redemption prior to their scheduled maturities on February 15, 2029. The Series 2020 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 2020 Bonds were used to partially refund \$40,000,000 of outstanding Limited Tax General Obligation Bonds, Series 2013 ("Series 2013 Bonds") with an interest rate of 5.00%. The optional redemption date of the Series 2013 Bonds was February 14, 2020. See Note 9.

The Bond Resolutions do not specifically provide any remedies to a registered owner if the System defaults on the payment of the principal of or interest on the Bonds, nor does it provide for the appointment of a trustee to protect and enforce the interests of the registered owners upon the occurrence of such a default. If a registered owner of a Bond does not receive payment of principal or interest when due, the registered owner may seek a writ of mandamus from a court of competent jurisdiction requiring the System to levy and collect taxes. Such registered owner also may seek a judgment against the System. The mandamus remedy, however, may be impractical and difficult to enforce. There is no provision for the acceleration of maturity of principal of a Bond in the event of a default. A registered owner of a Bond could file suit against the System if a default occurred in the payment of principal of or interest on any such Bonds; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity and any judgment could not be satisfied by execution against any property of the System. The enforcement of a claim for the payment of a Bond also would be subject to the applicable provisions of the Federal bankruptcy laws and to any other statutes affecting the rights of creditors of political subdivisions and may be limited by general principles of equity.

*Maintenance Tax Bonds:*

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

The System issued \$32,060,000 in Maintenance Tax Refunding Bonds, Series 2020 on February 19, 2020 with an interest rate of 5.00%. The Bonds were issued at a premium of \$5,505,362 and mature on February 15, 2029. The Series 2020 Bonds are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Bonds were used to partially refund \$2,980,000 in Maintenance Tax Notes, Series 2006 with interest rates ranging from 4.25% to 4.375% with an optional redemption date of February 15, 2016; \$5,560,000 in Maintenance Tax Notes, Series 2009 with interest rates ranging from 3.625% to 5.00% with an optional redemption date of February 15, 2019; and \$28,605,000 in Maintenance Tax Notes, Series 2010 with interest rates of 5.00% with an optional redemption date of February 15, 2020. See Note 9.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - BONDS PAYABLE - CONTINUED

The Bond Resolution, which authorizes the issuance of the Maintenance Tax Bonds, does not establish specific events of default. Under Texas law, there is no right to the acceleration of the maturity of the Bonds upon the failure of the System to observe any covenant under the Bond Resolution. If a default were to occur, the only practical remedy of a registered bond holder is to file a mandatory injunction to compel the System to levy, assess and collect an annual ad valorem tax sufficient to pay principal and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time-consuming and a registered bond holder could be required to enforce such a remedy on a periodic basis.

Date Series Issued	Par Value	Maturity Date	Interest Rate	Outstanding Balances at August 31, 2020	Outstanding Balances at August 31, 2019
Student Fee Revenue Bonds:					
2010	\$ 27,250,000	04/15/2012 - 2031	3.000% - 5.250%	\$ -	\$ 19,160,000
2011	\$ 33,940,000	04/15/2012 - 2025	4.000% - 5.125%	11,550,000	13,540,000
2014A	\$ 9,210,000	04/15/2015 - 2026	2.000% - 4.000%	5,060,000	5,795,000
2014B	\$ 30,900,000	04/15/2015 - 2026	.31% - 4.070%	5,975,000	6,865,000
2015	\$ 68,865,000	04/15/2016 - 2031	2.000% - 5.000%	50,355,000	57,555,000
2016	\$ 50,345,000	04/15/2017 - 2031	3.000% - 5.000%	40,085,000	42,960,000
2019	\$ 26,870,000	04/15/2020 - 2030	5.000%	22,685,000	26,870,000
2020	\$ 13,595,000	04/15/2021 - 2031	4.000% - 5.000%	13,595,000	-
Limited Tax Bonds:					
2011	\$ 109,490,000	02/15/14 - 2028	2.250% - 5.000%	64,735,000	71,865,000
2013	\$ 398,775,000	02/15/15 - 2043	3.000% - 5.000%	313,240,000	357,420,000
2016	\$ 19,455,000	2/15/2037	3.000% - 4.000%	19,455,000	19,455,000
2020	\$ 33,290,000	02/15/35 - 2036	4.000% - 5.000%	33,290,000	-
Maintenance Tax Bonds:					
2016	\$ 28,870,000	02/15/19 - 2028	5.000%	24,185,000	26,585,000
2020	\$ 32,060,000	02/15/22 - 2031	5.000%	32,060,000	-
Total Principal Payable				636,270,000	648,070,000
Unamortized Premium and Discount, Net				75,149,128	71,143,271
Total Bonds Payable				<u>\$ 711,419,128</u>	<u>\$ 719,213,271</u>



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - BONDS PAYABLE – CONTINUED

Debt service requirements to maturities as of August 31, 2020 are summarized as follows:

Year ending August 31,	Student Fee Revenue Bonds				Maintenance Tax Bonds				Limited Tax Bonds				Total Bonds		
	Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total
2021	\$ 20,470,000	7,109,225	\$ 27,579,225	\$	6,335,000	2,653,875	\$ 8,988,875	\$	12,685,000	19,842,844	\$ 32,527,844	\$	39,490,000	29,605,944	\$ 69,095,944
2022	17,205,000	6,175,233	23,380,233		6,660,000	2,329,000	8,989,000		14,175,000	19,171,344	33,346,344		38,040,000	27,675,577	65,715,577
2023	14,110,000	5,338,809	19,448,809		7,005,000	1,987,375	8,992,375		12,730,000	18,506,219	31,236,219		33,845,000	25,832,403	59,677,403
2024	14,800,000	4,656,039	19,456,039		7,355,000	1,628,375	8,983,375		13,450,000	17,859,219	31,309,219		35,605,000	24,143,633	59,748,633
2025	15,510,000	3,943,249	19,453,249		6,895,000	1,272,125	8,167,125		14,225,000	17,167,344	31,392,344		36,630,000	22,382,718	59,012,718
2026 - 2030	60,380,000	10,255,222	70,635,222		21,995,000	1,996,875	23,991,875		75,245,000	75,840,219	151,085,219		157,620,000	88,092,316	245,712,316
2031 - 2035	6,830,000	280,175	7,110,175		-	-	-		117,555,000	51,834,484	169,389,484		124,385,000	52,114,659	176,499,659
2036 - 2040	-	-	-		-	-	-		106,030,000	26,742,325	132,772,325		106,030,000	26,742,325	132,772,325
2041 - 2043	-	-	-		-	-	-		64,625,000	4,439,875	69,064,875		64,625,000	4,439,875	69,064,875
	<u>\$ 149,305,000</u>	<u>\$ 37,757,952</u>	<u>\$ 187,062,952</u>		<u>\$ 56,245,000</u>	<u>\$ 11,867,625</u>	<u>\$ 68,112,625</u>		<u>\$ 430,720,000</u>	<u>\$ 251,403,873</u>	<u>\$ 682,123,873</u>		<u>\$ 636,270,000</u>	<u>\$ 301,029,450</u>	<u>\$ 937,299,450</u>

Debt service requirements to maturities as of August 31, 2019 are summarized as follows:

Year ending August 31,	Student Fee Revenue Bonds				Maintenance Tax Bonds				Limited Tax Bonds				Total Bonds		
	Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total
2020	\$ 19,100,000	8,258,833	\$ 27,358,833	\$	2,400,000	1,269,250	\$ 3,669,250	\$	11,310,000	20,922,519	\$ 32,232,519	\$	32,810,000	30,450,602	\$ 63,260,602
2021	20,735,000	7,340,574	28,075,574		2,520,000	1,146,250	3,666,250		12,685,000	20,343,544	33,028,544		35,940,000	28,830,368	64,770,368
2022	17,540,000	6,329,133	23,869,133		2,650,000	1,017,000	3,667,000		14,175,000	19,672,044	33,847,044		34,365,000	27,018,177	61,383,177
2023	14,460,000	5,489,409	19,949,409		2,790,000	881,000	3,671,000		12,730,000	19,006,919	31,736,919		29,980,000	25,377,328	55,357,328
2024	15,165,000	4,789,139	19,954,139		2,930,000	738,000	3,668,000		13,450,000	18,359,919	31,809,919		31,545,000	23,887,058	55,432,058
2025 - 2029	65,200,000	13,669,646	78,869,646		13,295,000	1,371,125	14,666,125		68,170,000	81,929,094	150,099,094		146,665,000	96,969,864	243,634,864
2030 - 2034	20,545,000	1,269,850	21,814,850		-	-	-		121,335,000	59,947,453	181,282,453		141,880,000	61,217,303	203,097,303
2035 - 2039	-	-	-		-	-	-		107,570,000	31,897,875	139,467,875		107,570,000	31,897,875	139,467,875
2040 - 2043	-	-	-		-	-	-		87,315,000	7,846,375	95,161,375		87,315,000	7,846,375	95,161,375
	<u>\$ 172,745,000</u>	<u>\$ 47,146,584</u>	<u>\$ 219,891,584</u>		<u>\$ 26,585,000</u>	<u>\$ 6,422,625</u>	<u>\$ 33,007,625</u>		<u>\$ 448,740,000</u>	<u>\$ 279,925,741</u>	<u>\$ 728,665,741</u>		<u>\$ 648,070,000</u>	<u>\$ 333,494,950</u>	<u>\$ 981,564,950</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9 - DEFEASANCE OF LONG-TERM DEBT**

The System issued \$33,290,000 in Limited Tax Refunding Bonds, Series 2020 on February 19, 2020. The Bonds were used to refund \$40,000,000 in Limited Tax General Obligation Bonds, Series 2013 with interest rates of 5.00% with an optional redemption date of February 15, 2023, which the System exercised.

Proceeds of \$40,481,227 of the Limited Tax Refunding Bonds, Series 2020 were placed in an irrevocable trust with an escrow agent and will be used to redeem the Limited Tax General Obligation Bonds, Series 2013 on February 15, 2023. The liabilities for these refunded bonds and the securities held by the escrow agent have been excluded from the Statement of Net Position.

The advance refunding had the following results:

- \$14,554,136 in future cash flow savings resulting from a decrease in the aggregate debt service payments over the next seventeen years.
- Economic gain of \$12,095,006, which is the difference between the present value of the old and new debt service payments.
- Advance funding valuation of \$4,444,003 was created, which is the difference between the reacquisition price of \$40,144,428 and the carrying amount of the refunded bonds of \$44,588,431. The valuation is deferred and amortized as a component of interest expense over the term of the defeased Bonds.

The System issued \$32,060,000 in Maintenance Tax Refunding Bonds, Series 2020 on February 19, 2020. The Bonds were used to refund: 1) \$2,980,000 in Maintenance Tax Notes, Series 2006 with interest rates of 4.25% to 4.375% with an optional redemption date of February 15, 2016, which the System exercised; 2) \$5,560,000 in Maintenance Tax Notes, Series 2009 with interest rates of 3.625% to 5.00% with an optional redemption date of February 15, 2019, which the System exercised; and 3) \$28,605,000 in Maintenance Tax Notes, Series 2010 with interest rates of 5.00% with an optional redemption date of February 15, 2020, which the System exercised.

Proceeds of \$37,565,362 of the Maintenance Tax Refunding Bonds, Series 2020 were placed in an irrevocable trust with an escrow agent and were used to redeem all of the above Bonds on February 19, 2020.

The advance refunding had the following results:

- \$6,274,490 in future cash flow savings resulting from a decrease in the aggregate debt service payments over the next ten years.
- Economic gain of \$5,790,620, which is the difference between the present value of the old and new debt service payments.
- Advance funding valuation of \$2,315,483 was created, which is the difference between the reacquisition price of \$37,274,346 and the carrying amount of the refunded bonds of \$39,589,829. The valuation is deferred and amortized as a component of interest expense over the term of the defeased Bonds.

The System issued \$13,595,000 in Combined Fee Revenue Refunding Bonds, Series 2020 on May 19, 2020. The Bonds were used to refund \$17,935,000 in Senior Lien Student Fee Refunding Bonds, Series 2010 with interest rates of 4.00% to 5.00% with an optional redemption date of April 15, 2020, which the System exercised.

Proceeds of \$16,208,792 of the Combined Fee Revenue Refunding Bonds, Series 2020 were placed in an irrevocable trust with an escrow agent and were used to redeem the Senior Lien Student Fee Revenue Refunding Bonds, Series 2010 on June 18, 2020. The liabilities for these refunded bonds and the securities held by the escrow agent have been excluded from the Statement of Net Position.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9 - DEFEASANCE OF LONG-TERM DEBT**

The advance refunding had the following results:

- \$3,389,814 in future cash flow savings resulting from a decrease in the aggregate debt service payments over the next twelve years.
- Economic gain of \$2,906,490, which is the difference between the present value of the old and new debt service payments.
- Advance funding valuation of \$1,091,409 was created, which is the difference between the reacquisition price of \$18,082,316 and the carrying amount of the refunded bonds of \$19,173,725. The valuation is deferred and amortized as a component of interest expense over the term of the defeased Bonds.

See Note 10 for defeased bonds outstanding as of August 31, 2020 and August 31, 2019.

**NOTE 10 - DEFEASED BONDS OUTSTANDING**

The defeased bonds and notes outstanding at August 31, 2020 and 2019 were as follows:

Note Issue	Year Refunded	Par Value Outstanding	
		August 31, 2020	August 31, 2019
Limited Tax General Obligation Bonds, Series 2013	2020	\$ 40,000,000	\$ -

**NOTE 11 - NOTES PAYABLE**

Notes Payables at August 31, 2020 and 2019 were as follows:

Description	As of August 31, 2020			As of August 31, 2019		
	Principal Outstanding	Unamortized Premium	Total	Principal Outstanding	Unamortized Premium	Total
Maintenance Tax Notes, Series 2006	\$ -	-	\$ -	\$ 3,650,000	20,842	\$ 3,670,842
Maintenance Tax Notes, Series 2009	-	-	-	6,530,000	214,661	6,744,661
Maintenance Tax Notes, Series 2010	-	-	-	31,075,000	2,209,326	33,284,326
Maintenance Tax Notes, Series 2011	27,770,000	1,047,970	28,817,970	29,600,000	1,143,241	30,743,241
Maintenance Tax Notes, Series 2011A	13,415,000	1,187,196	14,602,196	14,300,000	1,295,123	15,595,123
LoanSTAR Revolving Loan Program	5,303,635		5,303,635	5,989,321	-	5,989,321
<b>Total</b>	<b>\$ 46,488,635</b>	<b>\$ 2,235,166</b>	<b>\$ 48,723,801</b>	<b>\$ 91,144,321</b>	<b>\$ 4,883,193</b>	<b>\$ 96,027,514</b>

**2011 Issuance**

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - NOTES PAYABLE - CONTINUED

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

2010 Issuance

The System issued \$47,645,000, in Maintenance Tax Notes, Series 2010 (“Notes”) on July 29, 2010 with interest rates ranging from 2.00% to 5.00%. The Notes were issued at a premium of \$4,925,575. Note maturities range from February 15, 2012 through February 15, 2029. Notes maturing on or after February 15, 2021 are subject to redemption prior to their scheduled maturities on February 15, 2020. These Notes were defeased on February 19, 2020. See Note 9. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used for the renovation and equipment of existing facilities, and to pay the costs of issuance related to the Notes.

2009 Issuance

The System issued \$13,830,000, in Maintenance Tax Notes, Series 2009 (“Notes”) on September 1, 2009 with interest rates ranging from 2.50% to 5.00%. The Notes were issued at a premium of \$451,444. Note maturities range from February 15, 2011 through February 15, 2025. Notes maturing on or after February 15, 2020 are subject to redemption prior to their scheduled maturities on February 15, 2019. These Notes were defeased on February 19, 2020. See Note 9. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used to pay for rehabilitation and energy conservation renovations to existing facilities, and to pay the costs of issuance related to the Notes.

2006 Issuance

The System issued \$12,000,000 in Maintenance Tax Notes, Series 2006 (“Notes”) on February 1, 2006 with interest rates ranging from 3.00% to 4.50%. The Notes were issued at a discount of \$88,756. Note maturities range from February 15, 2007 through February 15, 2026. Notes maturing on or after February 15, 2007 are subject to redemption prior to their scheduled maturities on February 15, 2016. Notes totaling \$1,700,000 were called and redeemed on September 30, 2016. The remaining Notes of \$2,980,000 were defeased on February 19, 2020. See Note 9. The Notes are direct obligations of the System and are payable from ad valorem taxes levied against all taxable property located within the System. The Notes were used for the construction of a central utility plant on the Central campus, and to pay the costs of issuance related to the Notes.

LoanSTAR Program

The System entered into a revolving loan agreement on March 22, 2016 for \$5,229,822 with the Texas Comptroller of Public Accounts through its State Energy Conservation Office. The purpose of the loan was to finance energy efficiency projects. Borrowings under the Program totaled \$4,263,993. All energy projects have been completed and a final repayment schedule has been determined by the State. The loan will be repaid over 9.25 years with an annual interest rate of 1%. The loan balance outstanding was \$3,536,767 and \$3,988,634 at August 31, 2020 and August 31, 2019, respectively.

The System entered into a second revolving loan agreement on December 7, 2016 for \$7,056,096 with the Texas Comptroller of Public Accounts through its State Energy Conservation Office. The purpose of the loan was to finance energy efficiency projects. Borrowings under the Program totaled \$1,987,134. All energy projects have been completed and a final repayment schedule has been determined by the State. The loan will be repaid over 8.25 years with an annual interest rate of 1%. The loan balance outstanding was \$1,766,868 and \$2,000,687, respectively, at August 31, 2020 and August 31, 2019.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - NOTES PAYABLE - CONTINUED

In the event of default by the System to make a loan payment under the LoanSTAR Loan Agreements, the State shall notify the System of the default and the System shall have a reasonable opportunity, not to exceed twenty (20) days, to cure the default. If the System fails to cure the default, the State shall be released from all of its obligations under the Agreements and shall have the right to declare the loans in default and all amounts loaned to the System under the Agreements and earned interest shall become immediately due. The System waives all demands for payment, presentations for payment, and notices of intention to accelerate maturity, notices of acceleration of maturity, protest, and notices of protest, to the extent permitted by law. Upon receipt of notice of default from the State, the System shall cancel or otherwise terminate any contract, agreement or order relating to the project and cease to incur any cost or expense relating to the project. If the System fails to repay the loan within ninety (90) days of State's declaration of default under the Agreements, the State may notify the Office of the Governor, Legislative Budget Board and the Texas Higher Education Coordinating Board of the System's breach of the Agreements and the amount owing by the System under the Agreements and recommend to the Legislative Budget Board that the System's appropriation of funds for the next succeeding biennium be reduced by an amount equal to the total amount due under the Agreements.

Tax-Exempt Note Purchase Agreement

On December 13, 2018 the System entered into a three year Tax-Exempt Variable Rate Note Purchase Agreement with a commercial bank for the purpose of development of a new Katy Campus in west Houston. The project will entail the purchase of 24 acres of land and construction of a 130,000 square foot building at a total estimated cost of \$54,000,000. The maximum borrowing under the Agreement is \$55,000,000 at an approximate annual interest rate at August 31, 2020 of .86%, based upon a one-month factor of LIBOR. The outstanding balance of the loan was \$13,098,857 and \$12,804,100 at August 31, 2020 and August 31, 2019, respectively. Upon completion of the building, the System intends to issue permanent revenue bonds and retire the outstanding notes. Interest only will be paid semi-annually on the notes during the term of the interim financing agreement.

The following constitute events of default: (i) the System fails to pay when due any fee or expense payable under the Agreement; (ii) any representation, warranty, certification, or statement made by the System in the Board Resolution, the Agreement or in any certificate, financial statement, or other document delivered pursuant to the Board Resolution or the agreement shall prove to have been incorrect in any material respect when made; (iii) a final unappealable judgment or order for the payment of money in excess of \$5,000,000 payable from the pledged revenues shall be rendered against the System and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days; (iv) default by the System in the payment of any outstanding bonds when due or within any applicable grace period; (v) the occurrence of any event under any ordinance, resolution, agreement or instrument giving rise to or entered in connection with any Senior Lien Bonds or Junior Lien Bonds, which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to pursue any remedies against the System, including the right to declare the acceleration of any maturity thereof; (vi) any material provision of the Agreement shall at any time for any reason cease to be valid and binding on the System as a result of federal or state legislative or administrative action, or shall be declared in a final unappealable judgment by any court having jurisdiction over the System to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be contested by the System; (vii) the powers of the System shall be limited in any way or the Resolution shall be modified or amended in any way which prevents the System from fixing, charging or collecting the pledged revenues in an amount sufficient to pay outstanding bonds as they become due; or (viii) default shall be made by the System in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, the Notes or the Agreement, and such default shall continue for a period of 30 days after written notice thereof to the System by the commercial bank. Upon the occurrence of an event of default, the commercial bank may cease purchasing Notes under the Agreement and may terminate the Agreement. In addition, the commercial bank may take any action permitted by law or equity, including without limitation actions to petition a court of competent jurisdiction to issue a mandamus order to the System and compel specific performance of the covenants and agreements of the System contained in the Agreement or the Resolution.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - NOTES PAYABLE - CONTINUED

Maturities of notes payable at August 31, 2020 were as follows:

Year ending August 31	Central Utility Plant	Capital Improvements	Total
2021	-	5,572,545	5,572,545
2022	-	5,575,340	5,575,340
2023	-	5,582,911	5,582,911
2024	-	5,592,022	5,592,022
2025	-	5,595,860	5,595,860
2026 - 2030	-	26,148,656	26,148,656
2031	-	4,876,350	4,876,350
Total Payments	-	58,943,684	58,943,684
Less Amounts Representing Interest		(12,455,050)	(12,455,050)
Plus Unamortized Premium		2,235,166	2,235,166
Total Notes Payable	\$ -	\$ 48,723,801	\$ 48,723,801

Maturities of notes payable at August 31, 2019 were as follows:

Year ending August 31	Central Utility Plant	Capital Improvements	Total
2020	813,744	10,759,768	11,573,512
2021	809,738	10,773,282	11,583,020
2022	814,000	10,770,171	11,584,171
2023	811,406	10,775,980	11,587,386
2024	812,391	10,782,266	11,594,657
2025 - 2029	-	47,788,520	47,788,520
2030 - 2031	-	9,754,406	9,754,406
Total Payments	4,061,279	111,404,393	115,465,672
Less Amounts Representing Interest	(411,278)	(23,910,072)	(24,321,350)
Plus Unamortized Premium	20,841	4,862,351	4,883,192
Total Notes Payable	\$ 3,670,842	\$ 92,356,672	\$ 96,027,514

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 12 - OPERATING LEASES**

The System leases certain educational facilities, offices and equipment. Future minimum rental payments under non-cancelable operating leases having remaining terms as of August 31, 2020 for the next fiscal year are as follows:

<u>Year ending August 31</u>	<u>Amount</u>
2021	\$ 20,369

Rent expense totaled approximately \$122 thousand and \$1.2 million for each of the fiscal years ended August 31, 2020 and 2019, respectively.

**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, 2020 are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 2,821,755
2022	1,002,683
2023	882,469
2024	741,320
2025	749,240
Thereafter	1,738,616
Total	<u>\$ 7,936,083</u>

The System received approximately \$7.4 million and \$7.4 million in rental income for the fiscal years ended August 31, 2020 and 2019.

**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.** HCC 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. TRS's Board of Trustees does not have the authority to establish or amend benefit terms.

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - RETIREMENT PLANS - CONTINUED

**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 from TRS' website at <http://www.trs.state.tx.us/about/documents/cafr.pdf#> CAFR; by writing to; TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that contribution rates for fiscal years 2018 and 2019 would remain the same as the previous years. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

Contribution Rates

	<u>2020</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%
Employers	7.5%	6.8%
 FY 2019 District or Member Contributions		\$6,071,572
FY 2019 State On-behalf Contributions		\$3,709,954
FY 2019 System or College Contributions		\$3,869,654

HCC contributions to the TRS pension plan in 2020 were \$6,975,537 as reported in the Schedule of System Contributions in the Required Supplementary Information section of these financial statements. Estimated State on-behalf contributions for 2020 were \$3,800,000.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 14 - RETIREMENT PLANS - CONTINUED**

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

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

**Actuarial Assumption.** The total pension liability in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percent of Payroll, Floating
Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return*	7.25%
Municipal Bond Rate*	2.63*
Inflation	2.30%
Payroll Growth Rate	3.00%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

\* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The TRS Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2018 and were adopted in July 2018. The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

**Discount Rate.** The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of contributing employers and the non-employer contributing entity are made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - RETIREMENT PLANS - CONTINUED

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation* %	New Target Allocation** %	Long-Term Expected Geometric Real Rate of Return***
<b>Global Equity</b>			
USA	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00	13.00	6.30
Emerging Markets	9.00	9.00	7.30
Directional Hedge Funds	4.00	—	—
Private Equity	13.00	14.00	8.40
<b>Stable Value</b>			
U.S. Treasuries ****	11.00	16.00	3.10
Stable Value Hedge Funds	4.00	5.00	4.50
Absolute Return (Including Credit Sensitive Investments)	—	—	—
<b>Real Return</b>			
Global Inflation Linked Bonds ****	3.00	—	—
Real Estate	14.00	15.00	8.50
Energy, Natural Resources and Infrastructure	5.00	6.00	7.30
Commodities	—	—	—
<b>Risk Parity</b>			
Risk Parity	5.00	8.00	5.8%/6.5%*****
<b>Asset Allocation Leverage</b>			
Cash	1.0	2.0	2.5
Asset Allocation Leverage	—	(6.0)	2.7
<b>Expected Return</b>			<b>7.23%</b>

\* FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

\*\* New target allocation based on the Strategic Asset Allocation dated 10/1/2019

\*\*\* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

\*\*\*\* New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

\*\*\*\*\* 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Source: Teacher Retirement System of Texas 2019 Comprehensive Annual Financial Report

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 14 - RETIREMENT PLANS - CONTINUED**

**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 (7.25%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Houston Community College System proportionate share of the net pension liability:	\$ 138,610,285	\$ 90,173,836	\$ 50,930,963

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At August 31, 2020, HCC reported a liability of \$90,173,836 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to HCC. The amount recognized by HCC 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 HCC were as follows:

Houston Community College System proportionate share of the collective net pension liability	\$ 90,173,836
State's proportionate share that is associated with Houston Community College System	<u>55,101,858</u>
Total	<u>\$ 145,275,694</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. 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, 2018 thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net pension liability was 0.1734675123%, which was a decrease of 0.0225801275% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation.** The following were changes to the actuarial assumption or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 14 - RETIREMENT PLANS - CONTINUED**

For the year ended August 31, 2020, the Houston Community College System recognized pension expense of \$8,655,726 and revenue of \$8,655,726 for support provided by the State.

At August 31, 2020, HCC 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	\$ 378,811	\$ 3,130,979
Changes in actuarial assumptions	27,976,352	11,561,152
Net difference between projected and actual investment earnings	905,450	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,334,974	18,406,800
Contributions paid to TRS subsequent to the measurement date	6,975,537	-
Total	\$ 37,571,124	\$ 33,098,931

The \$6,975,537 reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021.

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
2021	\$ (1,404,822)
2022	(2,126,531)
2023	1,884,692
2024	1,572,933
2025	(1,112,189)
Thereafter	(1,317,428)
Total	\$ (2,503,345)

**Optional Retirement Plan**

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

**Funding Policy.** Contribution requirements are not actuarially determined but are established and amended by the State Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - RETIREMENT PLANS - CONTINUED

Retirement Expense

The retirement expense to the State for the System was \$11,367,226 and \$6,746,764 for the fiscal years ended August 31, 2020 and 2019 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 \$213,503,716 and \$212,344,483 for fiscal years 2020 and 2019, respectively. The total payroll of employees covered by the Teacher Retirement System was \$150,697,784 and \$144,837,608 and the total payroll of employees covered by the Optional Retirement Program was \$35,820,211 and \$37,702,900 for fiscal years 2020 and 2019, 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, 2020 and 2019 were 610 and 638, respectively.

During fiscal years ended August 31, 2020 and August 31, 2019, employee contributions amounting to \$4,509,832 and \$4,483,086 were invested in the plan respectively.

NOTE 16 - COMPENSATED ABSENCES

Full-time employees earn sick leave at the rate of eight hours for every month of service in the System up to a maximum of 680 hours. Each pay period, four sick leave hours and two catastrophic leave hours accrue. Leave hours are not available for use until accrued. After the maximum 680 hours sick leave accrual is reached, the full-time employee will accrue catastrophic leave of six hours per month up to a maximum of 1,000 hours. Earned sick or catastrophic leave unused by employees is not compensated by the System under any circumstances.

Employees can earn up to 160 vacation hours. Up to 80 earned but unused vacation hours may be carried forward by employees from one fiscal year to the next, but must be utilized before the end of August of the following year or be lost. An employee is compensated for any earned but unused vacation hours upon termination of employment with the System. Accrued compensable absences of \$5,060,464 and \$3,713,263 for earned but unused vacation hours in accordance with HCC's vacation earning and carry-forward policy has been included in the financial statements for the years ended August 31, 2020 and 2019, respectively. In FY2020 employees were allowed to carryover an additional 20 hours, primarily due to employees taking less vacation time due to COVID-19.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 - FUNDS HELD IN TRUST BY OTHERS

HCC did not have any funds held in trust by others during fiscal year 2020.

NOTE 18 - CONSTRUCTION COMMITMENTS

The System has entered into construction commitments for various projects, including the renovation and repair of facilities and the construction of buildings. At August 31, 2020 and 2019, the outstanding commitments under construction contracts for facilities and other projects were \$21,845,321 and \$13,416,383 respectively. Proceeds from the sales of various bonds and notes are being used to fund the purchase and construction of new facilities.

NOTE 19 – CONTINGENCIES

The System is a defendant in various lawsuits and administrative actions arising in the ordinary course of the performance of its governmental functions, certain of which seek substantial damages. Such litigation and actions include lawsuits claiming damages that allege personal injuries, wrongful deaths and property damage and lawsuits and administrative actions alleging discriminatory hiring and firing practices; various claims from contractors for amounts under construction contracts; inverse condemnation claims; and various other liability claims. The status of such litigation and actions ranges from an early discovery stage to various levels of appeal of judgments. The amount of damages is limited in certain cases under the Texas Tort Claims Act and Title VII of the Civil Rights Act of 1964 and is subject to appeal. The System intends to defend itself against each of these lawsuits and actions vigorously. The System cannot predict, as of the date hereof, the final outcome of any particular claim, suit or action.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 - HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

HealthSelect of Texas Plan	2020 State/Employer Contribution
Member Only	\$ 624.82
Member & Spouse	982.82
Member & Child (ren)	864.52
Member & Family	1,222.52

HealthSelect of Texas Plan	2019 State/Employer Contribution
Member Only	\$ 624.82
Member & Spouse	982.82
Member & Child (ren)	864.52
Member & Family	1,222.52

Cost of Providing Health Care Insurance	2020	2019
Number of Retirees	744	705
Cost of Health Benefits for Retirees	\$ 5,331,926	\$ 5,000,484
Number of Active Full Time Employees	2,669	2,688
Cost of Health Benefits for Active Full Time Employees	\$ 22,175,541	\$ 21,910,561
State Appropriation for Health Insurance	\$ 12,685,961	\$ 11,240,496
System's Expense for Health Insurance	\$ 13,661,552	\$ 15,670,526

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

**Contributions.** Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

Maximum Monthly Employer Contribution  
Retiree Health and Basic Life Premium  
Fiscal Years 2019 and 2018

	2019	2018
Retiree only	\$ 624.82	\$ 621.90
Retiree and spouse	1,340.82	1,334.54
Retiree and children	1,104.22	1,099.06
Retiree and family	1,820.22	1,811.70

Source: ERS FY 2019 and 2018 Comprehensive Annual Financial Report



HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

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

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

Premium Contributions by Source  
Group Benefits Program Plan  
For Years Ended August 31, 2019

FY 2020 System or College Contributions	\$1,987,500
FY 2019 Measurement year NECE On-behalf Contributions*	\$11,240,496

\*NECE on-behalf contributions include both active members and retirees

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions  
ERS Group Benefits Program Plan

Remaining Amortization Period	30 Years
Asset Valuation Method	N/A
Inflation Assumption rate	2.50%
HealthSelect	7.30 for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 0.5% per year to 4.50% for FY 2028 and later years
HealthSelect Medicare Advantage	10.80% for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 0.5% per year to 4.50% for FY 2028 and later years
Projected annual salary increase (includes inflation)	2.50 to 9.50%
Discount Rate	2.97%
Mortality	1. State Agency Members a. <u>Service Retirees, Survivors and other Inactive Members</u> - 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the b. <u>Disability Retirees-</u> RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014 c. <u>Active Members:</u> RP-2014 Employee Mortality tables with Ultimate MP Projection Scale from year 2014 2. Higher Education Members a. <u>Service Retirees, Survivors and other Inactive Members:</u> Tables based on TRS experience with Ultimate MP projection using Scale from the year 2018. b. <u>Disability Retirees:</u> Tables based on TRS experience with Ultimate MP projection from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. c. <u>Active Members:</u> Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP projection Scale from the year 2014.

Source: FY19 ERS CAFR except for mortality assumptions obtained from ERS FY19 GASB 75 Actuarial Valuation

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

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

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2011 to August 31, 2016 for State Agency members and for the period September 1, 2010 to August 31, 2017 for Higher Education members.

**Investment Policy.** The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement; therefore, the assumed asset allocation and long-term expected real rate of return on investments is not applicable. The ERS's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4% (see FY 2019 ERS CAFR, OPEB footnote).

**Discount Rate.** Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.96%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.97%, which amounted to a decrease of 0.99%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

**Changes to Actuarial Assumptions since prior Actuarial Valuation.** The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

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

In addition, assumed Per Capita Health Benefits Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

Lastly, the discount rate was changed from 3.96% to 2.97% as a result of requirements by GASB No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* to reflect the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact on the System proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.97%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (1.97%)	Discount Rate (2.97%)	1% Increase in Discount Rate (3.97%)
Houston Community College System proportionate share of the net OPEB liability:	\$ 218,113,751	\$ 182,780,302	\$ 155,592,494

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

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

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 7.3% for HealthSelect and 10.8% for HealthSelect Medicare Advantage and the ultimate rate is 4.5% for both. The following schedule shows the impact on the Systems proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB Liability.

	1% Decrease (HealthSelect: 6.30% decreasing to 3.50%; HealthSelect Medicare Advantage: 9.80% to 3.50%)	Current Healthcare Cost Trend Rates (HealthSelect: 7.30% decreasing to 4.50%; HealthSelect Medicare Advantage: 10.80% to 4.50%)	1% Increase (HealthSelect: 8.30% decreasing to 5.50%; HealthSelect Medicare Advantage: 11.80% to 5.50%)
Houston Community College System proportionate share of the net OPEB liability:	\$ 153,479,002	\$ 182,780,302	\$ 221,070,390

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At August 31, 2020, the System reported a liability of \$182,780,302 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to HCC for OPEB. The amount recognized by the System as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the System were as follows:

Houston Community College System proportionate share of the collective net OPEB liability	\$ 182,780,302
State's proportionate share that is associated with Houston Community College System	<u>131,107,295</u>
Total	<u>\$ 313,887,597</u>

The net OPEB liability was measured as of August 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018, thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.52883726%, which was a decrease of 0.02295801% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the System recognized an offset to OPEB expense and revenue in the amount of \$148,532 for support provided by the State.

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

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

At August 31, 2019, the System reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 4,756,107
Changes in actuarial assumptions	13,007,501	40,844,469
Net Difference between projected and actual investment earnings	75,146	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	81,533,363	7,487,559
Contributions paid to ERS subsequent to the measurement date	1,987,500	-
Total	<u>\$ 96,603,510</u>	<u>\$ 53,088,135</u>

The \$1,987,500 reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2021.

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

Year ended August 31:	OPEB Expense Amount
2021	\$ 8,365,606
2022	8,365,606
2023	13,377,265
2024	10,848,865
2025	570,535
Thereafter	-
Total	<u>\$ 41,527,877</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 - PROPERTY TAX

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

At August 31:	August 31, 2020 (Tax Year 2019)	August 31, 2019 (Tax Year 2018)
Assessed valuation of the System	\$ 266,413,595,740	\$ 251,225,945,441
Less: Exemptions	(57,636,949,886)	(47,954,489,698)
Net assessed valuation of the System	<u>\$ 208,776,645,854</u>	<u>\$ 203,271,455,743</u>

Taxes levied for the years ended August 31, 2020 and 2019, based on the certified rolls, as reported by the Taxing authorities amounted to \$209,325,728 and \$203,806,060 respectively, which includes any penalty and interest assessed if applicable.

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

The authorized and assessed tax rates for the System for the fiscal years ended August 31, 2020 and 2019 were as follows:

	August 31, 2020			August 31, 2019		
	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	0.079205	0.021058	0.100263	0.076751	0.023512	0.100263

Tax collections for the fiscal years ended August 31, 2020 and 2019 were as follows:

	2020	2019
Current taxes collected	\$ 207,268,131	\$ 198,595,648
Delinquent taxes collected	2,391,122	2,908,194
Penalties and interest collected	1,624,041	1,800,243
Total	<u>\$ 211,283,294</u>	<u>\$ 203,304,085</u>

For the years ended August 31, 2020 and 2019 tax collections represent 99% and 97.4% of the tax levy, respectively. Taxes assessed are recorded in the System's financial statements net of the related allowance for uncollectable taxes, based upon the System's expected collection experience. The use of Tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

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

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 - COMPONENT UNITS

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

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

Using the criteria established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, the System's management has determined that the Foundation should be reported as a discrete component unit of the System because of the nature and significance of its relationship with the System. The Foundation raises and holds economic resources for the direct benefit of HCC. Accordingly, the Foundation's financial statements are included in the System's comprehensive annual financial report as a discretely presented component unit as Exhibit 1A – Statements of Financial Position - Foundation and Exhibit 2A and 2B – Statements of Activities – Foundation for the fiscal years ended August 31, 2019 and 2018.

For complete financial information about the Foundation, please contact the Foundation at: Houston Community College Foundation, 3100 Main, Suite 12B12, Houston, TX 77002 or visit their website at:

<https://www.hccsfoundation.org/page.aspx?pid=767>.

NOTE 24 - SUBSEQUENT EVENTS

On October 21, 2020 the Board of Trustees approved the refunding of the following bonds and notes: 1) \$9,460,000 of the Junior Lien Student Fee Revenue Refunding Bonds, Series 2011; 2) \$765,000 of the Combined Fee Revenue Refunding Bonds, Series 2014A; 3) \$2,750,000 of the Combined Fee Revenue Refunding Bonds, Series 2015; 4) \$25,845,000 of the Maintenance Tax Notes, Series 2011; 5) \$12,480,000 of the Maintenance Tax Notes, Series 2011A; and 6) \$57,325,000 of the Limited Tax Refunding Bonds, Series 2011. It is anticipated that the new Maintenance Tax Refunding Bonds, Series 2021, the Limited Tax Refunding Bonds, Series 2021, and the Combined Fee Revenue Refunding Bonds, Series 2021 will be priced in January 2021 and closed in February 2021.

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF HOUSTON COMMUNITY COLLEGE SYSTEM'S SHARE OF NET OPEB LIABILITY  
FOR THE LAST THREE MEASUREMENT YEARS\*\*

Fiscal Year Ending August 31*,	2019	2018	2017
System's proportionate share of collective net OPEB liability(%)	0.5288372600%	0.55179527%	0.24874785%
System's proportionate share of collective net OPEB liability(\$)	\$ 182,780,302	\$ 163,539,661	\$ 84,755,846
State's proportionate share of net OPEB liability associated with System	131,107,295	110,392,282	84,826,192
Total	<u>\$ 313,887,597</u>	<u>\$ 273,931,943</u>	<u>\$ 169,582,038</u>
System's covered payroll	173,839,594	173,191,132	162,660,919
System's share of collective net OPEB liability as a percentage of covered payroll	105.14%	94.43%	52.11%
Plan fiduciary net position as a percentage of total OPEB liability	0.17%	1.27%	2.04%

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

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

See accompanying Notes to Required Supplementary Information



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

Fiscal Year Ending August 31*,	2020	2019	2018
Legally required contributions	\$ 1,987,500	\$ 2,512,107	2,557,844
Actual contributions	1,987,500	2,512,107	2,557,844
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System covered payroll amount	\$ 186,517,995	\$ 173,839,594	\$ 173,191,132
Contributions as a percentage of covered employee payroll	1.07%	1.45%	1.48%

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

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

See accompanying Notes to Required Supplementary Information

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NET OPEB LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2020

**Changes in Benefit Terms**

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective January 1, 2020, since these changes were communicated to plan members in advance of the preparation of the valuation used for this report. The only benefit change for FY2020 for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the FY2020 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

**Changes in Actuarial Assumptions**

Since the last valuation was prepared for this plan, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations. Furthermore, (a) the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (b) the percentage of future male retirees assumed to be married and electing coverage for their spouse and (c) the percentage of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.

In addition, the discount rate assumption was changed from 3.96% to 2.97% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

**Demographic Assumptions**

The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

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

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NET OPEB LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2020

**Economic Assumptions**

Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The discount rate was changed from 3.96% to 2.97% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Minor benefit changes described below have been reflected in the FY2020 Assumed Per Capita Health Benefits Costs.

Actuarial assumption changes are described in ERS's Comprehensive Annual Financial Report and the ERS Actuarial Valuation Report for the year ended August 31, 2019, which can be accessed at:

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2019-CAFR.pdf>

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/ERS-Actuarial-Valuation-Reports/2019-ERS-OPEB-Valuation-Report-December-2019.pdf>

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

Year Ending August 31*,	2019	2018	2017	2016	2015	2014
System's proportionate share of collective net pension liability (%)	0.1734675123%	0.1960476398%	0.2323411497%	0.2261676%	0.2211843%	0.2524331%
System's proportionate share of collective net pension liability (\$)	\$ 90,173,836	\$ 107,909,379	\$ 74,290,183	\$ 85,465,382	\$ 78,185,706	\$ 67,428,372
State's proportionate share of net pension liability associated with HCC	55,101,858	55,835,569	13,365,973	11,565,790	9,346,029	10,129,723
Total	<u>\$ 145,275,694</u>	<u>\$ 163,744,948</u>	<u>\$ 87,656,156</u>	<u>\$ 97,031,172</u>	<u>\$ 87,531,735</u>	<u>\$ 77,558,095</u>
System's covered payroll	\$ 144,837,608	\$ 148,417,506	\$ 131,555,086	\$ 119,277,740	\$ 111,062,958	\$ 108,523,260
System's share of collective net pension liability as a percentage of covered payroll	62.26%	72.71%	56.47%	71.65%	70.40%	62.13%
Plan fiduciary net position as a percentage of total pension liability	75.24%	73.74%	82.17%	0.780000	78.43%	83.25%

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

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

See accompanying Notes to Required Supplementary Information.

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

Fiscal Year Ending August 31*,	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 6,975,537	\$ 3,869,654	\$ 7,588,046	\$ 7,099,251	\$ 6,832,860	\$ 5,873,294
Actual contributions	\$ 6,975,537	\$ 3,869,654	\$ 7,588,046	\$ 7,099,251	\$ 6,832,860	\$ 5,873,294
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System covered payroll amount	\$ 150,697,784	\$ 144,837,608	\$ 148,417,506	\$ 131,555,086	\$ 119,277,740	\$ 111,062,958
Contributions as a percentage of covered payroll	4.63%	2.67%	5.11%	5.40%	5.73%	5.29%

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

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

\*\*\* During fiscal year 2020, administration determined that more HCC employees could be classified as instructional or administrative resulting in a reduction of HCC's contributions and additional contributions made by the State on behalf of HCC. HCC has initiated the process of requesting credit from the State for previous contributions related to these employees.

See accompanying Notes to Required Supplementary Information

HOUSTON COMMUNITY COLLEGE SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2020

**Changes of Assumptions**

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

**Changes in Benefit Terms**

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. A 13<sup>th</sup> check was paid during fiscal year 2019 with a supplemental appropriation made by the State.

## **SUPPLEMENTAL SCHEDULES**

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF OPERATING REVENUES  
FOR THE YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2020 Total	FY 2019 Total
Tuition:						
State Funded Courses:						
In-District Resident Tuition	\$ 20,992,281	\$ -	\$ 20,992,281	\$ -	\$ 20,992,281	\$ 18,889,646
Out-of-District Resident Tuition	31,936,916	-	31,936,916	-	31,936,916	27,389,124
State Funded Continuing Education	5,463,300	-	5,463,300	-	5,463,300	6,913,639
TPEG (Credit)	1,454,917	-	1,454,917	-	1,454,917	1,458,688
TPEG (Non-Credit)	255,745	-	255,745	-	255,745	314,582
Non-Resident Tuition	19,886,468	-	19,886,468	-	19,886,468	17,298,848
Non-State Funded Continuing Education	1,066,234	-	1,066,234	-	1,066,234	1,419,765
Total Tuition	81,055,861	-	81,055,861	-	81,055,861	73,684,292
Fees:						
Distance Learning Fees	4,302,931	-	4,302,931	-	4,302,931	3,883,324
Installment Plan Fees	930,711	-	930,711	-	930,711	986,256
General Fees	31,930,159	-	31,930,159	-	31,930,159	32,362,392
Laboratory Fees	1,418,237	-	1,418,237	-	1,418,237	1,462,791
Other Fees	17,844,579	-	17,844,579	-	17,844,579	12,769,617
Student Service Fees	1,514,897	73,721	1,588,618	1,843,714	3,432,332	3,925,381
Total Fees	57,941,514	73,721	58,015,235	1,843,714	59,858,949	55,389,761
Scholarship Allowances and Discounts:						
Remissions and Exemptions-State	(13,948,210)	-	(13,948,210)	-	(13,948,210)	(12,370,649)
Remissions and Exemptions-Local	(1,120,083)	-	(1,120,083)	-	(1,120,083)	(1,429,200)
Title IV Federal Grants	(34,792,895)	-	(34,792,895)	-	(34,792,895)	(30,645,030)
Other Federal Grants	(2,483,934)	-	(2,483,934)	-	(2,483,934)	(2,507,228)
TPEG Awards	(1,087,046)	-	(1,087,046)	-	(1,087,046)	(1,220,319)
Other State Grants	(2,104,542)	-	(2,104,542)	-	(2,104,542)	(2,235,673)
Other Local Grants	(1,440,148)	-	(1,440,148)	-	(1,440,148)	(1,740,564)
Total Scholarship Allowances and Discounts	(56,976,858)	-	(56,976,858)	-	(56,976,858)	(52,148,663)
Total Net Tuition and Fees	82,020,517	73,721	82,094,238	1,843,714	83,937,952	76,925,390
Other Operating Revenues:						
Federal Grants and Contracts	-	29,265,821	29,265,821	-	29,265,821	13,664,066
State Grants and Contracts	-	4,386,846	4,386,846	-	4,386,846	5,257,785
Local Grants and Contracts	-	172,245	172,245	-	172,245	88,039
Non-Governmental Grants and Contracts	-	1,389,647	1,389,647	-	1,389,647	1,448,396
Sales and Services	1,178,846	1,140,581	2,319,427	-	2,319,427	447,777
Total Other Operating Revenues	1,178,846	36,355,140	37,533,986	-	37,533,986	20,906,063
Auxiliary Enterprises:						
Bookstore	-	-	-	1,867,627	1,867,627	2,168,389
Long-Term Parking	-	-	-	670,813	670,813	600,917
Rental of Facilities	-	-	-	7,135,032	7,135,032	7,464,887
Restaurant	-	-	-	200,468	200,468	419,968
Vending and Other Commissions	-	-	-	105,000	105,000	115,500
Total Auxiliary Enterprises	-	-	-	9,978,940	9,978,940	10,769,661
Total Operating Revenues	\$ 83,199,363	\$ 36,428,861	\$ 119,628,224	\$ 11,822,654	\$ 131,450,877	\$ 108,601,114

(Exhibit 2)

(Exhibit 2)

See Report of Independent Certified Public Accountants



HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF OPERATING EXPENSES BY OBJECT  
FOR THE YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

Schedule B

	Operating Expenses				FY 2020 Total	FY 2019 Total
	Salaries and Wages	Benefits State	Local	Other Expenses		
Unrestricted Educational Activities						
Instruction	\$ 108,977,295	\$ -	\$ 23,474,969	\$ 2,477,001	\$ 134,929,265	\$ 137,211,285
Public Service	733,406	-	157,984	308,616	1,200,006	1,352,255
Academic Support	23,607,558	-	4,149,687	5,037,374	32,794,619	33,528,350
Student Services	24,877,287	-	5,098,563	2,987,770	32,963,620	32,638,152
Institutional Support	43,649,555	-	10,598,565	27,278,951	81,527,071	81,776,845
Operation and Maintenance of Plant	2,626,728	-	565,828	26,279,622	29,472,178	31,324,884
Total Unrestricted Educational Activities	204,471,829	-	44,045,596	64,369,334	312,886,759	317,831,771
Restricted Educational Activities						
Instruction	472,601	12,437,497	52,692	514,512	13,477,302	10,777,960
Public Service	4,635,906	-	782,501	1,524,644	6,943,051	7,959,405
Academic Support	283,175	2,198,586	63,201	249,152	2,794,114	2,277,629
Student Services	1,617,633	2,701,318	31,215	1,375,680	5,725,846	5,244,777
Institutional Support	26,782	5,615,327	1,481	3,308,239	8,951,829	4,649,993
Scholarships and Fellowships	-	-	-	70,043,436	70,043,436	59,527,291
Total Restricted Educational Activities	7,036,097	22,952,728	931,090	77,015,663	107,935,578	90,437,055
Total Educational Activities	211,507,926	22,952,728	44,976,686	141,384,997	420,822,337	408,268,826
Auxiliary Enterprises	1,995,790	-	645,210	7,119,454	9,760,454	10,272,450
Depreciation Expense - Buildings	-	-	-	24,697,426	24,697,426	23,869,807
Depreciation Expense - Equipment	-	-	-	8,749,112	8,749,112	9,300,207
Depreciation Expense - Library Books	-	-	-	354,939	354,939	365,394
Total Operating Expenses	\$ 213,503,716	\$ 22,952,728	\$ 45,621,896	\$ 182,305,928	\$ 464,384,268 (Exhibit 2)	\$ 452,076,684 (Exhibit 2)

See Report of Independent Certified Public Accountants

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2020 Total	FY 2019 Total
NON-OPERATING REVENUES:					
State Appropriations:					
Educational and General State Support	\$ 68,600,049	\$ -	\$ -	\$ 68,600,049	\$ 68,133,037
State Group Insurance	-	12,648,431	-	12,648,431	11,864,237
State Retirement Matching	-	10,312,122	-	10,312,122	6,706,443
Other State Appropriations	45,372	-	-	45,372	41,547
Total State Appropriations	68,645,421	22,960,553	-	91,605,974	86,745,264
Maintenance Ad Valorem Taxes	161,157,699	-	-	161,157,699	152,465,955
Debt Service Ad Valorem Taxes	-	46,849,119	-	46,849,119	46,902,232
Gifts	-	1,753,254	100,000	1,853,254	2,351,677
Investment Income, Net	3,961,565	-	-	3,961,565	7,155,919
Title IV Grants	-	88,136,837	-	88,136,837	87,471,633
Hurricane Harvey	-	-	-	-	148,521
Other Non-operating Revenue	5,970,343	1,350	22,970	5,994,663	2,811,091
Total Non-operating Revenues	239,735,028	159,701,113	122,970	399,559,111	386,052,292
NON-OPERATING EXPENSES:					
Interest on Capital-Related Debt	(28,456,822)	-	-	(28,456,822)	(28,956,205)
Hurricane Harvey Expenses (Net of Recoveries)	-	-	-	-	-
Other Non-operating Expenses	(9,846,086)	(1,350)	-	(9,847,436)	(10,718,448)
Total Non-operating Expenses	(38,302,908)	(1,350)	-	(38,304,258)	(39,674,653)
NET NON-OPERATING REVENUES	\$ 201,432,120	\$ 159,699,763	\$ 122,970	\$ 361,254,853	\$ 346,377,639
				(Exhibit 2)	(Exhibit 2)

See Report of Independent Certified Public Accountants

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
FOR THE YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

Schedule D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted Expendable	Non-Expendable	Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
Current:							
Unrestricted	\$ (53,561,209)	\$ -	\$ -	\$ -	\$ (53,561,209)	\$ (53,561,209)	\$ -
Auxiliary enterprises	13,984,285		-	-	13,984,285	13,984,285	-
Loan		962,043	-	-	962,043	-	962,043
Endowment:	-	-	-	-	-	-	-
Plant:	-	-	-	-	-	-	-
Unexpended	39,420,570	-	-	-	39,420,570	39,420,570	-
Debt Services	-	12,867,034	-	-	12,867,034	-	12,867,034
Investment in Plant	-	-	-	417,973,160	417,973,160	-	417,973,160
Total Net Position August 31, 2020	(156,354)	13,829,077	-	417,973,160	431,645,883 Exhibit 1	(156,354)	431,802,237
Total Net Position August 31, 2019	(3,094,311)	13,040,855	-	383,077,877	393,024,421 Exhibit 1	(3,094,311)	396,118,732
Net Increase (Decrease) in Net Position	\$ 2,937,957	\$ 788,222	\$ -	\$ 34,895,283	\$ 38,621,462 Exhibit 2	\$ 2,937,957	\$ 35,683,505

See Report of Independent Certified Public Accountant

**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.

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

Table 1

	2020	2019	2018**	2017	2016	2015*	2014	2013	2012	2011
Net Investment in Capital Assets	\$ 417,973	\$ 383,077	\$ 363,332	\$ 374,111	\$ 318,344	\$ 290,771	\$ 244,073	\$ 230,706	\$ 234,825	\$ 207,977
Restricted - Expendable	13,829	13,041	12,121	18,555	14,035	13,290	14,804	1,216	488	488
Unrestricted	<u>(156)</u>	<u>(3,094)</u>	<u>14,669</u>	<u>73,796</u>	<u>82,082</u>	<u>60,357</u>	<u>114,975</u>	<u>107,142</u>	<u>87,004</u>	<u>73,959</u>
Total Primary Government, Net Position	<u>\$ 431,646</u>	<u>\$ 393,024</u>	<u>\$ 390,122</u>	<u>\$ 466,462</u>	<u>\$ 414,461</u>	<u>\$ 364,418</u>	<u>\$ 373,852</u>	<u>\$ 339,063</u>	<u>\$ 322,317</u>	<u>\$ 282,424</u>
Net Increase/(Decrease) in Net Position	<u>\$ 38,622</u>	<u>\$ 2,902</u>	<u>\$ (76,340)</u>	<u>\$ 52,001</u>	<u>\$ 50,043</u>	<u>\$ (9,434)</u>	<u>\$ 34,789</u>	<u>\$ 16,746</u>	<u>\$ 39,893</u>	<u>\$ 14,879</u>

\* GASB 68 was implemented in FY 2015

\*\* GASB 75 was implemented in FY 2018

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

Table 2

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATING REVENUES:										
Tuition and Fees, Net of Discounts	\$ 83,937,951	\$ 76,925,390	\$ 75,875,184	\$ 78,928,147	\$ 79,625,900	\$ 75,079,230	\$ 70,689,034	\$ 71,433,953	\$ 71,415,957	\$ 67,907,897
Federal Grants and Contracts	29,265,821	13,664,066	14,618,765	14,092,252	13,844,635	13,782,110	14,019,776	14,702,419	16,848,269	16,064,089
State Grants and Contracts	4,386,846	5,257,785	7,241,239	6,848,608	6,790,982	9,250,630	5,714,975	6,267,894	5,166,289	6,600,375
Local Grants and Contracts	172,245	88,039	97,715	148,327	157,041	162,920	116,899	81,407	95,226	275,085
Non-governmental Grants and Contracts	1,389,647	1,448,396	1,350,083	1,680,496	3,060,584	2,446,357	2,441,076	2,413,531	2,497,892	1,283,150
Sales and Services of Educational Activities	2,319,427	447,777	281,262	333,874	273,441	177,222	189,043	193,328	329,382	369,530
Auxiliary Enterprises	9,978,940	10,769,661	9,951,241	12,100,510	10,141,084	13,544,991	16,420,059	16,092,899	16,096,494	14,535,914
Total Operating Revenues	131,450,877	108,601,114	109,415,489	114,132,214	113,893,668	114,443,460	109,590,862	111,185,431	112,449,510	107,036,040
NON-OPERATING REVENUES:										
State Appropriations	91,605,974	86,745,264	83,382,430	84,194,227	83,877,620	82,249,495	81,675,719	82,105,228	81,839,826	84,838,315
Ad Valorem Taxes	208,006,818	199,368,187	197,010,814	191,684,394	179,907,211	173,457,004	143,389,744	129,256,277	123,638,019	115,820,065
Gifts	1,853,254	2,351,677	2,009,979	1,875,561	2,025,562	1,260,854	1,436,292	1,591,888	2,053,638	1,573,601
Investment Income	3,961,565	7,155,919	4,221,227	3,557,445	2,752,692	2,950,156	3,704,351	(140,747)	789,917	566,945
Title IV (Pell)	88,136,837	87,471,633	88,168,184	80,531,464	86,117,577	95,673,111	94,092,798	94,423,841	102,023,662	96,171,936
Other Non-operating Revenues	5,994,663	2,959,612	3,233,099	7,157,578	2,848,147	7,460,036	1,672,149	6,446,858	9,341,129	6,153,631
Total Non-operating Revenues	399,559,111	386,052,292	378,025,733	369,000,669	357,528,809	363,050,656	325,971,053	313,683,345	319,686,191	305,124,493
TOTAL REVENUES	\$ 531,009,988	\$ 494,653,406	\$ 487,441,222	\$ 483,132,883	\$ 471,422,478	\$ 477,494,116	\$ 435,561,915	\$ 424,868,776	\$ 432,135,701	\$ 412,160,533

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

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

Table 2

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATING REVENUES:										
Tuition and Fees, Net of Discounts	15.81%	15.55%	15.57%	16.34%	16.89%	15.72%	16.23%	16.81%	16.53%	16.48%
Federal Grants and Contracts	5.51%	2.76%	3.00%	2.92%	2.94%	2.89%	3.22%	3.46%	3.90%	3.90%
State Grants and Contracts	0.83%	1.06%	1.49%	1.42%	1.44%	1.94%	1.31%	1.48%	1.20%	1.60%
Local Grants and Contracts	0.03%	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%	0.02%	0.02%	0.07%
Non-governmental Grants and Contracts	0.26%	0.29%	0.28%	0.35%	0.65%	0.51%	0.56%	0.57%	0.58%	0.31%
Sales and Services of Educational Activities	0.44%	0.09%	0.06%	0.07%	0.06%	0.04%	0.04%	0.05%	0.08%	0.09%
Auxiliary Enterprises	1.88%	2.18%	2.04%	2.50%	2.15%	2.84%	3.77%	3.79%	3.72%	3.53%
Total Operating Revenues	24.75%	21.95%	22.45%	23.62%	24.16%	23.97%	25.16%	26.17%	26.02%	25.97%
NON-OPERATING REVENUES:										
State Appropriations	17.25%	17.54%	17.11%	17.43%	17.79%	17.23%	18.75%	19.32%	18.94%	20.58%
Ad Valorem Taxes	39.17%	40.30%	40.42%	39.68%	38.16%	36.33%	32.92%	30.42%	28.61%	28.10%
Gifts	0.35%	0.48%	0.41%	0.39%	0.43%	0.26%	0.33%	0.37%	0.48%	0.38%
Investment Income	0.75%	1.45%	0.87%	0.74%	0.58%	0.62%	0.85%	-0.03%	0.18%	0.14%
Title IV (Pell)	16.60%	17.68%	18.09%	16.67%	18.27%	20.04%	21.60%	22.22%	23.61%	23.33%
Other Non-operating Revenues	1.13%	0.60%	0.66%	1.48%	0.60%	1.56%	0.38%	1.52%	2.16%	1.49%
Total Non-operating Revenues	75.25%	78.05%	77.55%	76.38%	75.84%	76.03%	74.84%	73.83%	73.98%	74.03%
TOTAL REVENUES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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



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

Table 3

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATING EXPENSES:										
Instruction	\$ 148,406,567	\$ 147,989,245	\$ 137,284,602	\$ 131,976,183	\$ 123,860,246	\$ 118,383,131	\$ 112,628,406	\$ 111,931,030	\$ 100,319,497	\$ 112,617,877
Public Service	8,143,057	9,311,660	10,193,891	11,251,480	10,885,467	10,295,409	10,628,104	11,638,013	11,868,925	11,766,675
Academic Support	35,588,733	35,805,979	34,548,211	33,437,021	32,357,317	31,781,726	26,699,201	25,060,153	22,771,173	19,616,391
Student Services	38,689,466	37,882,929	35,658,710	32,769,639	30,877,171	31,448,417	29,244,604	29,165,865	24,906,487	31,901,438
Institutional Support	90,478,900	86,426,838	77,856,244	76,337,702	69,312,047	60,572,436	60,301,482	54,332,112	56,815,639	53,657,535
Operation and Maintenance of Plant	29,472,178	31,324,884	29,844,750	27,636,411	27,396,317	28,820,028	35,885,631	31,438,811	27,969,778	28,350,817
Scholarships and Fellowships	70,043,436	59,527,291	62,863,907	55,435,891	58,153,241	61,638,293	58,733,940	57,092,409	61,504,372	65,346,087
Auxiliary Enterprises	9,760,454	10,272,450	11,571,893	11,064,979	11,839,737	13,853,632	17,233,929	18,760,757	15,736,795	14,607,330
Depreciation	33,801,477	33,535,408	26,031,782	24,303,365	22,724,776	21,484,508	19,743,511	19,492,034	18,848,802	17,067,466
Total Operating Expenses	464,384,268	452,076,684	425,853,990	404,212,671	387,406,319	378,277,581	371,098,808	358,911,184	340,741,468	354,931,616
NON-OPERATING EXPENSES:										
Interest on Capital Related Debt	28,456,822	28,956,205	30,411,867	17,991,413	19,535,342	24,312,876	16,346,638	36,827,644	28,498,392	29,424,886
Loss on Sale of Fixed Assets	-	-	-	-	5,517,511	-	-	-	-	-
Hurricane Expense, Net	-	-	184,313	-	-	-	-	12,431	626,194	284,103
Other Non-operating Expenses	9,847,436	10,718,448	8,395,813	8,927,703	8,920,785	7,940,686	13,327,637	12,371,070	22,377,547	12,639,933
Total Non-operating Expenses	38,304,258	39,674,653	38,991,993	26,919,116	33,973,638	32,253,562	29,674,275	49,211,145	51,502,133	42,348,922
Total Expenses	\$ 502,688,526	\$ 491,751,337	\$ 464,845,983	\$ 431,131,787	\$ 421,379,957	\$ 410,531,143	\$ 400,773,083	\$ 408,122,329	\$ 392,243,601	\$ 397,280,538

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

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

Table 3

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATING EXPENSES:										
Instruction	29.52%	30.09%	29.53%	30.61%	29.39%	28.84%	28.10%	27.43%	25.58%	28.35%
Public Service	1.62%	1.89%	2.19%	2.61%	2.58%	2.51%	2.65%	2.85%	3.03%	2.96%
Academic Support	7.08%	7.28%	7.43%	7.76%	7.68%	7.74%	6.66%	6.14%	5.81%	4.94%
Student Services	7.70%	7.70%	7.67%	7.60%	7.33%	7.66%	7.30%	7.15%	6.35%	8.03%
Institutional Support	18.00%	17.58%	16.75%	17.71%	16.45%	14.75%	15.05%	13.31%	14.48%	13.51%
Operation and Maintenance of Plant	5.86%	6.37%	6.42%	6.41%	6.50%	7.02%	8.95%	7.70%	7.13%	7.14%
Scholarships and Fellowships	13.93%	12.11%	13.52%	12.86%	13.80%	15.01%	14.66%	13.99%	15.68%	16.45%
Auxiliary Enterprises	1.94%	2.09%	2.49%	2.57%	2.81%	3.37%	4.30%	4.60%	4.01%	3.68%
Depreciation	6.72%	6.82%	5.60%	5.64%	5.39%	5.23%	4.93%	4.78%	4.81%	4.30%
Total Operating Expenses	92.38%	91.93%	91.61%	93.76%	91.94%	92.14%	92.60%	87.94%	86.87%	89.34%
NON-OPERATING EXPENSES:										
Interest on Capital Related Debt	5.66%	5.89%	6.54%	4.17%	4.64%	5.92%	4.08%	9.02%	7.27%	7.41%
Loss on Sale of Fixed Assets	0.00%	0.00%	0.00%	0.00%	1.31%	0.00%	0.00%	0.00%	0.00%	0.00%
Hurricane Ike Expense, Net	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.07%
Other Non-operating Expenses	1.96%	2.18%	1.81%	2.07%	2.12%	1.93%	3.33%	3.03%	5.71%	3.18%
Total Non-operating Expenses	7.62%	8.07%	8.39%	6.24%	8.06%	7.86%	7.40%	12.06%	13.13%	10.66%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

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

Table 4

		SEMESTER CREDIT HOUR (SCH)							
		IN-DISTRICT							
Academic Year	Semester	Tuition	General Fee	Techno-logy Fee	Student Activity Services Fee	Recrea-tion Fee	Cost for 12 SCH	Increase from Prior Semester	
2019-2020	Fall	\$ 396	\$ 306	\$ 204.00	\$ 12	\$ 6	\$ 924.00	6.9%	
2018-2019	Spring	372	306	168.00	12	6	864.00	5.9%	
2018-2019	Fall	372	306	120.00	12	6	816.00	0.0%	
2017-2018	Fall	372	306	120.00	12	6	816.00	0.0%	
2016-2017	Fall	372	306	120.00	12	6	816.00	0.0%	
2015-2016	Fall	372	306	120.00	12	6	816.00	0.1%	
2014-2015	Fall	372	306	118.80	12	6	814.80	0.0%	
2013-2014	Fall	372	306	118.80	12	6	814.80	0.1%	
2012-2013	Fall	372	306	117.60	12	6	813.60	0.1%	
2011-2012	Fall	372	306	116.40	12	6	812.40	0.1%	
2010-2011	Summer	372	306	115.20	12	6	811.20	18.4%	
2010-2011	Fall	300	264	103.20	12	6	685.20	0.2%	

Note: Recreation Fee previously known as Athletic Fee.

In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.

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

Table 4

Academic Year	Semester	SEMESTER CREDIT HOUR (SCH)							Increase from Prior Semester
		OUT-OF-DISTRICT					Cost for 12 SCH		
		Tuition	Out-of-District General Fee	Technology Fee	Student Activity Services Fee	Recreation Fee			
2019-2020	Fall	\$ 1,452	\$ 402	\$ 204.00	\$ 12	\$ 6	\$ 2,076.00	8.1%	
2018-2019	Spring	1,332	402	168.00	12	6	1,920.00	14.3%	
2018-2019	Fall	1,140	402	120.00	12	6	1,680.00	0.0%	
2017-2018	Fall	1,140	402	120.00	12	6	1,680.00	0.0%	
2016-2017	Fall	1,140	402	120.00	12	6	1,680.00	0.0%	
2015-2016	Fall	1,140	402	120.00	12	6	1,680.00	0.1%	
2014-2015	Fall	1,140	402	118.80	12	6	1,678.80	0.0%	
2013-2014	Fall	1,140	402	118.80	12	6	1,678.80	0.1%	
2012-2013	Fall	1,140	402	117.60	12	6	1,677.60	0.1%	
2011-2012	Fall	1,140	402	116.40	12	6	1,676.40	3.8%	
2010-2011	Summer	1,080	402	115.20	12	6	1,615.20	14.0%	
2010-2011	Fall	972	324	103.20	12	6	1,417.20	6.4%	

Note: Recreation Fee previously known as Athletic Fee.

In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.

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

Table 4

Academic Year	Semester	SEMESTER CREDIT HOUR (SCH)						Cost for 12 SCH	Increase from Prior Semester
		OUT-OF-STATE/INTERNATIONAL							
		Tuition	Out-of- State General Fee	Techno- logy Fee	Student Activity Services Fee	Recrea- tion Fee			
2019-2020	Fall	\$ 1,812	\$ 600	\$ 204.00	\$ 12	\$ 6	\$ 2,634.00	11.7%	
2018-2019	Spring	1,572	600	168.00	12	6	2,358.00	25.6%	
2018-2019	Fall	1,140	600	120.00	12	6	1,878.00	0.0%	
2017-2018	Fall	1,140	600	120.00	12	6	1,878.00	0.0%	
2016-2017	Fall	1,140	600	120.00	12	6	1,878.00	0.0%	
2015-2016	Fall	1,140	600	120.00	12	6	1,878.00	0.1%	
2014-2015	Fall	1,140	600	118.80	12	6	1,876.80	0.0%	
2013-2014	Fall	1,140	600	118.80	12	6	1,876.80	0.1%	
2012-2013	Fall	1,140	600	117.60	12	6	1,875.60	0.1%	
2011-2012	Fall	1,140	600	116.40	12	6	1,874.40	3.4%	
2010-2011	Summer	1,080	600	115.20	12	6	1,813.20	7.1%	
2010-2011	Fall	972	600	103.20	12	6	1,693.20	7.7%	

Note: Recreation Fee previously known as Athletic Fee.

In addition students may incur course related fees such as laboratory fees, testing fees, distance education fees and certification fees.

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

Table 5

Fiscal Year	Assessed Valuation of Property	Less: Exemptions & Abatements	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Tax Rate		
					Maintenance & Operations	Debt Service	Total Tax Rate (a)
2020	\$ 266,413,595,740	\$ 57,636,949,886	\$ 208,776,645,854	78.37%	\$ 0.079205	\$ 0.021058	\$ 0.100263
2019	251,225,945,441	47,954,489,698	203,271,455,743	80.91%	0.076751	0.023512	0.100263
2018	242,829,176,276	42,433,914,452	200,395,261,824	82.53%	0.076652	0.023611	0.100263
2017	238,048,215,381	44,312,008,221	193,736,207,160	81.39%	0.075277	0.024986	0.100263
2016	221,458,121,257	42,287,303,553	179,170,817,704	80.91%	0.075631	0.026311	0.101942
2015	198,955,482,183	36,077,649,997	162,877,832,186	81.87%	0.077055	0.029835	0.106890
2014	180,734,029,067	34,213,942,090	146,520,086,977	81.07%	0.077055	0.020118	0.097173
2013	145,875,030,461	12,890,703,534	132,984,326,927	91.16%	0.079673	0.017500	0.097173
2012	159,141,889,758	31,729,564,366	127,412,325,392	80.06%	0.083399	0.013823	0.097222
2011	157,165,651,239	31,190,173,147	125,975,478,092	80.15%	0.074901	0.017319	0.092220

Source: Local Appraisal Districts

Notes: Property is assessed at full market value.

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

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

Table 6a

<b>Appropriation Funding Elements (Allocated)</b>	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
State Appropriation Contact Hour Funding (CH)	\$58,499,161	\$60,710,669	\$ 60,712,276	\$63,177,743	\$63,177,743	\$62,190,430	\$62,190,430	\$70,326,503	\$70,326,503	\$70,337,113
State Appropriation Student Success Points (SSP)	8,170,482	6,741,962	6,741,962	6,484,471	6,484,471	6,458,505	6,458,505	-	-	-
State Appropriation Core Operations (CO)	680,406	680,406	680,406	500,000	500,000	500,000	500,000	-	-	-
State Appropriation Bachelor of Applied Technology (BAT)	-	-	-	-	-	-	-	-	-	-
State Appropriation Non-Formula Items	1,250,000	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$68,600,049</b>	<b>\$68,133,037</b>	<b>\$ 68,134,644</b>	<b>\$70,162,214</b>	<b>\$70,162,214</b>	<b>\$69,148,935</b>	<b>\$69,148,935</b>	<b>\$70,326,503</b>	<b>\$70,326,503</b>	<b>\$70,337,113</b>

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

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

Source: THECB - Ten Pay Schedule for FY 2020 thru FY 2010.

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

Table 6b

Fiscal Year	State Appropriation (Unrestricted) From Sch C*	FTSE <sup>1</sup>	State Appropriation per FTSE
2020	\$ 68,600,049	36,104	\$ 1,900
2019	68,133,037	36,242	1,880
2018	68,134,644	37,551	1,814
2017	70,276,780	38,065	1,846
2016	70,162,218	38,518	1,822
2015	69,148,935	39,721	1,741
2014	69,148,935	38,766	1,784
2013	70,014,003	38,958	1,797
2012	70,232,038	40,486	1,735
2011	65,957,104	41,274	1,598

<sup>1</sup> In order to provide consistency with other reporting, HCC has elected to adopt the THECB standard methodology for calculating FTSE that is used for benchmarking and HCC's internal KPI's (Key Performance Indicator). Prior year calculations have been restated to reflect this change. The FTSE ratios calculated and published by THECB are based on CBM submissions and are calculated as follows: Fiscal Year FTSE (Full-Time Student Equivalent) is equal to the sum of state funded (Fall SCH [Semester Credit Hours] + Spring SCH + Summer SCH for the current fiscal year, or 30 SCH) plus state funded continuing education (Fall CH [Contact Hours] + Spring CH + Summer CH for the current fiscal year, or 900 CH).

Source: Schedule C (AFR) and HCC Certified Reports (CBM004 & CBM00C).

\* Actual Received



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

Table 6c

Fiscal Year		State Appropriation (Unrestricted) <sup>(1)</sup>	Academic CH	Technical CH	Continuing Education CH	Total Funded CH	State Appropriation per Funded CH
2020*	\$	58,499,161	14,734,611	4,941,920	1,715,532	21,392,063	\$ 2.73
2019*		60,710,669	14,735,065	4,961,424	1,843,055	21,539,544	2.82
2018*		60,712,276	15,688,714	4,844,368	2,019,420	22,552,502	2.69
2017*		63,177,743	15,443,656	5,298,512	2,296,406	23,038,574	2.74
2016*		63,177,743	15,527,528	5,762,048	2,146,857	23,436,433	2.70
2015*		62,190,430	15,873,248	6,122,448	2,290,228	24,285,924	2.56
2014*		62,190,430	15,931,744	5,822,268	1,980,830	23,734,842	2.62
2013		70,014,003	16,237,296	5,744,810	1,933,271	23,915,377	2.93
2012		70,232,038	17,354,256	5,822,072	1,798,940	24,975,268	2.81
2011		65,957,104	17,802,080	5,924,078	1,914,445	25,640,603	2.57

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

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

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

Source: HCC Certified Reports (CBM004 and CBM00C).

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

Table 6d

Fiscal Year	SSP State Appropriation (Unrestricted) <sup>1</sup>	3-Year Weighted Average SSP <sup>2</sup>	Annual Appropriation per SSP
2020	\$ 8,170,482	80,683	\$ 101.27
2019	6,741,962	78,597	85.78
2018	6,741,962	78,597	85.78
2017	6,484,471	75,145	86.29
2016	6,484,471	75,145	86.29
2015	6,458,505	69,775	92.56
2014	6,458,505	69,775	92.56
2013	-	-	-
2012	-	-	-
2011	-	-	-

<sup>1</sup> State funded student success point appropriation as it appears in table 6a.  
Source: Obtained from THECB Ten-Pay Schedules.

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

Table 6e

<b>Student Success Point (Weighted) Elements</b>	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Math Readiness	3,807	4,928	3,255	3,250	2,738	2,376	2,395	3,440	7,176	5,000
Read Readiness	1,456	1,775	1,316	1,384	983	1,115	1,579	2,517	2,253	1,846
Write Readiness	1,563	2,161	1,258	1,295	1,087	941	984	1,412	1,963	1,620
Students Who Pass FCL Math Course	7,692	7,815	7,795	7,968	9,383	8,599	7,748	7,484	9,044	7,288
Students Who Pass FCL Read Course	8,155	8,108	8,127	7,452	7,279	7,038	7,598	8,060	7,251	1,294
Students Who Pass FCL Write Course	6,998	6,431	6,514	6,311	6,355	6,452	6,540	6,210	2,418	744
Students Who Complete 15 SCH	15,521	15,709	15,574	15,823	16,241	15,669	15,326	15,657	17,330	18,885
Students Who Complete 30 SCH	9,687	10,130	9,902	10,142	10,130	9,696	9,566	9,828	10,691	10,846
Student Transfers to a 4-Yr Inst	8,476	8,452	8,700	8,996	8,962	8,736	9,044	8,856	4,050	3,622
Degrees, CCCs, or Certs (Undup)	13,534	14,392	14,486	15,466	15,504	11,690	11,480	10,998	9,990	8,770
Degrees or Certs in Critical Fields	2,617	2,176	2,385	2,498	2,178	2,124	2,174	2,043	2,030	1,915
<b>Total Annual Student Success Points</b>	<b>79,506</b>	<b>82,075</b>	<b>79,312</b>	<b>80,583</b>	<b>80,840</b>	<b>74,436</b>	<b>74,433</b>	<b>76,504</b>	<b>74,195</b>	<b>61,829</b>

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

Source: Obtained from THECB Ten-Pay Schedules, Accountability System for FY 2017, FY 2018, FY 2019.

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

Table 7

Taxpayer	Industry	Taxable Assessed Value (TAV) by Tax Year									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Centerpoint Energy Inc	Utility	\$ 1,801,934,275	\$ 1,737,031,171	\$ 989,802,949	\$ 1,644,000,381	\$ 1,626,152,344	\$ 1,418,862,516	\$ 1,362,799,831	\$ 1,382,750,044	\$ 1,153,697,187	\$ 1,119,456,415
BSREP IHC-4HC*	Real Estate	781,660,663	786,877,979	797,862,507	737,834,871	986,583,880	792,215,117	917,216,307	831,337,622	716,169,026	1,129,509,857
Cullen Allen Holdings Lp	Real Estate	-	-	-	-	-	-	-	-	-	-
Hines Interests Ltd Ptnrsp	Real Estate	-	-	-	-	-	-	-	-	1,163,749,277	967,638,791
AT&T Mobility LLC	Utility	-	-	-	-	-	-	-	-	318,206,364	446,070,581
Tpg 2101 Citywest 1 & 2 Lp	Real Estate	-	-	-	-	-	-	-	-	-	497,060,529
Chevron Chemical Co	Oil & Gas	961,125,865	962,752,120	1,017,824,620	1,141,470,547	1,179,883,292	1,084,645,391	1,066,441,442	982,653,385	724,298,902	627,685,117
Anheuser Busch Inc	Brewery	-	-	-	-	-	-	-	-	357,792,263	366,424,086
Houston Refining	Oil & Gas	-	-	-	-	-	-	-	-	-	-
Valero Energy Corp	Oil & Gas	607,940,208	695,743,538	-	721,980,186	591,345,920	-	418,086,374	426,028,458	363,437,432	-
Teachers Insurance	Insurance	-	-	-	-	-	-	-	-	-	-
Shell Oil Co	Oil & Gas	-	-	-	-	-	492,784,337	-	-	334,605,330	331,875,591
HG Galleria I II III LP	Real Estate	716,107,566	619,381,877	635,939,145	679,040,894	687,114,648	508,214,845	475,503,575	385,054,953	363,274,752	319,442,735
Exxon Mobil Corp	Oil & Gas	-	-	-	-	-	-	-	-	317,979,103	305,020,231
1000 Louisiana LP	Real Estate	-	-	476,007,332	516,382,503	551,072,650	499,000,000	504,063,645	426,551,193	-	-
Texas Tower LTD	Real Estate	-	-	483,158,521	501,098,531	547,808,760	-	562,735,621	409,839,382	-	-
Four Oaks Place Operating LP	Real Estate	-	-	-	-	-	-	464,133,747	401,202,733	-	-
BGHOLDCO LLC	Real Estate	-	-	-	-	-	-	444,102,836	398,000,000	-	-
BUSYCON Properties LLC	Real Estate	-	480,421,218	484,510,539	512,787,835	-	505,450,307	536,989,676	453,269,103	-	-
PKY City West 1-4, POC, San*	Real Estate	764,244,535	843,913,327	852,336,214	715,139,095	1,188,888,678	1,115,262,076	-	-	-	-
One, Two & Three Allen Center CO LLC	Real Estate	790,939,684	788,054,141	785,887,656	857,457,136	924,339,870	866,158,501	-	-	-	-
Flint Hill Resources Houston	Oil & Gas	-	-	459,371,730	-	-	-	-	-	-	-
GWP (Greenway Plaza)	Real Estate	855,562,137	820,850,180	-	-	-	-	-	-	-	-
Finger FSC	Real Estate	581,916,015	510,735,740	-	-	-	-	-	-	-	-
Southwestern Bell & ATT Mobility	Utility	-	-	-	-	553,335,269	476,957,952	-	-	-	-
HCG Block 69 LLC	Industrial Services	503,452,103	-	-	-	-	-	-	-	-	-
<b>Totals</b>		<b>\$ 8,364,883,051</b>	<b>\$ 8,245,761,291</b>	<b>\$ 6,982,701,213</b>	<b>\$ 8,027,191,979</b>	<b>\$ 8,836,525,311</b>	<b>\$ 7,759,551,042</b>	<b>\$ 6,752,073,054</b>	<b>\$ 6,096,686,873</b>	<b>\$ 5,813,209,636</b>	<b>\$ 6,110,183,933</b>
<b>Total Taxable Assessed Value</b>		<b>\$ 208,776,645,854</b>	<b>\$ 203,271,455,743</b>	<b>\$ 200,395,261,824</b>	<b>\$ 193,736,207,160</b>	<b>\$ 179,170,817,704</b>	<b>\$ 162,877,832,186</b>	<b>\$ 146,520,086,977</b>	<b>\$ 132,984,326,927</b>	<b>\$ 127,412,325,392</b>	<b>\$ 125,975,478,092</b>

Source: Local County Appraisal District

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

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

Table 7

Industry	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
% of Taxable Assessed Value (TAV) by Tax Year										
Utility	0.86%	0.85%	0.49%	0.85%	0.91%	0.87%	0.93%	1.04%	0.91%	0.89%
Real Estate	0.37%	0.39%	0.40%	0.38%	0.55%	0.49%	0.63%	0.63%	0.56%	0.90%
Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.91%	0.77%
Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.25%	0.35%
Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%
Oil & Gas	0.46%	0.47%	0.51%	0.59%	0.66%	0.67%	0.73%	0.74%	0.57%	0.50%
Brewery	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.28%	0.29%
Oil & Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Oil & Gas	0.29%	0.34%	0.00%	0.37%	0.33%	0.00%	0.29%	0.32%	0.29%	0.00%
Insurance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Oil & Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.30%	0.00%	0.00%	0.26%	0.26%
Real Estate	0.34%	0.30%	0.32%	0.35%	0.38%	0.31%	0.32%	0.29%	0.29%	0.25%
Oil & Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.25%	0.24%
Real Estate	0.00%	0.00%	0.24%	0.27%	0.31%	0.31%	0.34%	0.32%	0.00%	0.00%
Real Estate	0.00%	0.00%	0.24%	0.26%	0.31%	0.00%	0.38%	0.31%	0.00%	0.00%
Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%	0.30%	0.00%	0.00%
Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.30%	0.30%	0.00%	0.00%
Real Estate	0.00%	0.24%	0.24%	0.26%	0.00%	0.31%	0.37%	0.34%	0.00%	0.00%
Real Estate	0.37%	0.42%	0.43%	0.37%	0.66%	0.68%	0.00%	0.00%	0.00%	0.00%
Real Estate	0.38%	0.39%	0.39%	0.44%	0.52%	0.53%	0.00%	0.00%	0.00%	0.00%
Oil & Gas	0.00%	0.00%	0.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	0.41%	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	0.28%	0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Utility	0.00%	0.00%	0.00%	0.00%	0.31%	0.29%	0.00%	0.00%	0.00%	0.00%
Industrial Services	0.24%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	4.01%	4.06%	3.48%	4.14%	4.93%	4.76%	4.61%	4.58%	4.56%	4.85%

District

Crescent Real Estate and PKY City West was Cousins Greenway & POC.

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

Table 8

Fiscal Year	Tax Rate Per \$100		Tax Base (Assessed Value)		Total Tax Levy		Collected within the Fiscal Year of the Levy	
							Actual Collections per AFR	% of Levy
2020	\$	0.100263	\$	208,776,645,854	\$	209,325,728	\$ 207,268,131	99.02%
2019		0.100263		203,271,455,743		203,806,060	198,595,648	97.44%
2018		0.100263		200,395,261,824		200,922,301	196,382,374	97.74%
2017		0.100263		193,736,207,160		194,245,733	192,672,263	99.19%
2016		0.101942		179,170,817,704		182,650,315	179,069,265	98.04%
2015		0.106890		162,877,832,186		174,100,115	173,168,964	99.47%
2014		0.097173		146,520,086,977		142,377,964	141,871,329	99.64%
2013		0.097173		132,984,326,927		129,224,860	126,900,573	98.20%
2012		0.097222		127,412,325,392		123,872,811	121,247,023	97.88%
2011		0.092220		125,975,478,092		116,179,580	113,187,929	97.42%

Source: Local Tax Assessor/Collectors and District records.

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

Table 9

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Obligation Bonds	\$ 478,975,884	497,085,140	\$ 511,685,732	\$ 524,978,521	\$ 540,213,663	\$ 552,429,370	\$ 568,407,151	\$ 578,139,157	\$ 126,509,613	\$ 122,965,813
Maintenance Tax Bonds	64,900,037	30,747,737	33,873,578	34,717,506						
Notes	43,420,166	90,038,192	97,208,764	106,793,553	151,938,465	160,781,387	168,926,738	177,016,887	184,862,037	169,764,659
Less: Funds Restricted for Debt Service	-	-	-	-	-	-	-	-	-	-
Net General Bonded Debt	587,296,087	617,871,070	642,768,073	666,489,579	692,152,128	713,210,757	737,333,889	755,156,045	311,371,650	292,730,472
Per Capita	\$ 236.74	249.07	\$ 260.83	\$ 268.21	\$ 284.54	\$ 293.98	\$ 319.47	\$ 333.59	\$ 139.69	\$ 134.63
Per FTSE	\$ 16,266.79	17,048.48	\$ 17,117.20	\$ 17,509.25	\$ 17,969.57	\$ 17,955.51	\$ 19,020.12	\$ 19,383.85	\$ 19,291.92	\$ 19,002.32
As a Percentage of Taxable Assessed Value	0.28%	0.30%	0.32%	0.34%	0.39%	0.44%	0.50%	0.57%	0.24%	0.23%
Revenue Bonds	\$ 167,543,207	191,380,394	\$ 217,121,333	\$ 240,546,861	\$ 261,350,284	\$ 288,802,667	\$ 306,455,246	\$ 323,322,694	\$ 342,071,187	\$ 341,086,330
Notes	18,402,492	18,793,421	4,428,497	2,395,310	673,299	1,346,598	-	-	-	691,584
Capital Lease Obligations	-	-	-	-	-	-	-	-	-	1,304,824
Total Outstanding Debt	\$ 773,241,786	828,044,885	\$ 864,317,903	\$ 909,431,751	\$ 954,175,711	\$ 1,003,360,022	\$ 1,043,789,134	\$ 1,078,478,739	\$ 653,442,837	\$ 635,813,210
Per Capita	312	334	351	366	392	414	452	476	293	292
Per FTSE	21,417	22,848	23,017	23,892	24,772	25,260	26,925	27,683	16,140	15,405
As a Percentage of Taxable Assessed Value	0.37%	0.41%	0.43%	0.47%	0.53%	0.62%	0.71%	0.81%	0.51%	0.50%

In order to provide consistency with other reporting, HCC has elected to adopt the THECB standard methodology for calculating FTSE that is used for benchmarking and HCC's internal KPI's (Key Performance Indicator). Prior year calculations have been restated to reflect this change. The FTSE ratios calculated and published by THECB are based on CBM submissions and are calculated as follows: Fiscal Year FTSE (Full-Time Student Equivalent) is equal to the sum of state funded (Fall SCH [Semester Credit Hours] + Spring SCH + Summer SCH for the current fiscal year, or 30 SCH) plus state funded continuing education (Fall CH (Contact Hours) + Spring CH + Summer CH for the current fiscal year, or 900 CH).

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

Table 10

	2020	2019	2018	2017	2016
TAXABLE ASSESSED VALUE	\$ 208,776,645,854	203,271,455,743	\$ 200,395,261,824	\$ 193,736,207,160	\$ 179,170,817,704
GENERAL OBLIGATION BONDS:					
Statutory Tax Levy Limit for Debt Service	1,043,883,229	1,016,357,279	1,001,976,309	968,681,036	895,854,089
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-
Total Net General Obligation Debt	1,043,883,229	1,016,357,279	1,001,976,309	968,681,036	895,854,089
Current Year Debt Service Requirements	36,418,449	36,494,619	33,463,594	33,832,124	32,100,119
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 1,007,464,781	979,862,660	\$ 968,512,715	\$ 934,848,912	\$ 863,753,970
Net Current Requirements as a % of Statutory Limit	3.49%	3.59%	3.34%	3.49%	3.58%
	2015	2014	2013	2012	2011
TAXABLE ASSESSED VALUE	\$ 162,877,832,166	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 Requirements	\$ 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%

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

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



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

Table 11

Pledged Revenues											
Fiscal Year	Total	Tuition	Technology Fees	Registration Fees	Laboratory Fees	Continuing Education Fees	Other Fees	Interest Income	Vending Commission	Bookstore Commission	Rental Revenue
2020	\$ 92,184,015	\$ 18,567,645	\$ 12,576,457	\$ 31,930,159	\$ 1,418,237	\$ 7,038,203	\$ 8,230,184	\$ 3,970,181	\$ 105,000	\$ 1,867,627	\$ 6,480,321
2019	88,442,146	16,259,037	7,552,392	32,362,392	1,461,786	9,166,992	7,912,994	4,939,438	115,500	2,168,389	6,503,226
2018	84,544,426	15,539,949	5,432,664	33,919,617	1,680,583	9,336,141	7,340,130	3,237,953	126,000	2,367,482	5,563,907
2017	86,675,262	15,524,223	5,424,763	33,979,683	1,690,989	10,690,264	7,225,312	2,012,777	132,930	2,796,712	7,197,608
2016	84,059,232	15,564,359	5,466,412	34,302,596	1,709,948	10,583,589	7,140,293	1,109,495	135,680	1,915,983	6,130,877
2015	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

Debt Service Requirements				
Fiscal Year	Principal	Interest	Total	Coverage Ratio
2020	\$ 19,100,000	\$ 8,258,833	\$ 27,358,833	3.37
2019	17,035,000	8,636,030	25,671,030	3.45
2018	17,630,000	10,113,836	27,743,836	3.05
2017	18,175,000	9,686,993	27,861,993	3.11
2016	15,640,000	8,560,997	24,200,997	3.47
2015	12,545,000	8,421,828	20,966,828	4.67
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

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

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

Table 12

Calendar Year	Service Area Population	Service Area Personal Income	Service Area Personal Income Per Capita	Service Area Unemployment Rate
2019	2,480,760	\$ 90,071,434,080	\$ 36,308	2.0%
2018	2,464,333	92,141,410,870	37,390	3.0%
2017	2,484,931	88,789,069,561	35,731	4.0%
2016	2,432,543	81,234,773,485	33,395	3.3%
2015	2,426,057	75,280,548,710	31,030	3.4%
2014	2,308,004	68,275,374,328	29,582	3.7%
2013	2,263,741	62,320,789,730	27,530	5.4%
2012	2,228,995	64,750,075,755	29,049	4.8%
2011	2,174,361	61,960,591,056	28,496	5.1%
2010	2,174,919	60,334,427,979	27,741	5.1%

**Sources:** HCC Service Area Demographics Report.

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

Table 13

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

	June 2020	June 2019	June 2018	June 2017	June 2016	July 2015	June 2014	June 2013	June 2012	June 2011
<b>Number of Employees</b>										
Trade, Transportation, & Utilities	607,600	630,400	629,200	603,200	615,300	611,900	594,900	564,300	547,800	527,800
Professional & Business Services	500,800	516,400	523,000	486,100	458,600	473,700	466,800	429,700	410,900	383,900
Government	398,600	417,700	409,600	413,600	387,800	365,500	373,900	364,500	359,300	372,400
Education & Health Services	395,700	402,000	386,200	390,500	383,400	366,800	347,400	335,900	327,000	314,700
Mining and Logging/Construction	280,200	317,200	316,200	301,400	302,600	317,400	312,000	298,100	279,600	261,000
Manufacturing	219,700	240,900	228,200	234,100	231,500	245,300	255,300	252,800	244,600	228,200
Leisure & Hospitality	285,000	341,100	332,300	330,700	327,800	305,800	294,100	277,500	264,300	250,400
Financial Activities	164,500	166,600	163,800	156,200	154,500	152,100	148,100	143,200	141,000	137,100
Other Services	98,700	122,200	111,700	113,200	109,200	108,600	105,500	100,300	96,900	93,600
Information	29,600	30,700	31,400	32,200	31,200	32,900	33,300	32,700	31,500	31,900
<b>Total</b>	<b>2,980,400</b>	<b>3,185,200</b>	<b>3,131,600</b>	<b>3,061,200</b>	<b>3,001,900</b>	<b>2,980,000</b>	<b>2,931,300</b>	<b>2,799,000</b>	<b>2,702,900</b>	<b>2,601,000</b>
<b>Percent of Employees</b>										
Trade, Transportation, & Utilities	20.4%	19.8%	20.1%	19.7%	20.5%	20.5%	20.3%	20.2%	20.3%	20.3%
Professional & Business Services	16.8%	16.2%	16.7%	15.9%	15.3%	15.9%	15.9%	15.4%	15.2%	14.8%
Government	13.4%	13.1%	13.1%	13.5%	12.9%	12.3%	12.8%	13.0%	13.3%	14.3%
Education & Health Services	13.3%	12.6%	12.3%	12.8%	12.8%	12.3%	11.9%	12.0%	12.1%	12.1%
Mining and Logging/Construction	9.4%	10.0%	10.1%	9.8%	10.1%	10.7%	10.6%	10.7%	10.3%	10.0%
Manufacturing	7.4%	7.6%	7.3%	7.6%	7.7%	8.2%	8.7%	9.0%	9.0%	8.8%
Leisure & Hospitality	9.6%	10.7%	10.6%	10.8%	10.9%	10.3%	10.0%	9.9%	9.8%	9.6%
Financial Activities	5.5%	5.2%	5.2%	5.1%	5.1%	5.1%	5.1%	5.1%	5.2%	5.3%
Other Services	3.3%	3.8%	3.6%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Information	1.0%	1.0%	1.0%	1.1%	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: U.S. Bureau of Labor Statistics - <https://www.bls.gov/home.htm>

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

Table 14

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Faculty										
Full-Time	873	881	849	830	818	759	759	789	809	910
Part-Time	1,953	1,601	1,774	1,545	1,717	1,687	1,742	1,715	2,781	2,921
Total	<u>2,826</u>	<u>2,482</u>	<u>2,623</u>	<u>2,375</u>	<u>2,535</u>	<u>2,446</u>	<u>2,501</u>	<u>2,504</u>	<u>3,590</u>	<u>3,831</u>
Percent										
Full-Time	30.9%	35.5%	32.4%	34.9%	32.3%	31.0%	30.3%	31.5%	22.5%	23.8%
Part-Time	69.1%	64.5%	67.6%	65.1%	67.7%	69.0%	69.7%	68.5%	77.5%	76.2%
Staff and Administrators										
Full-Time	1,563	1,636	1,585	1,528	1,465	1,385	1,323	1,350	1,327	1,272
Part-Time	1,140	1,049	1,061	1,160	1,432	1,170	1,413	1,443	1,088	1,169
Total	<u>2,703</u>	<u>2,685</u>	<u>2,646</u>	<u>2,688</u>	<u>2,897</u>	<u>2,555</u>	<u>2,736</u>	<u>2,793</u>	<u>2,415</u>	<u>2,441</u>
Percent										
Full-Time	57.8%	60.9%	59.9%	56.8%	50.6%	54.2%	48.4%	48.3%	54.9%	52.1%
Part-Time	42.2%	39.1%	40.1%	43.2%	49.4%	45.8%	51.6%	51.7%	45.1%	47.9%
Students per Full-Time*										
Faculty	61.6	61.6	66.1	66.3	65.4	72.5	72.0	71.0	71.2	62.2
Staff and Administrator	34.4	33.2	35.4	36.0	36.5	39.7	41.3	41.5	43.4	44.5
Average Annual										
Faculty Salary*	\$ 73,379	\$ 73,116	\$ 73,136	\$ 70,528	\$ 68,504	\$ 65,038	\$ 64,962	\$ 63,366	\$ 63,473	\$ 62,533

\*All figures are calculated from the CBM001&00A reports combined, see tables 16 and 17.

For FY 2019, the decrease in average annual faculty salary relates to faculty attrition. During FY 2016, 2017 and 2018, faculty salaries increased in response to a market-based compensation study.

Source: IPEDS Human Resources Survey, as of November 1, 20XX.

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

Table 15

	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
In-District	49,766	50,285	51,590	53,400	54,157	56,532	57,203	57,755	59,567	58,896
Out-of-District	22,659	23,314	21,765	21,665	20,869	21,701	21,369	21,267	22,674	23,264
Out-of-State	7,431	8,687	9,671	10,365	10,270	9,684	8,871	9,137	10,101	10,389
Other/Unknown	21	6	8	17	9	85	17	69	14	12
<b>Unduplicated Enrollment</b>	<b>79,877</b>	<b>82,292</b>	<b>83,034</b>	<b>85,447</b>	<b>85,305</b>	<b>88,002</b>	<b>87,460</b>	<b>88,228</b>	<b>92,356</b>	<b>92,561</b>

ANNUAL STUDENT ENROLLMENT TRENDS BY CAREER TYPE  
LAST TEN FISCAL YEARS

	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
Semester Credit Hour (SCH)	79,877	82,292	83,034	85,447	85,305	88,002	87,460	88,228	92,356	92,561
Funded Continuing Education Unit (CEU)	10,894	13,151	14,480	16,701	16,753	18,170	16,344	17,901	16,971	17,134
Non-Funded Continuing Education	6,863	6,811	5,172	3,147	2,344	2,214	4,708	1,116	1,265	1,673
Adult HS ABE/ESL/GED	2,465	3,431	6,128	11,286	11,681	9,167	7,992	9,749	10,062	10,801
<b>Unduplicated Enrollment *</b>	<b>98,211</b>	<b>103,488</b>	<b>106,470</b>	<b>114,430</b>	<b>114,288</b>	<b>115,575</b>	<b>113,689</b>	<b>115,600</b>	<b>119,196</b>	<b>120,804</b>

Note:

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

Source: HCC OIR DataMart Files, end-of-term, FY 2011 - FY 2020.

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

Table 16

Student Classification*	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	28,814	53.6%	28,654	52.8%	29,322	52.2%	27,849	50.6%	26,282	49.2%	27,504	50.0%	28,599	52.4%	29,955	53.5%	32,304	56.1%	32,660	57.7%
Sophomore	13,827	25.7%	14,533	26.8%	15,287	27.2%	14,264	25.9%	14,734	27.6%	14,681	26.7%	14,414	26.4%	14,380	25.7%	14,529	25.2%	13,447	23.8%
Unclassified	5,016	9.3%	5,108	9.4%	5,137	9.2%	5,078	9.2%	5,221	9.8%	5,213	9.5%	4,904	9.0%	4,677	8.3%	4,437	7.7%	3,390	6.0%
Assoc. Degree	9	0.0%	15	0.0%	14	0.0%	15	0.0%	21	0.0%	30	0.1%	37	0.1%	53	0.1%	64	0.1%	120	0.2%
BS & Above	47	0.1%	53	0.1%	57	0.1%	57	0.1%	117	0.2%	118	0.2%	152	0.3%	171	0.3%	279	0.5%	361	0.6%
Continuing Ed. Only	6,062	11.3%	5,884	10.8%	6,318	11.3%	7,791	14.2%	7,093	13.3%	7,495	13.6%	6,515	11.9%	6,778	12.1%	6,002	10.4%	6,614	11.7%
Total	53,775	100.0%	54,247	100.0%	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%

Semester Hour Load**	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	789	1.5%	822	1.5%	888	1.6%	506	0.9%	548	1.0%	650	1.2%	652	1.2%	660	1.2%	835	1.4%	748	1.3%
3-5 semester hrs	14,225	26.5%	14,210	26.2%	13,983	24.9%	13,975	25.4%	12,312	23.0%	12,503	22.7%	12,363	22.6%	13,116	23.4%	13,153	22.8%	13,516	23.9%
6-8 Semester hrs	14,131	26.3%	14,305	26.4%	14,796	26.4%	13,846	25.1%	13,712	25.6%	14,009	25.5%	13,915	25.5%	13,433	24.0%	14,622	25.4%	13,781	24.4%
9-11 semester hrs	9,276	17.2%	9,741	17.9%	10,092	18.0%	9,348	17.0%	9,694	18.1%	9,791	17.8%	9,717	17.8%	9,999	17.9%	10,856	18.8%	10,359	18.3%
12-14 semester hrs	7,770	14.4%	7,986	14.7%	8,708	15.5%	8,264	15.0%	8,787	16.4%	9,103	16.5%	9,933	18.2%	10,438	18.6%	10,645	18.5%	9,958	17.6%
15-17 semester hrs	1,420	2.6%	1,244	2.3%	1,257	2.2%	1,247	2.3%	1,205	2.3%	1,376	2.5%	1,381	2.5%	1,470	2.6%	1,364	2.4%	1,443	2.5%
18 & over	102	0.2%	82	0.2%	93	0.2%	77	0.1%	117	0.2%	114	0.2%	145	0.3%	120	0.2%	138	0.2%	173	0.3%
Continuing Ed. Only	6,062	11.3%	5,884	10.8%	6,318	11.3%	7,791	14.2%	7,093	13.3%	7,495	13.6%	6,515	11.9%	6,778	12.1%	6,002	10.4%	6,614	11.7%
Total	53,775	100.0%	54,274	100.0%	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%
Average course load					7.4 SCH		7.4 SCH		7.6 SCH		7.7 SCH		7.7 SCH		7.8 SCH		7.8 SCH		7.8 SCH	

Tuition Status***	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	29,574	55.0%	29,123	53.7%	30,707	54.7%	29,745	54.0%	29,791	55.7%	31,296	56.9%	31,806	58.2%	32,735	58.4%	32,896	57.1%	31,267	55.2%
Texas Resident (Out-of-District)	12,970	24.1%	13,186	24.3%	12,198	21.7%	11,053	20.1%	10,541	19.7%	10,603	19.3%	10,592	19.4%	10,821	19.3%	12,056	20.9%	12,298	21.7%
Non-Resident Tuition	4,870	9.1%	5,824	10.7%	6,594	11.7%	6,151	11.2%	5,761	10.8%	5,234	9.5%	5,124	9.4%	5,302	9.5%	6,332	11.0%	6,170	10.9%
Tuition Waiver	299	0.6%	257	0.5%	318	0.6%	314	0.6%	282	0.5%	413	0.8%	584	1.1%	378	0.7%	329	0.6%	243	0.4%
Continuing Ed. Only	6,062	11.3%	5,884	10.8%	6,318	11.3%	7,791	14.2%	7,093	13.3%	7,495	13.6%	6,515	11.9%	6,778	12.1%	6,002	10.4%	6,614	11.7%
Total	53,775	100.0%	54,274	100.0%	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%

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

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

Table 17

Gender	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	30,258	56.3%	30,284	55.8%	30,660	54.6%	29,532	53.6%	29,248	54.7%	30,007	54.5%	29,652	54.3%	30,881	55.1%	31,985	55.5%	30,865	54.5%
Male	23,517	43.7%	23,963	44.2%	25,475	45.4%	25,522	46.4%	24,220	45.3%	25,034	45.5%	24,969	45.7%	25,133	44.9%	25,630	44.5%	25,727	45.5%
Total	53,775	100.0%	54,247	100.0%	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%

Ethnic Origin	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
African American	14,155	26.3%	14,560	26.8%	15,199	27.1%	14,192	25.8%	14,695	27.5%	16,079	29.2%	15,631	28.6%	16,085	28.7%	17,346	30.1%	15,685	27.7%
Hispanic	20,577	38.3%	19,796	36.5%	19,674	35.0%	19,230	34.9%	18,336	34.3%	18,368	33.4%	18,346	33.6%	18,266	32.6%	17,812	30.9%	17,721	31.3%
White	7,530	14.0%	7,624	14.1%	8,364	14.9%	8,438	15.3%	8,781	16.4%	9,302	16.9%	9,564	17.5%	10,242	18.3%	10,912	18.9%	11,393	20.1%
Asian	5,622	10.5%	5,588	10.3%	5,676	10.1%	5,504	10.0%	5,341	10.0%	5,354	9.7%	5,542	10.1%	5,641	10.1%	6,107	10.6%	5,881	10.4%
Native American	89	0.2%	95	0.2%	93	0.2%	87	0.2%	104	0.2%	118	0.2%	118	0.2%	110	0.2%	131	0.2%	138	0.2%
Foreign	4,099	7.6%	4,947	9.1%	5,464	9.7%	5,257	9.5%	4,655	8.7%	4,040	7.3%	3,830	7.0%	3,884	6.9%	4,086	7.1%	4,270	7.5%
Unknown	1,703	3.2%	1,627	3.0%	1,665	3.0%	2,346	4.3%	1,556	2.9%	1,780	3.2%	1,590	2.9%	1,786	3.2%	1,221	2.1%	1,504	2.7%
Total	53,775	100.0%	54,237	100.0%	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%

Age	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	7,035	13.1%	6,391	11.8%	5,788	10.3%	6,112	11.1%	4,283	8.0%	4,031	7.3%	3,962	7.3%	4,639	8.3%	2,908	5.0%	3,046	5.4%
18 - 21	16,789	31.2%	16,325	30.1%	17,018	30.3%	15,500	28.2%	14,982	28.0%	15,074	27.4%	16,041	29.4%	16,027	28.6%	17,222	29.9%	17,205	30.4%
22 - 24	7,899	14.7%	8,073	14.9%	8,636	15.4%	8,308	15.1%	8,562	16.0%	8,753	15.9%	8,849	16.2%	8,962	16.0%	9,760	16.9%	9,328	16.5%
25 - 35	13,686	25.5%	14,662	27.0%	15,757	28.1%	15,850	28.8%	15,997	29.9%	16,903	30.7%	15,741	28.8%	15,842	28.3%	17,194	29.8%	16,569	29.3%
36 - 50	6,228	11.6%	6,602	12.2%	6,792	12.1%	6,983	12.7%	7,154	13.4%	7,688	14.0%	7,477	13.7%	7,862	14.0%	8,055	14.0%	7,957	14.1%
51 & Over	2,127	4.0%	2,184	4.0%	2,139	3.8%	2,293	4.2%	2,482	4.6%	2,589	4.7%	2,531	4.6%	2,664	4.8%	2,464	4.3%	2,468	4.4%
Unknown	11	0.0%	10	0.0%	5	0.0%	8	0.0%	8	0.0%	3	0.0%	20	0.0%	18	0.0%	12	0.0%	19	0.0%
Total	53,775	100.0%	54,247	100.0%	56,135	100.0%	55,054	100.0%	53,468	100.0%	55,041	100.0%	54,621	100.0%	56,014	100.0%	57,615	100.0%	56,592	100.0%
Average Age	26.1 *		26.4 *		26.5 *		26.8 *		26.8 *		27.4 *		27.7 *		27.4 *		27.4 *		27.5 *	

Note:

\*Removed 'Unknown' age before calculating average.

Source: Certified CBM001 & CBM00A.

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

Table 18

Fiscal Year	Funded Contact Hours				
	Semester Credit Hours			CEU	Grand Total
	Academic	Voc Tech	Total		
2020	14,734,611	4,941,920	19,676,531	1,715,532	21,392,063
2019	14,735,065	4,961,424	19,696,489	1,843,055	21,539,544
2018	15,688,714	4,844,368	20,533,082	2,019,420	22,552,502
2017	15,443,656	5,298,512	20,742,168	2,296,406	23,038,574
2016	15,527,528	5,762,048	21,289,576	2,146,857	23,436,433
2015	15,873,248	6,122,448	21,995,696	2,290,228	24,285,924
2014	15,931,744	5,822,268	21,754,012	1,980,830	23,734,842
2013	16,237,296	5,744,810	21,982,106	1,933,271	23,915,377
2012	17,354,256	5,822,072	23,176,328	1,798,940	24,975,268
2011	17,802,080	5,924,078	23,726,158	1,914,445	25,640,603



HOUSTON COMMUNITY COLLEGE SYSTEM  
TRANSFERS TO SENIOR INSTITUTIONS  
2018-2019 GRADUATES\*  
(Includes Only Public Senior Colleges in Texas)  
(Unaudited)

Table 19

	Total Student Count	Total Student Count	Total Student Count	Total of all Transfer Students	% of all Transfer Students
	Academic	Technical	Tech-Prep		
1 Angelo State University	8	1	-	9	0.1%
2 Baylor College of Medicine	6		-	6	0.1%
3 Lamar University	87	14	-	101	1.0%
4 Midwestern State University	16	3	-	19	0.2%
5 Prairie View A&M University	254	15	4	273	2.7%
6 Sam Houston State University	327	19	-	346	3.5%
7 Stephen F. Austin State University	121	9	-	130	1.3%
8 Sul Ross State University - Rio Grande College	3		-	3	0.0%
9 Tarleton State University	11	1	-	12	0.1%
10 Texas A&M International University	1		-	1	0.0%
11 Texas A&M University	922	14	1	937	9.4%
12 Texas A&M University - Central Texas	2	1	-	3	0.0%
13 Texas A&M University - Commerce	14	1	-	15	0.2%
14 Texas A&M University - Corpus Christi	52	6	-	58	0.6%
15 Texas A&M University - Kingsville	13	1	-	14	0.1%
16 Texas A&M University - San Antonio	13	1	-	14	0.1%
17 Texas A&M University - Texarkana	4		-	4	0.0%
18 Texas A&M University at Galveston	34	2	-	36	0.4%
19 Texas A&M University System Health Science Center	16	1	-	17	0.2%
20 Texas Southern University	477	45	1	523	5.2%
21 Texas State University	300	12	-	312	3.1%
22 Texas Tech University	228	9	1	238	2.4%
23 Texas Tech University Health Sciences Center	21	1	-	22	0.2%
24 Texas Tech University Health Sciences Center - El Paso	1		-	1	0.0%
25 Texas Woman's University	102	4	-	106	1.1%
26 The University of Texas - Rio Grande Valley	8	1	-	9	0.1%
27 The University of Texas at Arlington	133	10	1	144	1.4%
28 The University of Texas at Austin	613	6	1	620	6.2%
29 The University of Texas at Dallas	176	4	-	180	1.8%
30 The University of Texas at El Paso	12		-	12	0.1%
31 The University of Texas at San Antonio	224	5	-	229	2.3%
32 The University of Texas at Tyler	173	6	-	179	1.8%
33 The University of Texas of the Permian Basin	14	1	-	15	0.2%
34 The University of Texas Health Science Center at Houston	113	18	-	131	1.3%
35 The University of Texas Health Science Center at San Antonio	7	1	-	8	0.1%
36 The University of Texas M.D. Anderson Cancer Center	43	3	-	46	0.5%
37 The University of Texas Medical Branch at Galveston	41	-	-	41	0.4%
38 The University of Texas Southwestern Medical Center	1	-	-	1	0.0%
39 University of Houston	3,087	130	7	3,224	32.3%
40 University of Houston - Clear Lake	153	18	-	171	1.7%
41 University of Houston - Downtown	1,256	132	7	1,395	14.0%
42 University of Houston - Victoria	239	28	-	267	2.7%
43 University of North Texas	105	4	-	109	1.1%
44 University of North Texas at Dallas	1	-	-	1	0.0%
45 University of North Texas Health Science Center	4	-	-	4	0.0%
46 West Texas A&M University	8	1	-	9	0.1%
	9,444	528	23	9,995	100.00%

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

Table 20

	2020	2019	2018	2017	2016
Number of Academic Buildings*	60	59	59	52	50
Square footage	3,769,775	3,735,824	3,738,088	3,174,752	2,938,234
Number of Administrative Buildings	1	1	1	1	1
Square footage	558,450	558,450	558,450	558,450	558,450
Number of Plant Facilities/Warehouses	7	7	7	6	6
Square footage	145,727	145,727	145,727	180,845	180,845
Number of Parking Structures	6	6	6	6	6
Square footage	1,481,151	1,481,151	1,413,861	1,413,861	1,413,861
Number of Libraries**	15	15	16	14	14
Square footage	155,472	155,472	159,290	149,831	149,831
<u>Libraries</u>					
Number of Volumes					
Circulating books	244,198	261,223	261,347	260,723	255,605
Reference books	19,489	20,138	21,323	24,167	26,202
Media items	20,410	21,340	21,985	22,768	22,492
Magazines, journals, newspapers	-	465	423	464	527
Electronic books/digital video	361,712	344,686	295,504	282,510	242,580
Electronic journals	37,642	37,745	33,961	7,100	8,228
Misc. Items (Devices, games, maker items, etc.)	3,225	3,036	-		
Total	<u>686,676</u>	<u>688,633</u>	<u>634,543</u>	<u>597,732</u>	<u>555,634</u>
<u>Transportation</u>					
Cars	55	55	51	42	38
Golf Cart	27	27	21	19	24
Utility Carts	16	15	16	13	10
Motorcycle	1	1	1	1	1
Segway	-	-	-	-	3
Mobile Unit	2	2	2	2	2
Sports Utility Vehicle	19	13	12	11	5
Tractors	31	35	35	33	37
Trailers	45	45	45	40	45
Truck	19	19	19	19	19
Truck, Heavy	13	9	9	5	4
Fire Truck	2	2	2	2	2
Cargo Vans	17	15	15	14	18
15 Passenger Vans	2	2	2	2	2
Forklift	15	12	12	10	10
Total	<u>264</u>	<u>252</u>	<u>242</u>	<u>213</u>	<u>220</u>

Note:

\*Buildings include both capital and operating leases.

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

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

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

To the Board of Trustees  
Houston Community College System  
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Houston Community College System (the "System"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 2, 2020. Our report includes a reference to other auditors who audited the financial statements of Houston Community College Foundation (the "Foundation"), as described in our report on the System's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**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 determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's 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.

To the Board of Trustees  
Houston Community College System

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
December 2, 2020



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL  
AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS *UNIFORM GRANT  
MANAGEMENT STANDARDS***

To the Board of Trustees  
Houston Community College System  
Houston, Texas

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

We have audited Houston Community College System's (the "System") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of the System's major federal and state programs for the year ended August 31, 2020. The System's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditor's Responsibility***

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

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

To the Board of Trustees  
Houston Community College System

***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, 2020.

**Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the State of Texas *Uniform Grant Management Standards* and which are described in the accompanying schedule of findings and questioned costs as item #2020-001. Our opinion on each major federal and state program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item #2020-001, which we consider to be significant deficiency in the System's internal control over compliance.

To the Board of Trustees  
Houston Community College System

The System's response to the finding on internal control over compliance identified in our audit, 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 the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

*Whitley Penn LLP*

Houston, Texas  
December 2, 2020



HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2020

Schedule E

Federal Grantor/Cluster/Program Title/Pass-Through Grantor Pass-Through Grantor's Award Number	CFDA Number	Grant Award #	Expenditures	Pass-Through to Subrecipients
<b>U. S. Department of Education</b>				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007	P007A184037	\$ 1,865,989	\$ -
Federal Work-Study Program	84.033	P007A184037	1,190,228	-
Federal Pell Grant Program	84.063	P063P183363	86,270,849	-
Federal Direct Student Loans	84.268	P268K193363	67,552,413	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	P379T193363	7,035	-
<b>Total Student Financial Assistance Cluster</b>			<b>156,886,514</b>	<b>-</b>
TRIO Cluster				
TRIO - Upward Bound	84.047A	P047A171239	266,646	-
TRIO - Upward Bound	84.047A	P047A171255	474,320	-
TRIO - Educational Opportunities Centers	84.066A	P066A160447	256,658	-
<b>Total TRIO Cluster</b>			<b>997,624</b>	<b>-</b>
COVID-19 CARES Act Higher Education Emergency Relief Fund - Student Aid	84.425E	P425E200879	14,147,100	-
COVID-19 Higher Education Emergency Relief Fund - Institutional Support	84.425F	P425F201765	1,347,018	-
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institution	84.425L	P425L200365	1,013,208	-
Emergency Assistance to Institutions of Higher Education Program	84.938T	P938T180038	157,017	-
Pass-Through From:				
Houston - Galveston Area Council				
Adult Education - Basic Grants to States	84.002A	H-GAC 213-20	3,084,298	-
Adult Education - Basic Grants to States	84.002A	H-GAC 213-21	524,536	-
Adult Education - Basic Grants to States	84.002A	H-GAC 213-20	485,047	-
Adult Education - Basic Grants to States	84.002A	H-GAC 213-21	74,182	-
Adult Education - Basic Grants to States	84.002A	N/A	9,869	-
Adult Education - Basic Grants to States	84.002A	2819AEL003	198,901	-
Adult Education - Basic Grants to States	84.002A	N/A	57,791	-
<b>Total Adult Education - Basic Grants to States</b>			<b>4,434,624</b>	<b>-</b>
Texas Higher Education Coordinating Board				
Career and Technical Education - Basic Grants to States	84.048	BMS#22098	2,064,192	-
Education Research, Development and Dissemination	84.305H	15584	2,592	-
Education Research, Development and Dissemination	84.305H	15526	30,875	-
<b>Total THECB - Career and Technical Education Basic Grants to States</b>			<b>2,097,659</b>	<b>-</b>
Texas Workforce Commission				
Rehabilitation Services Vocational/Rehabilitation Grants to States	84.126A	3020VRS043	55,692	-
<b>Total U.S. Department of Education</b>			<b>\$ 181,136,456</b>	<b>-</b>
<b>U.S. Department of Commerce</b>				
Minority Business Development Agency - Business Center	11.805	MB16OBD8050023	337,168	-
<b>Total U.S. Department of Commerce</b>			<b>337,168</b>	<b>-</b>
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	N/A	3,842	-
<b>Total U.S. Department of Justice</b>			<b>3,842</b>	<b>-</b>

See accompanying notes to Schedule of Expenditures of Federal Awards

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

Schedule E

Federal Grantor/Cluster/Program Title/Pass-Through Grantor Pass-Through Grantor's Award Number	CFDA Number	Grant Award #	Expenditures	Pass-Through to Subrecipients
<b>U.S. Department of Labor</b>				
H-1B Job Training Grants	17.268	AP-27829-15-60-A-48	947,743	566,777
Pass-Through From:				
American Association of Community Colleges Apprenticeship USA Grants	17.285	AP-33025-19-75-A-11	25,686	-
Texas Workforce Commission WIOA Cluster				
WIOA Dislocated Worker Formula Grants	17.278	2820ATP002-001	118,156	118,156
WIOA Dislocated Worker Formula Grants	17.278	2818WOS000	40,694	-
<b>Total WIOA Cluster</b>			<b>158,850</b>	<b>118,156</b>
<b>Total U.S. Department of Labor</b>			<b>1,132,279</b>	<b>684,933</b>
<b>U.S. Department of State</b>				
Pass-Through From:				
Northern Virginia Community College Academic Exchange Programs- Undergraduate Programs	19.009	S-ECAGD-19-CA-0055	91,672	-
Academic Exchange Programs- Undergraduate Programs	19.009	S-ECAGD-19-CA-0055	9,190	-
<b>Total U.S. Department of State</b>			<b>100,862</b>	<b>-</b>
<b>National Science Foundation</b>				
Mathematical and Physical Sciences	47.049	1460564	9,678	3,600
Education and Human Resources	47.076	534713001	114,349	-
Pass-Through From:				
University of Houston Education and Human Resources	47.076	R-19-0000	67,871	-
Texas A&M Education and Human Resources	47.076	1501938	56,612	-
Education and Human Resources	47.076	M1801293	22,816	-
<b>Total National Science Foundation</b>			<b>271,326</b>	<b>3,600</b>
<b>U. S. Department of Health and Human Services</b>				
Pass-Through From:				
University of Texas at Austin Substance Abuse and Mental Health Services - Projects	93.243	UTA 17-000810	8,881	-
Pass-Through From:				
TANF Cluster				
Texas Workforce Commission Temporary Assistance for Needy Families	93.558	2820ATP002-001	19,681	19,681
<b>Total U. S. Department of Health and Human Services</b>			<b>28,562</b>	<b>19,681</b>
<b>Corporation for National and Community Service</b>				
AmeriCorps	94.006	-	65,461	-
<b>Total Corporation for National and Community Service</b>			<b>65,461</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 183,075,956</b>	<b>\$ 708,214</b>

See accompanying notes to Schedule of Expenditures of Federal Awards

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEUDLE

The Schedule of Expenditures of Federal Awards presents the federal grant activity of the System for the year ended August 31, 2020. The schedule is presented using the accrual basis of accounting. The expenditures reported in the schedule represent funds which have been expended by the System for the purposes of the award and may not have been reimbursed by the funding agencies as of the end of the fiscal year. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The System has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the System utilizes an agency approved Indirect Recovery Rate, it has elected not to use the 10% de Minimis cost rate as permitted under the Uniform Guidance, Section 200.414.

NOTE 2 – FEDERAL ASSISTANCE RECONCILIATION

Revenues - Federal Grants and Contracts – per Schedule A	\$ 29,265,821
Add: Non-Operating Federal Revenue - per Schedule C	88,136,837
Total Federal Revenues per Schedules A and C	<u>117,402,658</u>
Reconciling items:	
Add: Federal Direct Student Loans	67,552,413
Less: Programs not subject to Federal Single Audit	<u>(1,879,115)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 183,075,956</u></u>

NOTE 3 – EXPENDITURES NOT SUBJECT TO FEDERAL SINGLE AUDIT

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

CFDA 64.027 Post 9/11 Veterans Educational Assistance	<u><u>\$ 1,879,115</u></u>
---	----------------------------

These funds were not subject to a federal single audit per the Catalog of Federal Domestic Assistance.

NOTE 4 – STUDENT LOANS PROCESSED AND ADMINISTRATIVE COSTS RECOVERED

Federal Grantor/CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Processed & Administrative Cost Recovered
U.S. Department of Education:			
84.268 Direct Loans	\$ 67,552,413	\$ -	<u><u>\$ 74,170,077</u></u>

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

NOTE 5 - AMOUNTS PASSED THROUGH BY THE SYSTEM TO SUBRECIPIENTS

The following amounts were passed-through to the listed sub-recipients by the System and are included in the Schedule of Expenditure of Federal Awards.

The below amounts were funded by the U.S. Department of Labor H-1B Job Training grant; CFDA 17.268.

CVS Health Corporation	\$ 104,111
Dallas County Community College District	462,666
Total Passed-through to Subrecipients	<u>\$ 566,777</u>

The below amount was funded by the U.S. Department of Labor WIOA Dislocated Work Formula grant; CFDA 17.278

Joint Apprenticeship Training Committee	\$ 118,156
Total Passed-through to Subrecipient	<u>\$ 118,156</u>

The below amounts were funded by the National Science Foundation Mathematical and Physical Sciences grant; CFDA 47.049.

University of Houston	\$ 3,600
Total Passed-through to Subrecipients	<u>\$ 3,600</u>

The below amount was funded by the U.S. Department of Health and Human Services Temporary Assistance for Needy Family grant; CFDA 93.558

Houston Area Sheet Metal Joint Apprenticeship Committee	\$ 19,681
Total Passed-through to Subrecipient	<u>\$ 19,681</u>

HOUSTON COMMUNITY COLLEGE SYSTEM  
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2020

Schedule F

State Grantor Program Title	Grantor's Number	Expenditures and Pass-Through Disbursements
<b>Texas Higher Education Coordinating Board</b>		
Nursing Shortage Reduction Program	-	12,958
Work-Study Student Mentorship Program	18882	26,009
Houston Pathways Initiative-College for Readiness	23042	4,496
Texas College Work Study Program	-	190,671
Texas Educational Opportunity Grant	-	3,736,358
<b>Total Texas Higher Education Coordinating Board</b>		<b>3,970,492</b>
<b>Texas Workforce Commission</b>		
Apprenticeship Training Program	2820A TP002	280,507
FY19 Skills for Small Business Program	289SSD003	1,327
TWC Texas Injection Molding, LLC	2819SDF001	127,057
TWC-Skills for Transition Program	2819SDF002	1,442
<b>Total Texas Workforce Commission</b>		<b>410,333</b>
<b>Texas State Board of Public Accountancy</b>		
Fifth Year Accounting Student	-	6,021
<b>Total Texas State Board of Public Accountancy</b>		<b>6,021</b>
<b>Total State Financial Assistance</b>		<b>\$ 4,386,846</b>

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The Schedule of Expenditures of State of Texas Awards presents the activity of the state award programs of the System for the year ended August 31, 2020. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported in Schedule F above represent funds that have been expended by the System for the purposes of the award. Separate accounts are maintained for the different awards to aid in the observance of the limitations and restrictions imposed by the funding agencies. The System has followed all applicable guidelines issued by various entities in the preparation of the schedule.

NOTE 2 – STATE ASSISTANCE RECONCILIATION

State Grants and Contracts Revenue – per Schedule A	\$ 4,386,846
Reconciling items:	
None	-
Total State revenues per Schedule of Expenditures of State of Texas Awards	<u>\$ 4,386,846</u>

NOTE 3 – AMOUNTS PASSED-THROUGH BY THE SYSTEM TO SUBRECIPIENTS

The following amounts were passed-through to the listed sub-recipients by the System and are included in the Schedule of Expenditure of State Awards.

The below amounts were funded by the TWC Apprenticeship Training Program/Chap. 133 grant.

FTI of District Council 88	\$ 11,261
Houston Area Sheet Metal Joint Apprenticeship Committee	36,183
Joint Apprenticeship Training Committee of Pipe Fitters LU 211	110,732
Texas IronWorkers, Houston Branch	68,816
Total Passed-through to Subrecipients	<u>\$ 226,992</u>

**HOUSTON COMMUNITY COLLEGE SYSTEM**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended August 31, 2020*

**I. Summary of Auditors' Results**

**Financial Statements**

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

**Federal and State Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, #2020-001
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and Uniform Grant Management Standards?	Yes, #2020-001

Identification of major programs:

<b>Name of Federal Programs or Cluster</b>	<b>CFDA Numbers</b>
Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379
Career and Technical Education – Basis Grants to States	84.048
COVID-19 - CARES Act, Higher Education Emergency Relief Fund, Student Portion	84.425E
COVID-19 - CARES Act, Higher Education Emergency Relief Fund, Institutional Portion	84.425F
COVID-19 - CARES Act, Higher Education Emergency Relief Fund, Minority Serving Institutions Strengthening Institutions Program	84.425L

**Name of State Programs**

Texas Educational Opportunity Grant Program	N/A
Apprenticeship Training Program (Chapter 133)	N/A

**HOUSTON COMMUNITY COLLEGE SYSTEM**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
*For the Year Ended August 31, 2020*

**Summary of Auditors' Results (continued)**

Dollar Threshold used to Distinguish between  
Type A and B Programs

Federal	\$3,000,000
State	\$300,000

Auditee qualified as a low-risk auditee

Federal	Yes
State	Yes

**II. Financial Statement Findings**

There are no current year findings.

**III. Federal and State Award Findings and Questioned Costs**

This section identifies material weaknesses, significant deficiencies, and instances of non-compliance, including questioned costs, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards, Section 200.516 *Audit Findings*.

**#2020-001**

**Compliance Requirement:** Special Test and Provision - Return of Title IV (R2T4) Funds

**Federal Program:** Student Financial Aid (SFA) Cluster

**Award Numbers:** CFDA 84.007 P007A184037, CFDA 84.033 P033A184037,  
CFDA 84.063 P063P183363, CFDA 84.268 P268K193363,  
CFDA 84.379 P379T193363

**Type of Finding:** Compliance and Internal Control Over Compliance

**Criteria:** 34 CFR 668.22 – *Treatment of Title IV funds when a student withdraws* requires Title IV funds to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

**Condition:** For 1 out of 40 students tested the return of Title IV funds occurred after 45 days.

**Cause:** Human error

**Effect:** The System did not make the return of Title IV funds in accordance with 34 CFR 668.22.



**HOUSTON COMMUNITY COLLEGE SYSTEM**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
*For the Year Ended August 31, 2020*

**Questioned Costs:** None

**Repeat Finding:** No

**Recommendation:** We recommend for the System to have a consistently applied system of monitoring to meet the return of Title IV fund requirements.

**Views of Responsible Official:**

Houston Community College has a monitoring system in place that requires all R2T4 calculations to be completed within 2 weeks of the student withdrawing from all classes or the date it was determined that the student stopped attending. All returns to the COD system are required by staff to be completed within 4 weeks of the withdrawal determination date. R2T4 records populate each processors workflow the day follow the withdrawal determination date. Two senior associates in the processing center monitor the workflows and conduct monthly audits of all R2T4 calculations and returns completed the prior month and immediately notify each processor if there are issues or problems identified. The process works well and provides a number of checks and balances to ensure that the R2T4 calculations are done accurately and timely. Continuous training is provided to the processors by the Senior Associates and the Director of Financial Aid Processing.

When COVID-19 was declared a national emergency, the Department of Education put out a number of regulatory relief and waivers that included the Return of Title IV Funds. The regulatory changes were released with the passing of the CARES Act with guidance provided weeks after the passing of the regulatory relief package. Higher Education institutions were provided with the following regulatory relief and were given the option to complete the calculations but hold off on returning the funds until specific guidance was released.

As we were working to implement processes and procedures to identify those affected by COVID-19 and those who were not, this student was overlooked (human error) due to the timing of the withdrawal and when we were notified that the student stopped attending the class(es). The student had stopped attending and the faculty member determined and reported on 4/09/20 that the student stopped attending in February. The determination date happened after the COVID-19 emergency was declared but the student stopped attending prior to the school closure on March 13, 2020. This caused the student's record to be part of the COVID-19 review records. It was determined that the student did not qualify for the R2T4 relief early summer but the processor forgot to finish the process on the student's record. The incomplete record was identified during the monthly internal audit process in May, but again, the confusion around the COVID-19 regulatory relief records and those who did not qualify caused the record to get missed and funds not returned on time.

**HOUSTON COMMUNITY COLLEGE SYSTEM**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
*For the Year Ended August 31, 2020*

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

**I. Prior Year Findings**

**#2019-001**

**Compliance Requirement:** Eligibility

**Federal Program:** Student Financial Aid (SFA) Cluster

**Award Numbers:** CFDA 84.007 P007A184037, CFDA 84.033 P033A184037,  
CFDA 84.063 P063P183363, CFDA 84.268 P268K193363,  
CFDA 84.379 P379T193363

**Corrective Action:** Corrective action was taken.

**HOUSTON COMMUNITY COLLEGE SYSTEM**  
**CORRECTIVE ACTION PLAN**  
*For the Year Ended August 31, 2020*

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

**I. Corrective Action Plan**

**#2020-001**

**Compliance Requirement:** Special Test and Provision - Return of Title IV (R2T4) Funds

**Federal Program:** Student Financial Aid (SFA) Cluster

**Award Numbers:** CFDA 84.007 P007A184037, CFDA 84.033 P033A184037,  
CFDA 84.063 P063P183363, CFDA 84.268 P268K193363,  
CFDA 84.379 P379T193363

**Type of Finding:** Compliance and Internal Control Over Compliance

**Description:** As soon as it was reported that the funds were not returned, the Director of Processing and Senior Associate took action to complete the required return. All other non-COVID-19 records were reviewed to ensure that there were no other records that were missed during the determination of whether or not the student records qualified for R2T4 regulatory relief.

COVID-19 and the CARES Act changes caused some confusion and delay in processing student withdrawal records. The Executive Director completed CARES Act training in May and June. The Director of Processing provided additional training in the months following June 2020. The Director of Processing has provided the processors with additional guidance and tools needed to appropriately, accurately, and timely processing of R2T4 records.

The senior associates of the processing center will continue to perform the monthly R2T4 internal audits and report the results to the Director of Processing. The confusion created by the CARES Act and R2T4 regulatory relief has been resolved and processing continues on a weekly basis to ensure accurate and timely returns.

**Responsible Party:** JoEllen Soucier, Executive Director of Financial Aid

**Estimated Completion Date:** Immediately and as stated above