



LONE STAR  
COLLEGE



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED  
AUGUST 31, 2020 AND 2019  
LONE STAR COLLEGE • TEXAS



---

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

---

**FOR THE FISCAL YEARS ENDED AUGUST 31, 2020 AND 2019**

**Prepared by Financial Operations and Facilities  
Lone Star College · 5000 Research Forest Drive · The Woodlands, Texas 77381**



**LONE STAR COLLEGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED AUGUST 31, 2020 AND 2019**

**TABLE OF CONTENTS**

INTRODUCTORY SECTION .....	7
Chancellor's Letter .....	8
Transmittal Letter .....	9
2019 GFOA Certificate of Achievement for Excellence in Financial Reporting .....	15
Organization Data .....	16
Board of Trustees and Administration .....	17
Organizational Chart .....	18
INTRODUCTORY SECTION .....	7
Chancellor's Letter .....	8
Transmittal Letter .....	9
2019 GFOA Certificate of Achievement for Excellence in Financial Reporting .....	15
Organization Data .....	16
Board of Trustees and Administration .....	17
Organizational Chart .....	18
FINANCIAL SECTION .....	19
Independent Auditors' Report .....	20
Management's Discussion and Analysis .....	24

## Basic Financial Statements

Financial Statements .....	35
1    Statements of Net Position .....	36
1A   Statement of Financial Position - Foundation .....	37
2    Statements of Revenues, Expenses and Changes in Net Position .....	38
2A   Statement of Activities and Changes in Net Assets - Foundation .....	39
3    Statements of Cash Flows .....	41
Notes to Financial Statements .....	43
1    Reporting Entity .....	44
2    Summary of Significant Accounting Policies .....	45
3    Authorized Investments .....	49
4    Deposits and Investments .....	50
5    Capital Assets .....	53
6    Non-Current Liabilities .....	55
7    Bonds Payable .....	57
8    Issued, Refunded & Defeased Bonds Outstanding .....	62
9    Operating Leases .....	65
10   Employees' Retirement Plans .....	66
11   Compensable Absences .....	73
12   Commitments and Contingencies .....	74
13   Disaggregation of Receivables and Payables .....	75
14   Federal and State Contract and Grant Awards .....	76

15	Risk Management .....	77
16	Post-Retirement Health Care and Life Insurance Benefits .....	78
17	Ad Valorem Tax .....	79
18	Income Taxes .....	80
19	Component Unit .....	81
20	Post-Employment Benefits Other Than Pensions .....	82
21	Aldine ISD Early College High School .....	87
22	Construction Commitments .....	88
23	Leased Facilities .....	89
24	Subsequent Events .....	90
	Required Supplementary Information (RSI) Schedules .....	91
	Schedule of College's Share of Net Pension Liability .....	92
	Schedule of College's Pensions Contributions.....	93
	Notes to Required Supplementary Information for Pensions.....	94
	Schedule of College's Share of Net OPEB Liability .....	95
	Schedule of College's OPEB Contributions .....	96
	Notes to Required Supplementary Information for OPEB .....	97
	Supplementary Schedules .....	98
A	Schedule of Operating Revenues .....	99
B	Schedule of Operating Expenses by Object .....	101
C	Schedule of Non-Operating Revenues and Expenses .....	102
D	Schedule of Net Position by Source and Availability .....	103

E	Schedule of Expenditures of Federal Awards .....	104
F	Schedule of Expenditures of State Awards .....	107
	Statistical Section .....	109
	Statistical Section Contents .....	110
SS01	Net Position by Component .....	111
SS02	Revenues by Source .....	112
SS03	Program Expenses by Function .....	114
SS04	Tuition and Fees .....	116
SS05	Assessed Value and Taxable Assessed Value of Property .....	117
SS06	State Appropriation per FTSE and Contact Hour .....	118
SS07	Principal Taxpayers .....	119
SS08	Property Tax Levies and Collections .....	121
SS09	Ratios of Outstanding Debt .....	122
SS10	Legal Debt Margin Information .....	123
SS11	Pledged Revenue Coverage .....	124
SS12	Demographic and Economic Statistics .....	125
SS13	Principal Employers (a) .....	126
SS14	Faculty, Staff and Administrators Statistics .....	127
SS15	Enrollment Details .....	128
SS16	Student Profile .....	130
SS17	Transfers to Senior Institutions .....	131
SS18	Capital Asset Information .....	132

SINGLE AUDIT SECTION .....	133
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	134
Independent Auditors' Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance <i>and State of Texas Single Audit Circular</i> .....	136
Schedule of Findings and Questioned Costs .....	138
GLOSSARY .....	143



## INTRODUCTORY SECTION



## A letter from the Chancellor



To the LSC Board of Trustees:

I am pleased to submit to the Lone Star College (the "College") Board of Trustees and the citizens of the College's service area our Comprehensive Annual Financial Report for the most recent fiscal year, September 1, 2019 through August 31, 2020.

This year has been exceptionally challenging for the College, our students, and the community due to the impact of COVID-19. The College took aggressive action in late spring to shift primarily to online classes, freeze non-personnel budgets, limit new hires, and adjust budgets downward to reflect the financial realities. In addition, headcount decreased by 1.8% from Fall 2019 to Fall 2020 to total 86,041 credit students creating more loss of revenue.



However, our historically conservative fiscal management, combined with our actions in response to COVID, have allowed us to maintain our low tax rate, invest in several strategic initiatives in support of the College's commitment to student success, and maintain our financial stability. It's worth noting that this was accomplished with no layoffs or furloughs for employees.

Highlights for fiscal year 2020 include:

- Reaffirmation of AAA credit rating from Standard and Poor's for refinancing
- Tax rate of \$0.1078 per \$100 valuation unchanged
- Base tuition increased \$5 per credit hour, \$10 per credit hour for out of district fees and \$30 per credit hour for out of state/international fees
- Discipline-based differential fees increased on average \$1 per credit hour
- The distance learning fee increased by \$1 per credit hour
- Infrastructure and registration fees increased by \$1 per semester
- Budget aligned with strategic priorities
- Emphasis on academic transfer, workforce and student success initiatives
- 28 new faculty positions
- 3% across the board increase for full time/part time employees
- \$2 per contact hour adjunct pay increase
- \$2.5M for compensation changes related to compression.

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

Sincerely,

Stephen C. Head  
Chancellor



December 03, 2020

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

Respectfully submitted for your review is the Comprehensive Annual Financial Report of Lone Star College (the "College") for the fiscal years ended August 31, 2020 and August 31, 2019. The purpose of this report is to provide detailed information about the financial condition and performance of the College. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control. The objective of internal control is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. The concept of reasonable assurance ensures that the costs of the controls do not exceed the benefits derived.

#### ***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

The College's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended August 31, 2020 and 2019 was prepared by the Financial Operations and Facilities division. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with the Annual Financial Reporting Requirements for Texas Public Community Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The notes to the financial statements are considered an integral part of the financial statements and should be read in conjunction with them. Additionally, attention should be given to Management's Discussion and Analysis, which provides readers with a narrative introduction, overview and analysis of the financial statements.

#### ***REPORTING ENTITY***

The College is a special-purpose government engaged solely in business-type activities (BTA). In compliance with GASB Statement Nos. 34 and 35, this reporting model is intended to make government financial statements similar to corporate financial statements. It also serves to make the financial statements more comparable across organizations.

The Lone Star College Foundation ("Foundation") has been discretely presented in the College's statements as a component unit by inclusion of the Foundation's statements in the College's statements. Because the financial statements of the Foundation are presented in a different format from the College and are incompatible with the College's financial statements, the Foundation's financial statements are presented on separate pages from the College's financial statements. The Foundation is a non-profit organization established in 1991 with its sole purpose being to provide benefits such as scholarships and grants to the College.

## **COLLEGE PROFILE**

Since its humble beginnings in 1973 when an initial college staff of 16 members welcomed 613 students to the first classes held at Aldine High School, the College has grown to seven colleges, multiple centers and two University Centers enrolling 86,041 credit students in Fall 2020. The College is now the largest institution of higher education in the Houston area and is one of the fastest-growing community college systems in the nation. The seven Lone Star Colleges are: LSC-CyFair, LSC-Houston North, LSC-Kingwood, LSC-Montgomery, LSC-North Harris, LSC-Tomball, and LSC-University Park. The College serves an area of more than 2,700 square miles in the northwest Houston metro area including a population of 2.4 million and 11 independent school districts: Aldine, Conroe, Cypress-Fairbanks, Humble, Klein, Magnolia, New Caney, Splendora, Spring, Tomball and Willis. Not only great in size, the College is also a key driver and growing contributor to the local and regional economy with an annual economic impact of nearly \$3 billion.



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

## **MISSION**

The College provides comprehensive educational opportunities and programs to enrich lives.

## **VISION**

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

## **CORE VALUES**

- Excellence
- Learning
- Student Success
- Access and Affordability
- Accountability
- Community
- Diversity
- Human Resources
- Innovation and Creativity
- Integrity

## **STRATEGIC GOALS**

### **Academic & Workforce Program Quality**

Provide high quality academic and workforce programs that enhance students' learning experience and prepare them for the 21<sup>st</sup> century workforce.

### **Student Success**

Promote student success by ensuring excellence in teaching, learning and student-centered support services.

### **Financial Responsibility & Accountability**

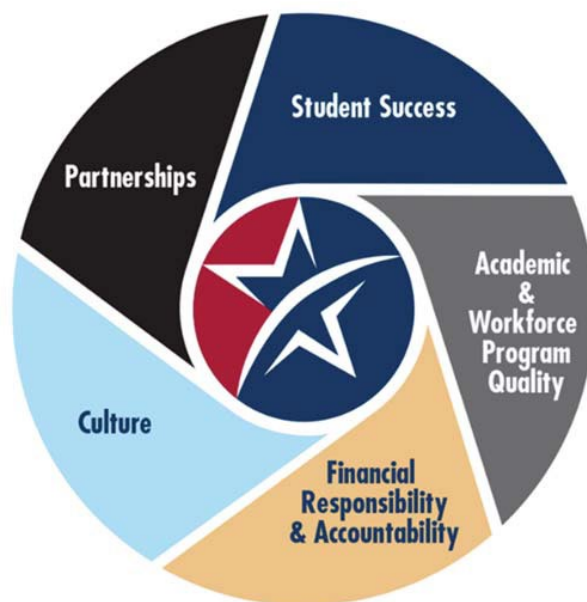
Ensure sound financial practices that are accountable to stakeholders and fairly allocate budget and resources.

### **Culture**

Nurture a culture that values and respects all Lone Star College members and encourages collaboration.

### **Partnerships**

Build strong partnerships with local ISDs and civic, charitable, higher education, industry and business organizations to promote student and community success.



## ***CULTURAL BELIEFS***

The six cultural beliefs - originally developed by the LSC 20|20 Task Force - now provide a common language across Lone Star College. The cultural beliefs clarify and focus our actions so we can reach desired results.



**One LSC**

I develop meaningful relationships and collaborate for mutual success.



**Advance Equity**

I advance diversity and inclusion to create an equitable environment.



**Student Focused**

I support and prepare each student to succeed in college and in life.



**Cultivate Community**

I cultivate a community of trust and integrity through transparent dialogue and purposeful actions.



**Own It**

I bring my best, rise above challenges, and own my contributions.



**Choose Learning**

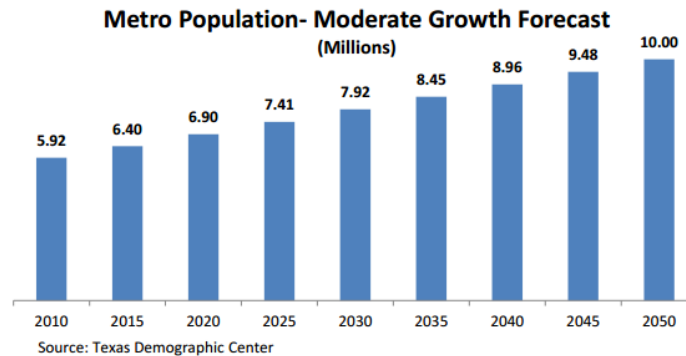
I learn, grow, and create opportunities for others to do the same.

## ***ECONOMIC CONDITION AND OUTLOOK LOCAL ECONOMY***

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

The College's geographic area is comprised of portions of Harris, Montgomery and San Jacinto Counties. Harris County is a major component of the Houston-The Woodlands-Sugar Land-TX Metropolitan Statistical Area (MSA).

With a population of 7.1 million according to estimates of the July 1, 2019 U.S. Census, the Houston MSA is expected to increase to 10.0 million by 2050.



Twenty-two companies on the 2020 Fortune 500 list are headquartered in the Houston metro area, ranking Houston fourth in the U.S. behind New York, Chicago, and Dallas-Ft. Worth.

Sources: *Fortune 500* and the *Greater Houston Partnership Research* – May 2020 and June 2020, respectively

### **LONG-TERM FINANCIAL PLANNING**

The College's financial planning is comprised of four planning processes:

- Strategic Plan
- Facilities Master Plan
- Five-year Financial Plan
- Annual Budget

These four planning stages allow the College to plan for long-term goals and remain fiscally responsible. The College's strategic plan is based on feedback and recommendations from all members of the College's community – faculty, staff, student and community stakeholders – and is designed to address our continuing student population growth and ensure student success. The College developed a five-year master plan for future planning. It is reviewed and updated each year to accommodate the College's facility needs for upcoming fiscal years. The five-year financial plan utilizes a financial planning model that helps guide the annual budget and process. It allows the College to view different scenarios and the financial impacts that result from these changes. Finally, the annual budget is funded primarily through student, state and tax revenues. A methodology was developed to reward colleges for positive impact activities over which they have influence but not to penalize for activities over which they have no control.

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

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

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

### **INDEPENDENT AUDIT**

State statutes require an annual audit by independent certified public accountants. The College's Board of Trustees selected the accounting firm Weaver and Tidwell, LLP to perform its annual audit. In addition to meeting the requirements set forth in the state statutes, the audit was designed to meet the requirements of the Federal Single Audit Act and the State of Texas Single Audit Circular. The auditor's reports related to single audits are included in the Single Audit Section of the Comprehensive Annual Financial Report (CAFR).

### **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College for its CAFR for the fiscal year ended August 31, 2019. The College has earned this recognition each year since 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **ACKNOWLEDGEMENTS**

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

Respectfully submitted,



Jennifer Mott, CFA  
Chief Financial Officer  
Lone Star College  
832-813-6512/[Jennifer.Mott@lonestar.edu](mailto:Jennifer.Mott@lonestar.edu)





Government Finance Officers Association

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

Presented to

**Lone Star College System  
Texas**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

August 31, 2019

*Christopher P. Morill*

Executive Director/CEO





## Organization Data

## LONE STAR COLLEGE BOARD OF TRUSTEES 2019 – 2020 Fiscal Year



**Alton Smith, Ed.D.**  
Chair  
Trustee, District 3



**Myriam Saldivar**  
Vice Chair  
Trustee, District 6



**Art Murillo**  
Secretary  
Trustee, District 4



**Linda S. Good, J.D.**  
Assistant Secretary  
Trustee, District 7



**Michael Stoma**  
Trustee, District 1



**Ernestine Pierce**  
Trustee, District 2



**David A. Vogt**  
Trustee, District 5



**Mike Sullivan**  
Trustee, District 8



**Ken E. Lloyd**  
Trustee District 9

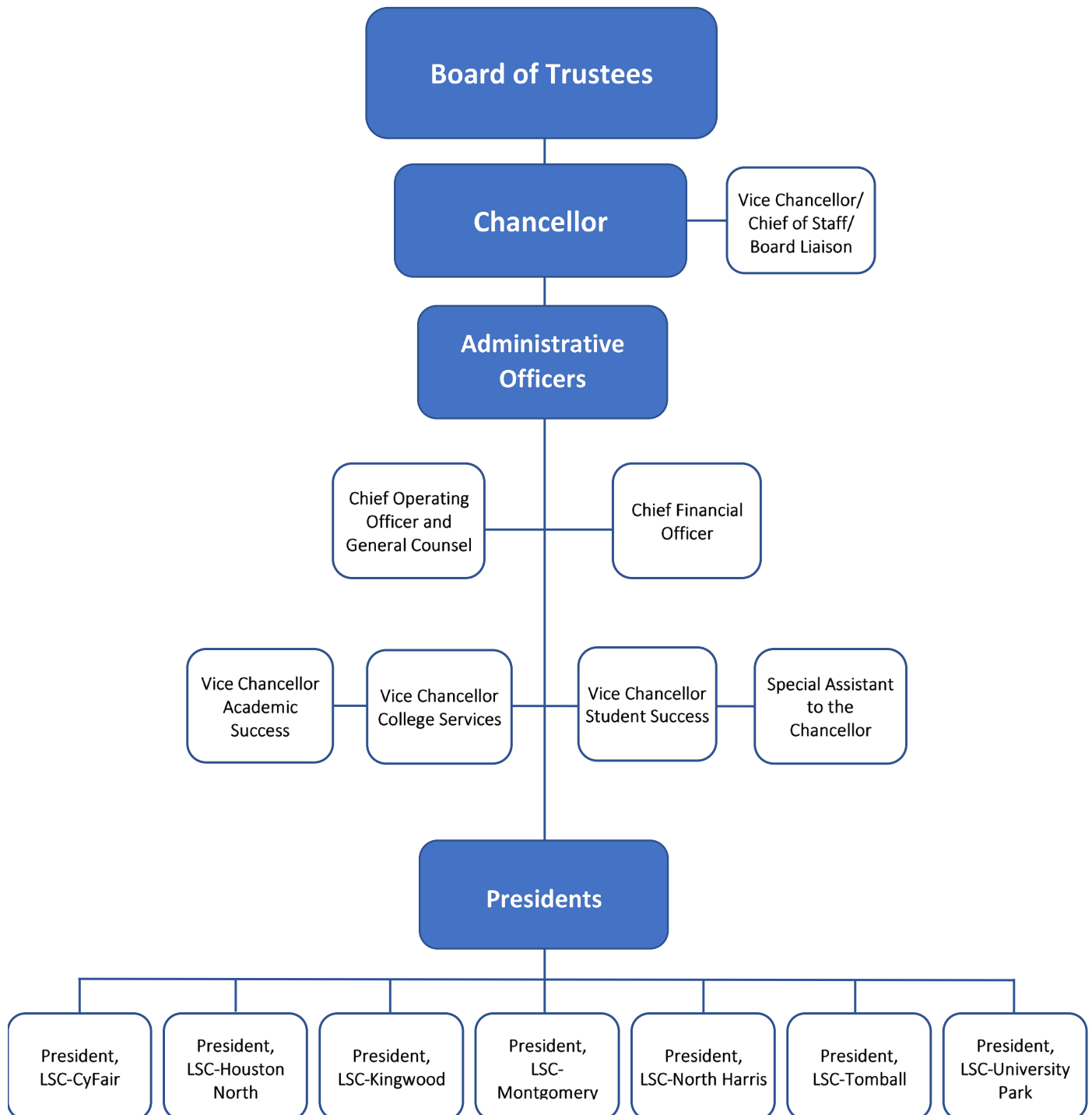
## LONE STAR COLLEGE ADMINISTRATION

### Principal Administrative Officers for year ending August 31, 2020

**Stephen C. Head, Ph.D.**      **Chancellor**

<b>Link Alander</b>	<b>Vice Chancellor College Services</b>	<b>Seelpa Keshvala, Ph.D.</b>	<b>President, LSC-CyFair</b>
<b>Archie Blanson, Ph.D.</b>	<b>Vice Chancellor Student Success</b>	<b>Quentin Wright, Ed.D.</b>	<b>President, LSC-Houston North</b>
<b>Mario K. Castillo, J.D.</b>	<b>Chief Operating Officer and General Counsel</b>	<b>Katherine Persson, Ph.D.</b>	<b>President, LSC-Kingwood</b>
<b>Helen Clougherty</b>	<b>Vice Chancellor/ Chief of Staff/ Board Liaison</b>	<b>Rebecca Riley, Ed.D.</b>	<b>President, LSC-Montgomery</b>
<b>Jennifer Mott, CFA</b>	<b>Chief Financial Officer</b>	<b>Gerald Napoles, Ph.D.</b>	<b>President, LSC-North Harris</b>
<b>Dwight L. Smith, III, Ed.D.</b>	<b>Vice Chancellor Academic Success</b>	<b>Lee Ann Nutt, Ed.D.</b>	<b>President, LSC-Tomball</b>
		<b>Shah Ardalan, Ed.D.</b>	<b>President, LSC-University Park</b>

## LONE STAR COLLEGE ORGANIZATIONAL CHART





## FINANCIAL SECTION



## Independent Auditor's Report



## Independent Auditor's Report

To the Board of Trustees  
Lone Star College

### Report on the Financial Statements

We have audited the accompanying financial statements of Lone Star College (the College), as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, North Harris Montgomery Community College District Foundation dba Lone Star College Foundation (a Texas non-profit corporation) (the Foundation), as of and for the years ended August 31, 2020 and 2019. Those financial statements were audited by other auditors whose report thereon 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Weaver and Tidwell, L.L.P.  
1406 Wilson Road, Suite 100 | Conroe, Texas 77304  
Main: 936.756.8127

**CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)**

### **Opinions**

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of August 31, 2020 and 2019, and the changes in financial position and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

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

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The introductory section, the supplementary Schedules A through D, and the statistical section, as listed in the table of contents, 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*, and the Schedule of Expenditures of State Awards as required by the State of Texas Single Audit Circular contained in the Governor's Office of Budget and Planning *Uniform Grant Management Standards*, are also presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The supplementary 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the supplementary 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 audits 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 21, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
December 21, 2020





## Management's Discussion and Analysis

---

### ***About Lone Star College***

Lone Star College (the “College”) was founded in 1972. It began with one local college, North Harris County College (NHCC), which served the Aldine, Spring and Humble school districts. NHCC welcomed 613 students to its first classes held at Aldine High School in 1973. NHCC expanded with an East Campus, now known as Lone Star College – Kingwood and a West Campus, now known as Lone Star College – Tomball. In 1991, NHCC became North Harris Montgomery Community College District (NHMCCD), serving the north Harris and Montgomery County residents. In 2008, NHMCCD changed its name to Lone Star College System with colleges at North Harris, Kingwood, Tomball, Montgomery, and CyFair. Today Lone Star College consists of 7 colleges, 2 University Centers, and serves over 86,000 credit students.

The College’s service area covers more than 2,700 square miles with a population of 2.4 million including some of the fastest growing communities in the state. The College plays a major role in the community by contributing an educated workforce that supports the region’s economic vitality with an annual economic impact of nearly \$3 billion.

The purpose of the Comprehensive Annual Financial Report is to provide readers with financial information about the activities and financial condition of Lone Star College for the years ended August 31, 2020 and August 31, 2019. The report consists of three basic financial statements that provide information on the College as a whole: The Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These reports should be read in conjunction with the transmittal letter, which precedes this section, and the notes to the financial statements, which immediately follow. The following summary and management discussion of the results is intended to provide an overview of the College’s financial activities. For purposes of the summary and discussion, the terms “2020”, “2019”, and “2018” refer to fiscal years ending August 31, 2020, August 31, 2019, and August 31, 2018, respectively.

### ***Accounting Standards***

The financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments, including public institutions of higher education. The College is considered a special-purpose government engaged in business-type activities.

### ***Financial and Enrollment Highlights – 2020***

The College has three primary sources of revenue: ad valorem taxes, tuition and fees, and State appropriations. Historically, the College has attempted to maintain a balance between the revenue sources so that responsibility for funding College operations is somewhat equally shared. However, State support for College operations, as a percentage of total unrestricted revenue, has continued to decrease. Meanwhile, the operational costs of delivering high quality instruction and maintaining equipment and facilities that prepare students for academic success and workforce readiness has continued to increase. As the funding model for community colleges continues to shift from the State, the College must rely more heavily on ad valorem taxes, tuition and fees, and Federal Title IV grant programs.

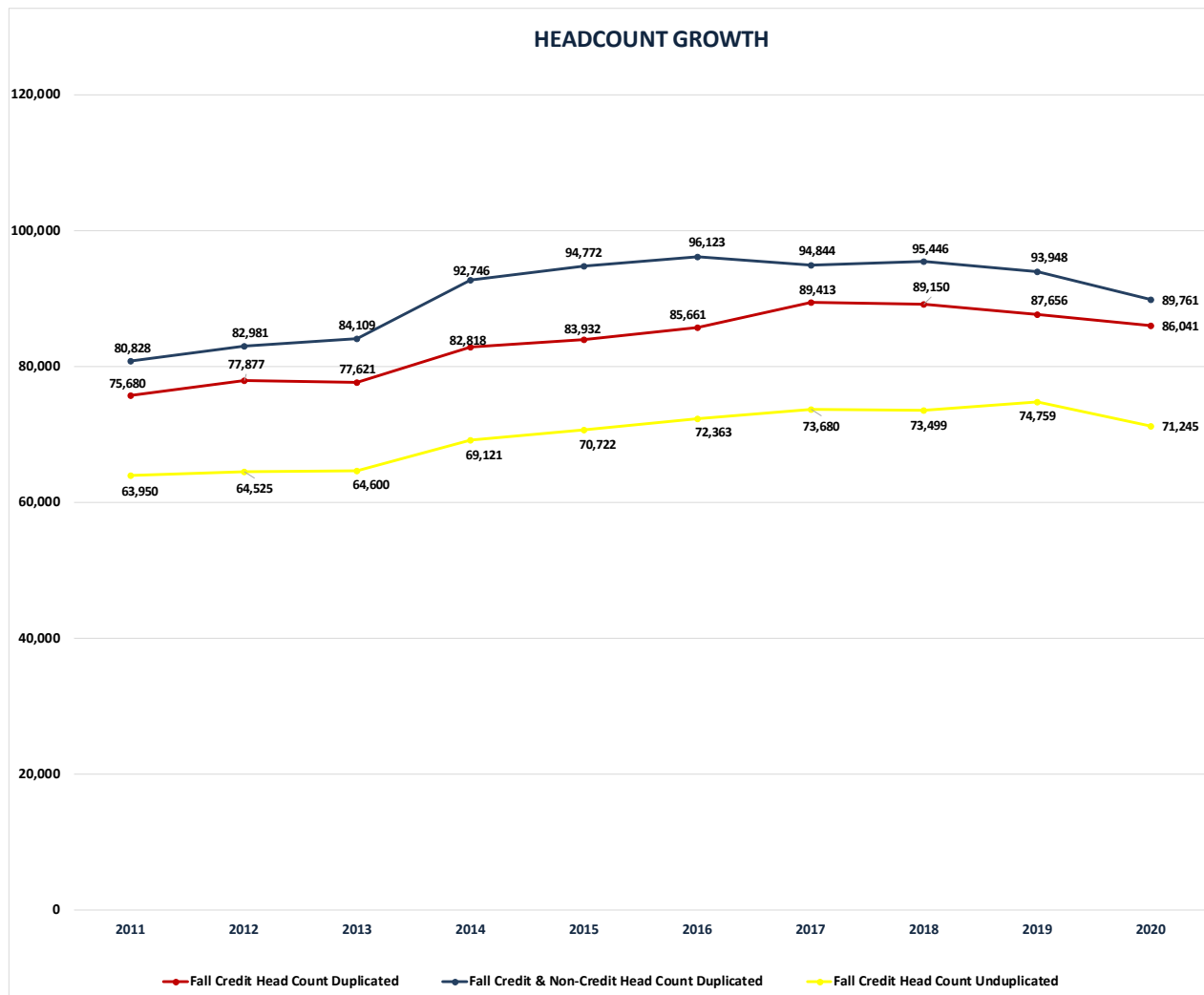
- Credit hours and contact hours increased by 1.7% for 2020 compared to 2019.
- The College maintained its AAA rating from Standard & Poor’s for its general obligation debt.
- Total assets decreased by \$29.1 million over 2019, mainly due to a decrease in cash and equivalents and capital assets.
- Total liabilities decreased \$36.6 million from 2019 to 2020, primarily due to a decrease in bonds payable.

- Total net position decreased \$79.1 million from 2019 to 2020.
- Total operating expenses increased \$112.9 million in 2020, mostly attributed to pension and retirement GASB reporting requirements.
- Deferred Inflows decreased \$4.2 million from 2019 to 2020.
- Deferred Outflows decreased \$90.8 million from 2019 to 2020.
- In March of 2020, the College converted its Spring 2020 face-to-face courses to online in response to COVID-19. All distance learning fees were waived for classes converted to online, or for classes where the start date was delayed. In addition, all construction projects were halted in response to COVID-19.
- In May 2020, the College was awarded \$28 million from the CARES Act Higher Education Emergency Relief Fund (HEERF) due to COVID-19. The College has been given until May 2021 to spend all funds. 50% of the funds must be used for emergency financial aid grants to students whose lives were disrupted due to COVID-19 and 50% can be used by the institution to cover costs associated with significant changes to the delivery of instruction due to the coronavirus.

#### ***Financial and Enrollment Highlights – 2019***

- Enrollment remained flat and contact hours decreased 2.0% during 2019.
- The College maintained its AAA rating from Standard & Poor's for its general obligation debt.
- Total assets increased \$6.1 million over 2018.
- Total liabilities increased \$86.2 million from 2018 to 2019, primarily due to pension and retirement GASB reporting requirements.
- Total net position increased \$26.6 million from 2018 to 2019.
- Total operating expenses increased \$24.7 million in 2019, primarily due to pension and OPEB GASB reporting requirements.
- Deferred Inflows increased \$41.2 million from 2018 to 2019.
- Deferred Outflows increased \$147.9 million from 2018 to 2019.

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



\*Student headcount for each fiscal year is the total of fall and spring terms.

Source: LSC Office of Analytics & Institutional Reporting

### Statement of Net Position

The Statement of Net Position reflects the financial position of the College at the end of the fiscal year. The statement includes assets owned by the College, all liabilities owed by the College to others, the deferred outflows and inflows, and the resulting net position. Assets and liabilities are presented in order of their liquidity with noncurrent defined as greater than one year. The statement is prepared using the accrual basis of accounting, similar to the accounting used by most private-sector institutions. A summary of the most recent three fiscal years' statements is shown below.

# STATEMENTS OF NET POSITION

		August 31	
	2020	2019	2018
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 135,267,238	\$ 151,911,392	\$ 188,374,090
Short-term investments	19,424,483	24,009,591	24,466,170
Accounts receivable, net	32,852,905	32,550,081	25,320,938
Prepaid items	1,106,338	3,268,156	1,704,923
<b>Total current assets</b>	<b>188,650,964</b>	<b>211,739,220</b>	<b>239,866,121</b>
<b>Noncurrent assets:</b>			
Long-term investments	\$ 57,483,454	\$ 47,972,601	\$ 67,113,150
Capital assets, net	939,921,499	955,464,160	902,057,837
<b>Total non-current assets</b>	<b>997,404,953</b>	<b>1,003,436,761</b>	<b>969,170,987</b>
<b>TOTAL ASSETS</b>	<b>1,186,055,917</b>	<b>1,215,175,981</b>	<b>1,209,037,108</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	\$ 56,266,845	\$ 58,542,332	\$ 14,718,980
Deferred outflows related to OPEB	22,019,035	108,687,118	2,470,246
Deferred charge on refunding	22,023,435	23,891,459	26,039,922
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>100,309,315</b>	<b>191,120,909</b>	<b>43,229,148</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 40,291,413	\$ 48,570,748	\$ 61,944,029
Accrued compensable absences	7,878,056	6,179,946	5,794,549
Funds held for others	3,688,016	4,270,563	4,010,483
Unearned revenues	28,287,953	29,328,953	28,524,154
Net OPEB liability	4,580,427	2,402,877	416,261
Bonds payable-current portion	37,770,891	46,443,378	43,259,576
<b>Total current liabilities</b>	<b>122,496,756</b>	<b>137,196,465</b>	<b>143,949,052</b>
<b>Noncurrent liabilities:</b>			
Accounts payable and accrued liabilities	4,922,763	6,531,298	-
Accrued compensable absences	6,178,252	4,595,413	4,757,305
Net pension liability	107,595,575	107,837,014	54,472,950
Net OPEB liability	191,131,109	160,949,040	81,620,123
Bonds payable-noncurrent portion	643,992,276	681,269,351	727,281,404
Local government liability	1,977,397	16,510,198	16,562,151
<b>Total non-current liabilities</b>	<b>955,797,372</b>	<b>977,692,314</b>	<b>884,693,933</b>
<b>TOTAL LIABILITIES</b>	<b>1,078,294,128</b>	<b>1,114,888,779</b>	<b>1,028,642,985</b>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	\$ 20,271,175	\$ 10,088,792	\$ 13,951,035
Deferred inflows related to OPEB	48,826,697	63,227,665	18,138,638
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>69,097,872</b>	<b>73,316,457</b>	<b>32,089,673</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 341,856,580	\$ 334,489,377	\$ 275,144,614
Restricted:			
Expendable-			
Restricted	106,563	206,911	338,068
Debt service	21,607,507	24,659,779	26,732,726
Unrestricted	(224,597,418)	(141,264,413)	(110,681,810)
<b>TOTAL NET POSITION</b>	<b>\$ 138,973,232</b>	<b>\$ 218,091,654</b>	<b>\$ 191,533,598</b>

The decrease in total assets of \$29.1 million from 2019 to 2020 was primarily due to a decrease in cash and cash equivalents and noncurrent capital assets. Initial purchases of goods and services related to COVID-19 were purchased with LSC operating funds. Once purchases are reviewed and determined eligible for CARES Act funding, a drawdown of funds occurs. Most CARES Act funds used to reimburse the College for these expenses were not drawn down prior to August 31, 2020. The increase in total assets of \$6.1 million from 2018 to 2019 was primarily due to facility construction in 2019.

Total liabilities decreased by \$36.6 million in 2020 mainly due to a decrease in bonds payable. The College issued \$18.9 million of Limited Tax General Obligation Refunding Bonds in 2020 to defease the 2008 Series Limited Tax General Obligation Bonds. The \$20.0 million par value for the 2008 Series GO Bonds was removed from the College's liability. Total liabilities increased \$86.2 million during 2019 due to increases in liabilities recorded under the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits other than Pensions and GASB Statement No. 68, Accounting and Financial Reporting for Pensions. GASB 75, implemented in 2018, requires all colleges and state agencies to recognize their share of the Employee Retirement System's Other Post-Employment Benefits ("OPEB") liability on their financial statements. Similarly, during 2015, the College implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. This standard requires all colleges and state agencies to recognize their share of the Teacher's Retirement System of Texas (TRS) pension liability on their financial statements.

Without the effects of GASB 68 and GASB 75, the unrestricted net position would be a positive \$69.5 million at August 31, 2020 and a positive \$36 million at August 31, 2019.

The College's net position was \$138.9 million in 2020, \$218.1 million in 2019, and \$191.5 million in 2018. The decrease in 2020 net position was primarily due to an increase in pension and retirement expenses reported as required by GASB.

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2020	2019	2018
<b>OPERATING REVENUES</b>			
Student tuition and fees	\$ 80,820,186	\$ 80,966,660	\$ 81,366,561
Grants & contracts	27,268,078	23,311,920	13,093,795
Auxiliary enterprises	9,800,393	10,422,659	10,605,529
Other operating revenue	4,415,045	3,107,386	4,317,001
<b>Total operating revenues</b>	<b>122,303,702</b>	<b>117,808,625</b>	<b>109,382,886</b>
<b>OPERATING EXPENSES</b>			
Educational activities	555,398,457	440,534,522	419,098,128
Auxiliary activities	7,747,122	9,658,720	8,935,215
Depreciation expense	25,246,251	25,282,482	22,770,474
<b>Total operating expenses</b>	<b>588,391,830</b>	<b>475,475,724</b>	<b>450,803,817</b>
Operating loss	(466,088,128)	(357,667,099)	(341,420,931)
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Ad-valorem taxes	220,363,472	205,480,045	197,844,342
State appropriations	107,819,460	115,419,152	102,753,058
Federal revenue, non-operating	76,937,614	77,278,621	82,323,906
Investment income	4,108,383	7,061,113	4,848,309
Interest and fees on capital asset-related deb	(25,033,462)	(24,447,197)	(23,116,180)
Other	2,774,239	3,433,421	5,463,164
<b>Total net non-operating revenue</b>	<b>386,969,706</b>	<b>384,225,155</b>	<b>370,116,599</b>
Increase (decrease) in net position	(79,118,422)	26,558,056	28,695,668
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>218,091,654</b>	<b>191,533,598</b>	<b>258,593,570</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>(95,755,640)</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 138,973,232</b>	<b>\$ 218,091,654</b>	<b>\$ 191,533,598</b>

### ***Statement of Revenues, Expenses, and Changes in Net Position***

Student tuition and fee revenue is reported net of scholarships and discounts. For Fall 2019, the College increased base tuition by \$5 per credit hour. In addition, the out-of-district fee was increased by \$10 per credit hour, and the out-of-state fee was increased by \$30 per credit hour. Our international student population saw a decrease in enrollment for the 2020 year. As a result of COVID-19, students decreased the number of credit hours they took for Spring 2020 and Summer 2020 resulting in a small decrease in student tuition and fee revenue. In Fall 2018 the College increased the base tuition per credit hour for out of district, out of state, and differential fees. As a result, the associated tuition and fee revenue in 2019 improved \$5.6 million offset by a \$4.2 million increase in scholarships and discounts, and \$3.2 million of bad debt expense as the College reevaluated the collectability of its student receivables at August 31, 2019. At \$49 per credit hour, the College's tuition rate remains below the Texas average for community colleges.

Grants and contracts increased in 2020 by \$4 million and increased slightly in 2019 due to an increase in federal grant funding.

Auxiliary enterprise revenues decreased by \$1.9 million in 2020. The decrease in revenue was due to a combination of decreases in incidental fees collected and to recognize an increase of uncollectible non-student receivables. Revenue for 2019 was relatively flat. There was an increase of \$112.2 million in unrestricted educational activity expense and a \$2.6 million increase in restricted education activity expenses, resulting in a total net educational activities expense of \$114.9 million. The increase in educational activity expenses was primarily due to an increase in pension and OPEB expenses as a result of GASB reporting requirements. For 2019, expenses for restricted educational activities decreased \$10.6 million and expenses for unrestricted educational activities increased \$32 million, resulting in a total net educational activities expense increase of \$21.4 million in 2019. The unrestricted educational activities increase of \$32.0 million relates primarily to increased costs for Instruction, Academic Support, Student Services, and Institutional support.

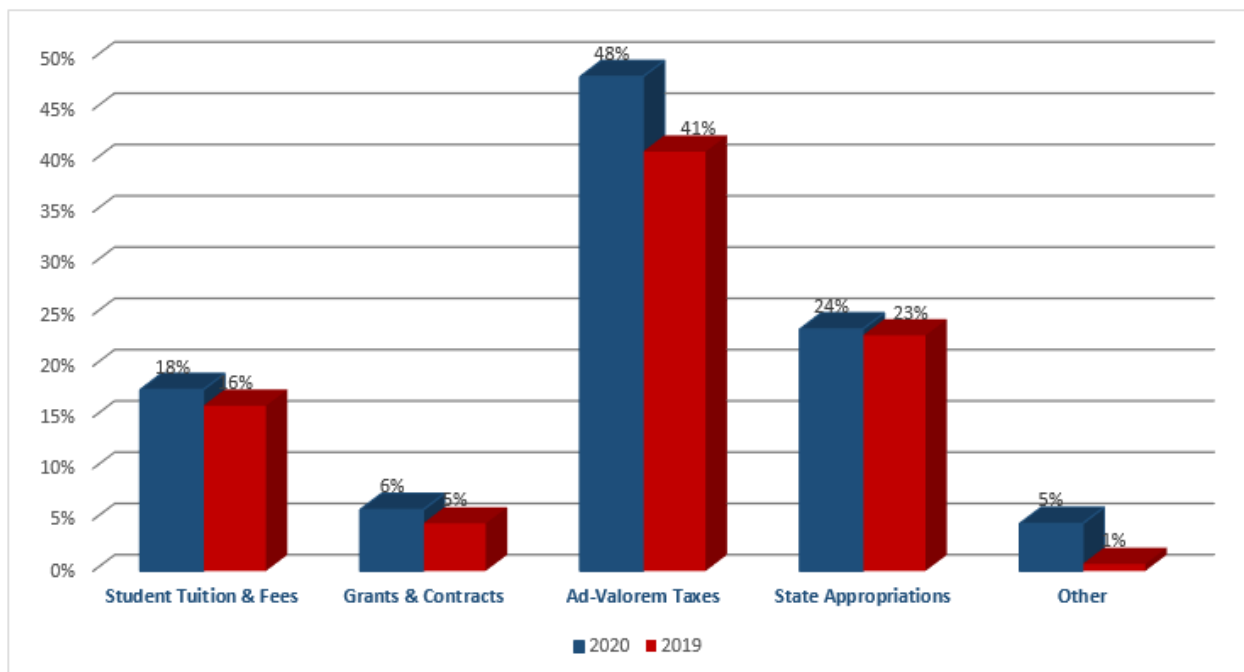
Tax revenues increased \$14.9 million in 2020 and \$7.6 million in 2019 due to an increase in appraised property values and the addition of new properties. Investment income decreased \$3 million in 2020 due to a decrease in interest rates and increased by \$2.2 million in 2019 due to improved interest rates combined with additional investments originating from new bond funds.

State appropriations decreased by \$7.6 million in 2020 and increased by \$12.7 million in 2019. The 2019 increase was due primarily to Hurricane Harvey state appropriated funding.

### **Total Revenues**

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

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

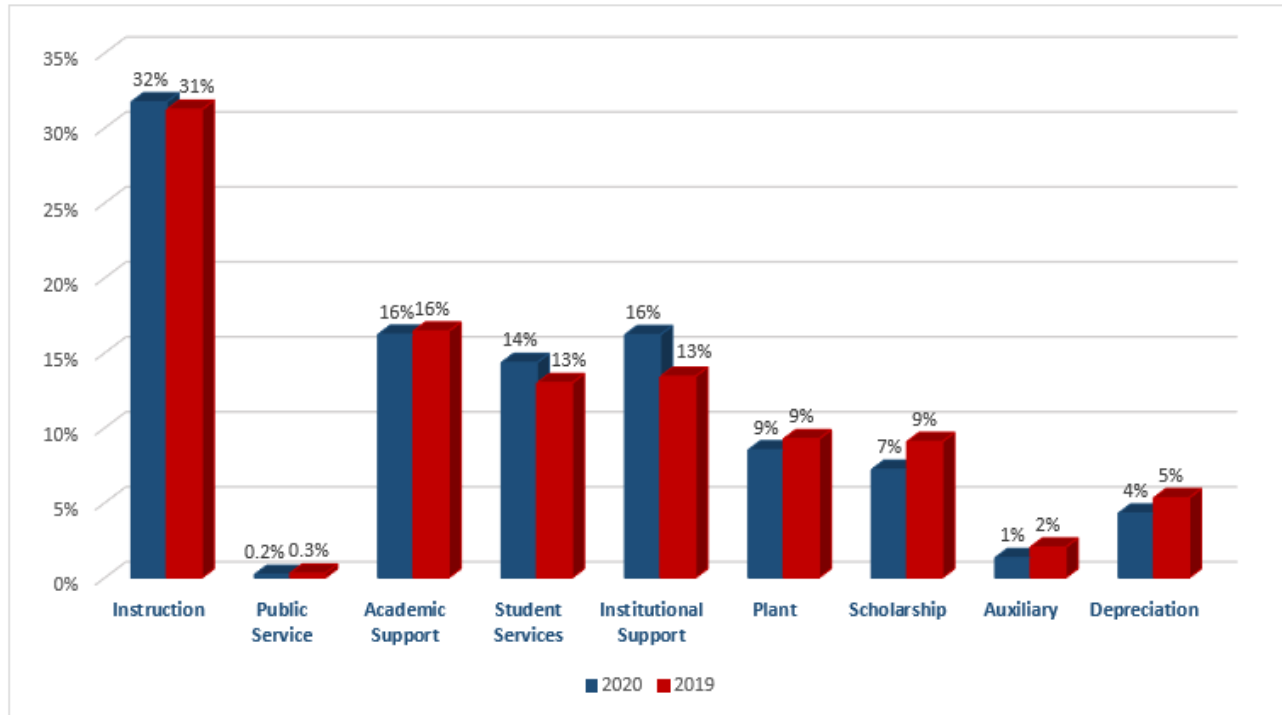




## **Total Expenses**

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

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



At 32% and 31% of the total expenses for 2020 and 2019, respectively, instruction is by far the College's largest expense. Institutional Support expenses increased in 2020 from 2019 at 16% and 13%, respectively. Scholarship expenses decreased to 7% in 2020 from 9% in 2019. The College experienced little change in Plant, Auxiliary and Depreciation expenses in 2020 from 2019. All other expense categories remained relatively constant.

## **Capital Assets and Long-Term Debt Activity**

As depicted in Note 5 to the financial statements, capital assets decreased by \$15.5 million in 2020 from 2019. On November 4, 2014, the voters authorized the College to issue \$485 million General Obligation Bonds for the College's capital program. The following lists some of the major projects in progress under the 2014 GO Bond Program.

### Bond Projects Completed and in Process as of August 31, 2020

- Construction completed of the 54,000 square foot renovation of LSC Cy-Fair Westway Park Technology Center.
- Construction completed of the 60,000 square foot LSC-North Harris East Aldine Satellite Center.
- Construction completed of the 15,000 square foot LSC-Corporate College Transportation Technology and Logistics Institute.

- Substantial completion of the LSC-Kingwood renovation and build back from the destruction caused in August of 2017 from Hurricane Harvey.
- Construction phase of the 50,000 square foot LSC-Kingwood Healthcare Building.
- Construction phase of the 50,000 square foot LSC-Montgomery Student Services Building.
- Continued design phase of the 40,000 square foot LSC-University Park Visual and Performing Arts Center.

#### Bond Projects Completed and in Process as of August 31, 2019

- Nearing completion of the 54,000 square foot renovation of LSC Cy-Fair Westway Park Technology Center.
- Continued design phase of the 50,000 square foot LSC-Kingwood Healthcare Building.
- Nearing completion of the 60,000 square foot LSC-North Harris East Aldine Satellite Center.
- Continued design phase of the 50,000 square foot LSC-Montgomery Student Services Building.
- Entering initial design phase of the 40,000 square foot LSC-University Park Visual and Performing Arts Center.
- Nearing completion of the LSC-Kingwood renovation and build back from the destruction caused in August of 2017 from Hurricane Harvey.
- Continued construction of the 15,000 square foot LSC-Corporate College Transportation Technology and Logistics Institute.

As detailed in Note 7 to the financial statements, financing for the above projects has been achieved through the issuance of long-term bonds. The first tranche of the \$485 million 2014 General Obligation bond program was issued April 29, 2015. The second tranche of the program was issued February 16, 2017, with the balance to be issued in a later period.

As indicated in Note 21 to the financial statements, the noncurrent funds held for others relate to an interlocal agreement between the College and Aldine ISD ("AISD") approved by the Board of Trustees at their meeting in September 2016. As of August 31, 2019, AISD had deposited \$16.5 million of funds in an escrow account with the College, as prescribed by the interlocal agreement. These escrowed funds are being used to pay for costs related to this facility upon approval by AISD. The College's liability to AISD is reflected as "local government liability" in the accompanying Statement of Net Position. This agreement has no impact on the Net Position of the College.

#### ***Currently Known Facts, Decisions and Conditions***

On February 11, 2020 the World Health Organization announced an official name for the disease that caused the 2019 novel coronavirus outbreak, first identified in Wuhan, China. The name of this disease is coronavirus disease 2019, abbreviated as COVID-19. The World Health Organization declared a pandemic on March 11, 2020, and a national emergency was declared in the United States on March 13, 2020. The College responded to the pandemic by suspending face-to-face classes effective March 16, 2020. The College successfully converted 97% of the face-to-face classes to fully on-line or hybrid delivery for students to finish coursework for the Spring 2020 Semester. Summer 2020 class delivery was 92% on-line, 6% hybrid and 2% face-to-face.

The Office of Technology Services provided loaner equipment to support 572 employees, including laptop computers, docking stations, monitors and other technology equipment for employees to successfully work from home. The College also responded by cleaning and sanitizing buildings, limiting access and providing health screenings as students and employees enter the facilities. Personal protective equipment (PPE) is distributed as needed to employees and students accessing facilities. Buildings are opened strategically to provide the best use of space while maintaining strict social distancing guidelines. The College continuously monitors the pandemic and will make changes to instruction and return to buildings for the 2021 year, based on the latest data from local and state officials.

The Department of Education (“ED”) conducted a program review of the College’s administration of programs authorized by Title IV of the Higher Education Act for award years that spanned from July 1, 2012 through June 30, 2016, which resulted in the identification of instances of noncompliance with certain program requirements. At the request of the Department of Education in conjunction with this program review, during the year ended August 31, 2017, the College conducted an internal review of such noncompliance. This review identified potentially ineligible disbursements during the period under review aggregating to \$13,465,367. In a letter dated October 23, 2018, the Department of Education communicated its final determination that the College is obligated to repay this amount along with \$392,146 in interest, resulting in a total liability of \$13,857,513. The College’s management reviewed the ED findings included in the final program review determination. The College found evidence and documentation that supports a lower amount of ineligible disbursements; accordingly, the College appealed the determination. As of August 31, 2019, the College has settled the claim. The amount of \$13,857,513 was the estimated contingency recorded as a liability at August 31, 2018; the final amount of the settlement was \$9,026,563. A payment of \$1,673,848 and \$902,656 towards the liability was made in fiscal years 2020 and 2019 respectively. The remaining \$6,695,393 is payable in four annual installments of \$1,673,848, including interest at 1.0%. The remaining \$6,695,393 is divided between current and noncurrent liabilities as follows: \$1,772,630 and \$4,922,763, respectively.

The FY 2021 Budget, approved during the August 1, 2020 Board of Trustees meeting, was based on the following revenue assumptions:

- 6% projected increase in assessed property values for ad valorem taxes for tax year 2020.
- Current tax rate of 10.78 cents per \$100 of taxable value unchanged.
- \$6 per credit hour increase in Spring 2021 for out of district fees and out of state/international fees.
- A 10% decline in semester credit hours.



## Financial Statements

**Lone Star College  
STATEMENTS OF NET POSITION  
AUGUST 31, 2020 AND 2019**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$ 135,267,238	\$ 151,911,392
Short-term investments (Note 4)	19,424,483	24,009,591
Accounts receivable, net (Note 13)	32,852,905	32,550,081
Prepaid items	1,106,338	3,268,156
<b>Total current assets</b>	<b>188,650,964</b>	<b>211,739,220</b>
<b>Noncurrent assets:</b>		
Long-term investments (Note 4)	\$ 57,483,454	\$ 47,972,601
Capital assets, net (Note 5)	939,921,499	955,464,160
<b>Total non-current assets</b>	<b>997,404,953</b>	<b>1,003,436,761</b>
<b>TOTAL ASSETS</b>	<b>1,186,055,917</b>	<b>1,215,175,981</b>
<b>Deferred outflows of resources</b>		
Deferred outflows related to pensions (Note 10)	\$ 56,266,845	\$ 58,542,332
Deferred outflows related to OPEB (Note 20)	22,019,035	108,687,118
Deferred charge on refunding	22,023,435	23,891,459
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>100,309,315</b>	<b>191,120,909</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (Note 12 & 13)	\$ 40,291,413	\$ 48,570,748
Accrued compensable absences (Note 6 & 11)	7,878,056	6,179,946
Funds held for others	3,688,016	4,270,563
Unearned revenues	28,287,953	29,328,953
Net OPEB liability (Note 6 & 20)	4,580,427	2,402,877
Bonds payable-current portion (Note 6 & 7)	37,770,891	46,443,378
<b>Total current liabilities</b>	<b>122,496,756</b>	<b>137,196,465</b>
<b>Noncurrent liabilities:</b>		
Accounts payable and accrued liabilities (Note 12 & 13)	4,922,763	6,531,298
Accrued compensable absences (Note 6 & 11)	6,178,252	4,595,413
Net pension liability (Note 6 & 10)	107,595,575	107,837,014
Net OPEB liability (Note 6 & 20)	191,131,109	160,949,040
Bonds payable-noncurrent portion (Note 6 & 7)	643,992,276	681,269,351
Local government liability (Note 6 & 21)	1,977,397	16,510,198
<b>Total non-current liabilities</b>	<b>955,797,372</b>	<b>977,692,314</b>
<b>TOTAL LIABILITIES</b>	<b>1,078,294,128</b>	<b>1,114,888,779</b>
<b>Deferred inflows of resources</b>		
Deferred inflows related to pensions (Note 10)	\$ 20,271,175	\$ 10,088,792
Deferred inflows related to OPEB (Note 20)	48,826,697	63,227,665
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>69,097,872</b>	<b>73,316,457</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 341,856,580	\$ 334,489,377
Restricted:		
Expendable-		
Restricted	106,563	206,911
Debt service	21,607,507	24,659,779
Unrestricted	(224,597,418)	(141,264,413)
<b>TOTAL NET POSITION (Schedule D)</b>	<b>\$ 138,973,232</b>	<b>\$ 218,091,654</b>

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

# Lone Star College Foundation Statements of Financial Position

<i>August 31</i>	2020	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 66,884	\$ 464,387
Accounts receivable	70,088	85,727
Pledges and contributions receivable	36,167	66,776
Prepaid expenses	12,343	2,751
Total current assets	185,482	619,641
Long-term assets		
Investments, at fair value	32,268,702	28,333,501
Total long-term assets	\$ 32,454,184	\$ 28,953,142
<b>Liabilities and net assets</b>		
Current liabilities		
Deferred revenue	\$ 48,150	\$ 37,700
Net assets		
Unrestricted		
Undesignated	1,775,594	1,599,051
Board designated	2,739,146	2,828,296
With donor restrictions	27,891,294	24,488,095
Total net assets	32,406,034	28,915,442
Total liabilities and net assets	\$ 32,454,184	\$ 28,953,142

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

## EXHIBIT 2

**Lone Star College**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$69,473,022 in 2020 and \$57,633,681 in 2019)	\$ 80,820,186	\$ 80,966,660
Federal grants and contracts	20,831,529	14,932,098
State and local grants and contracts	6,436,549	8,379,822
Auxiliary enterprises	9,800,393	10,422,659
Other operating revenue	4,415,045	3,107,386
<b>Total operating revenues (Schedule A)</b>	<b>122,303,702</b>	<b>117,808,625</b>
<b>OPERATING EXPENSES</b>		
Instruction	186,644,451	148,442,351
Public service	1,214,736	1,333,390
Academic support	95,415,807	78,136,922
Student services	84,344,186	61,747,763
Institutional support	95,282,586	63,816,206
Operation and maintenance of plant	50,101,458	43,961,962
Scholarships and fellowships	42,395,233	43,095,928
Auxiliary enterprises	7,747,122	9,658,720
Depreciation	25,246,251	25,282,482
<b>Total operating expenses (Schedule B)</b>	<b>588,391,830</b>	<b>475,475,724</b>
Operating loss	(466,088,128)	(357,667,099)
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Ad-Valorem taxes		
Maintenance and operations	163,311,926	152,277,079
Debt service	57,051,546	53,202,966
State appropriations	107,819,460	115,419,152
Federal revenue, non-operating	76,937,614	77,278,621
Gifts	-	284,059
Investment income, net	4,108,383	7,061,113
Interest and fees on capital asset-related debt (net of capitalized interest costs of \$0 in 2020 and \$432,043 in 2019)	(25,033,462)	(24,447,197)
Gain on sale/donation of capital assets	33,254	556,851
Loss on disposal of capital assets	(24,163)	(370,104)
Other non-operating revenues	2,765,148	2,962,615
<b>Total net non-operating revenue (Schedule C)</b>	<b>386,969,706</b>	<b>384,225,155</b>
Increase (decrease) in net position	(79,118,422)	26,558,056
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>218,091,654</b>	<b>191,533,598</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 138,973,232</b>	<b>\$ 218,091,654</b>

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

**Lone Star College Foundation**  
**Statement of Activities and Changes in Net Assets**

<i>For the year ended August 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Donations	\$ 54,007	\$ 2,211,041	\$ 2,265,048
Fundraising donations	171,655	1,168,168	1,339,823
Net realized and unrealized gain on investments	177,821	2,138,514	2,316,335
Interest and dividends, net of investment fees	63,021	605,237	668,258
In-kind revenue	668,777	-	668,777
Net assets released from restrictions	2,719,761	(2,719,761)	-
<b>Total revenue and support</b>	<b>3,855,042</b>	<b>3,403,199</b>	<b>7,258,241</b>
<b>Expenses</b>			
Program services	3,077,322	-	3,077,322
Supporting services			
General and administrative	303,991	-	303,991
Fundraising	386,336	-	386,336
<b>Total expenses</b>	<b>3,767,649</b>	<b>-</b>	<b>3,767,649</b>
<b>Change in net assets</b>	<b>87,393</b>	<b>3,403,199</b>	<b>3,490,592</b>
<b>Net assets at beginning of year</b>	<b>4,427,347</b>	<b>24,488,095</b>	<b>28,915,442</b>
<b>Net assets at end of year</b>	<b>\$ 4,514,740</b>	<b>\$ 27,891,294</b>	<b>\$ 32,406,034</b>

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



**Lone Star College Foundation**  
**Statement of Activities and Changes in Net Assets**

<i>For the year ended August 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Donations	\$ 30,543	\$ 2,120,598	\$ 2,151,141
Fundraising donations	384,720	195,255	579,975
Net realized and unrealized gain on investments	25,335	215,177	240,512
Interest and dividends, net of investment fees	55,883	527,050	582,933
In-kind revenue	590,408	-	590,408
Net assets released from restrictions	1,944,508	(1,944,508)	-
<b>Total revenue and support</b>	<b>3,031,397</b>	<b>1,113,572</b>	<b>4,144,969</b>
<b>Expenses</b>			
Program services	2,501,784	-	2,501,784
Supporting services			
General and administrative	302,686	-	302,686
Fundraising	461,548	-	461,548
<b>Total expenses</b>	<b>3,266,018</b>	<b>-</b>	<b>3,266,018</b>
<b>Change in net assets</b>	<b>(234,621)</b>	<b>1,113,572</b>	<b>878,951</b>
<b>Net assets at beginning of year</b>	<b>4,661,968</b>	<b>23,374,523</b>	<b>28,036,491</b>
<b>Net assets at end of year</b>	<b>\$ 4,427,347</b>	<b>\$ 24,488,095</b>	<b>\$ 28,915,442</b>

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

Lone Star College  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 136,549,440	\$ 124,119,760
Receipts from grants and contracts	27,494,702	22,528,043
Payments to suppliers for goods and services	(114,169,781)	20,489,102
Payments to or on behalf of employees	(272,948,998)	(260,180,254)
Payments for scholarships and fellowships	(88,595,174)	(205,024,636)
Other receipts	8,073,435	312,265
Net cash used by operating activities	<u>(303,596,376)</u>	<u>(297,755,720)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	78,683,310	91,081,991
Receipts from ad-valorem taxes	163,261,565	153,334,830
Receipts from non-operating federal revenue	76,937,614	77,278,621
Payments for Federal loans issued to students	(33,264,895)	(27,796,332)
Receipts from Federal loans for students	33,272,823	27,728,323
Receipts from gifts	-	284,059
Net cash provided by non-capital financing activities	<u>318,890,417</u>	<u>321,911,492</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from ad-valorem taxes	57,032,134	54,159,170
Proceeds from capital debt	20,263,684	-
Paid for acquisition and construction of capital assets	(18,844,689)	(79,100,095)
Proceeds from sale of capital assets	33,254	556,852
Principal paid on capital debt and leases	(57,790,000)	(33,545,000)
Interest paid on capital debt and leases	(31,708,449)	(29,287,474)
Net cash used by financing activities	<u>(31,014,066)</u>	<u>(87,216,547)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	80,600,000	80,270,000
Interest on investments	3,184,871	6,703,077
Purchase of investments and related fees	(84,709,000)	(60,375,000)
Net cash provided by (used by) investing activities	<u>(924,129)</u>	<u>26,598,077</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,644,154)	(36,462,698)
Cash and Cash Equivalents, Beginning of Year	151,911,392	188,374,090
Cash and Cash Equivalents, End of Year (Exhibit 1 & Note 4)	<u>\$ 135,267,238</u>	<u>\$ 151,911,392</u>

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

Lone Star College  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

	2020	2019
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating loss (Exhibit 2)	\$ (466,088,128)	\$ (357,667,099)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense (Exhibit 2)	25,246,251	25,282,482
Bad debt expense	2,052,358	3,160,329
Payments made directly by state for benefits	29,136,150	24,337,161
Changes in assets and liabilities		
Receivables, net	(1,001,179)	(10,078,264)
Prepaid items	2,161,817	(1,563,232)
Deferred outflows	88,943,570	(150,040,224)
Accounts payable and accrued liabilities	(13,604,212)	(8,381,638)
Unearned revenue	(1,041,000)	804,799
Funds held for others (Exhibit 1)	(582,547)	260,080
Accrued compensable absences	3,280,949	223,505
Net pension/OPEB liability	32,118,180	134,679,597
Deferred inflows	(4,218,585)	41,226,784
Total adjustments	162,491,752	59,911,379
Net cash used by operating activities	<u>\$ (303,596,376)</u>	<u>\$ (297,755,720)</u>
 <b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Payments made directly by state for benefits	\$ 29,136,150	\$ 24,337,161
Amortization of premium on bonds	8,423,246	9,283,251
Amortization of deferred charge on refunding	2,152,753	2,148,463
Loss on bond refunding	284,729	-
Net Non-cash Investing, Capital, and Financing Activities	<u>\$ 39,996,878</u>	<u>\$ 35,768,875</u>

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



## Notes to Financial Statements

## LONE STAR COLLEGE

### Notes to Financial Statements

For the Fiscal Years Ended  
August 31, 2020 and 2019

#### 1. REPORTING ENTITY

Lone Star College (the “College”) was established in 1972 as a junior college district, in accordance with the laws of the State of Texas, to serve the educational needs of the northern part of Harris County and the southern part of Montgomery County, Texas. The College encompasses the Aldine, Conroe, Cypress-Fairbanks, Humble, Klein, Magnolia, New Caney, Splendora, Spring, Tomball and Willis Independent School Districts. The College is a comprehensive, public, two-year institution offering academic, general, occupational, developmental, and continuing adult education programs through a network of colleges. The 7 colleges of LSC-CyFair, LSC-Kingwood, LSC-Houston North, LSC-Montgomery, LSC-North Harris, LSC-Tomball, and LSC-University Park comprise the College. Associated with these campuses, the College also operates 12 centers, which includes two university centers.

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

In evaluating how to define the College for financial reporting purposes, management has considered all potential component units, including the Lone Star College Foundation (the “Foundation”). The Foundation is a separate non-profit organization, and its sole purpose is to provide benefits such as scholarships and grants to the students, faculty and staff of the College. The Foundation is a legally separate entity. The College does not appoint any of the Foundation’s board members. The financial position and results of operations of the Foundation are included in these financial statements in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units – An Amendment of GASB Statement No. 14*, as an affiliated entity because the Foundation’s sole function is to fund the College and its students. Note 19 to the financial statements describes the Foundation and its financial statement presentation in more detail.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***Basis of Accounting***

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

### ***Budgetary Data***

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

### ***Tuition Discounting***

#### ***Texas Public Education Grants (TPEG)***

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

#### ***Title IV, Higher Education Act Program Funds (HEA)***

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

#### ***Other Tuition Discounts***

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

### ***Cash and Cash Equivalents***

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

### ***Investments***

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds

investment pools comprised of \$130,249,478 and \$19,424,483 respectively, to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 or more to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are charged to operating expense in the year in which the expense is incurred.

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

### ***Unearned Revenues***

A portion of tuition and fee revenue and federal, state, and local grants received as of August 31, 2020 and 2019, are related to the period after August, and therefore have been reported as unearned revenues at August 31, 2020 and 2019, respectively.

### ***Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates in the College's financial statements relate to the net pension liability, the OPEB liability, associated deferred outflows and deferred inflows, allowance for doubtful accounts, and depreciation expense.

### ***Operating and Non-Operating Revenue and Expense Policy***

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity (BTA) and as a single proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees and some federal grants and contracts. The major non-operating revenue sources are state appropriations, ad valorem taxes, and Federal Title IV grant programs.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal non-operating expense is long-term debt interest and fees. The bookstore and food service facilities are operated by a third-party contractor.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

### ***Deferred Outflows and Inflows of Resources***

#### ***Deferred Outflows of Resources***

In addition to assets, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A *deferred outflow of resources* is a consumption of net position by the government that is applicable to a future reporting period. Governments are permitted to only report deferred outflows in circumstances specifically authorized by GASB. The College has three items that qualify for reporting in this category:

- Deferred charge on refunding - Reported in the Statements of Net Position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For additional information, see Note 8.
- Deferred outflows related to pension – Reported in the Statements of Net Position, this deferred outflow results from differences between projections and actual results, changes in actuarial assumptions, changes in proportion and differences between the employer’s contributions and pension plan contributions made after the measurement date of the net pension liability. For additional information, see Note 10.
- Deferred outflows related to OPEB – Reported in the Statements of Net Position, this deferred outflow results from differences between projections and actual results, changes in proportion and differences between the employer’s contribution, and OPEB plan contributions made after the measurement date of OPEB. For additional information, see Note 20.

### *Deferred Inflows of Resources*

In addition to liabilities, the College is aware that the Statement of Net Position will sometimes report a separate section of deferred inflows of resources. A *deferred inflow of resources* is an acquisition of net position by the government that is applicable to a future reporting period. Governments are permitted only to report deferred inflows in circumstances specifically authorized by GASB. The College has two items that qualify for reporting in this category:

- Deferred inflows related to pension – Reported in the Statements of Net Position, this deferred inflow represents the College’s proportionate share of collective deferred inflows of the TRS pension plan. For additional information, see Note 10.
- Deferred inflows related to OPEB – Reported in the Statements of Net Position, this deferred inflow represents the College’s proportionate share of collective deferred inflows of the ERS OPEB plan. For additional information, see Note 20.

### ***Pensions***

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

### ***Other Post-Employment Benefits (OPEB)***

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) 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 other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP’s fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.



## ***Reclassifications***

Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 financial statement presentation. Such reclassifications had no effect on net position.

## ***New GASB Pronouncements***

On May 8, 2020 GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. The Statement provided relief to the College due to the COVID-19 pandemic by postponing the implementation of the GASB statements listed below by one year:

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement will provide financial statement users with more relevant information about capital assets and the cost of borrowing. The College has early implemented this standard for 2020.
- GASB Statement No. 92, *Omnibus 2020*. The objective is to address practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including Leases (Statement 87) and post-employment benefits.

The following GASB statement has been postponed by 18 months:

- GASB Statement No. 87, *Leases*. The requirements of this statement will increase the usefulness of financial statement by requiring disclosure of lease liabilities not previously reported. The statement also enhances decision-usefulness by requiring notes related to the timing, significance, and purpose of leasing arrangements.

The following GASB Statements are effective for subsequent years

GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2023.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2023.

Earlier application of these statements is encouraged. For the original pronouncements, please visit the GASB's website, <https://www.gasb.org>.

### **3. AUTHORIZED INVESTMENTS**

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (PFIA) (Sec. 2256.001 Texas Government Code). The Board of Trustees has adopted a written investment policy regarding the investment of its funds as defined in the PFIA. This policy is reviewed and approved annually.

The College may invest in any investment authorized by Texas Government Code Chapter 2256 or its successor statute.

The College may not invest in the following:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of an underlying mortgage-backed security collateral and pays no interest.
- Obligations whose payment represents the principal stream of cash flow from an underlying mortgage-backed security collateral and pays no interest.
- Collateralized mortgage obligations with a stated final maturity greater than 10 years.
- Collateralized mortgage obligations with an interest rate determined by an index that adjusts opposite to the changes in a market index.

#### 4. DEPOSITS AND INVESTMENTS

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

	2020	2019
Demand Deposits	\$ 3,090,713	\$ 3,398,036
Petty Cash on Hand	26,948	26,094
External Investment Pools	130,249,478	146,610,333
Money Market	1,900,098	1,876,929
Total Cash and Cash Equivalents	\$ 135,267,238	\$ 151,911,392

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

	Market Value at August 31,	
	2020	2019
U. S. Agency, Treasury Notes and Municipal Bonds > 1 Year Maturity	\$ 57,483,454	\$ 47,972,601
U. S. Agency, Treasury Notes and Municipal Bonds < 1 Year Maturity	17,424,483	15,009,591
Commercial Paper	2,000,000	9,000,000
Cash and Cash Equivalents	135,267,238	151,911,392
Total Deposits and Investments	\$ 212,175,175	\$ 223,893,584
Cash and Cash Equivalents (Exhibit 1)	\$ 135,267,238	\$ 151,911,392
Long Term Investments (Exhibit 1)	57,483,454	47,972,601
Short Term Investments (Exhibit 1)	19,424,483	24,009,591
Total Deposits and Investments	\$ 212,175,175	\$ 223,893,584

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

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External Investment Pools	\$ 130,249,478	0.17
Money Market	1,900,098	0.09
U.S. Agency, Treasury Notes and Municipal Bonds	74,907,937	1.42
Commercial Paper	2,000,000	0.72
Total Carrying Value	\$ 209,057,513	0.62

## Deposits (Continued)

The fair value hierarchy of investments at August 31, 2020 and 2019 follows:

	Total Fair Value	2020 Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<u>Investments</u>				
U.S. Agency, Treasury Notes and Municipal Bonds	\$ 74,907,937	\$ -	\$ 74,907,937	\$ -
Commercial Paper	2,000,000	-	2,000,000	-
Total	<u>\$ 76,907,937</u>	<u>\$ -</u>	<u>\$ 76,907,937</u>	<u>\$ -</u>

	Fair Value	2019 Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<u>Investments</u>				
U.S. Agency, Treasury Notes and Municipal Bonds	\$ 62,982,192	\$ -	\$ 62,982,192	\$ -
Commercial Paper	9,000,000	-	9,000,000	-
Total	<u>\$ 71,982,192</u>	<u>\$ -</u>	<u>\$ 71,982,192</u>	<u>\$ -</u>

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

**Credit Risk and Concentration of Credit Risk** - In accordance with State of Texas law and the College's investment policy, investments in mutual funds and investment pools must be rated at least "AAA" and commercial paper must be rated at least "A-1" or "P-1". To reduce market risk, the College has established portfolio diversification requirements by issuer and/or type of investment. The College's portfolio is within the stated parameters at August 31, 2020. As of August 31, 2020, holding comprising more than 5% of the College's investments are in Lone Star Investment Pool (47.9%), Federal Home Loan Bank (FHLB) (6.4%), Federal Home Loan Mortgage Corp (FHLMC) (8.1%), Federal National Mortgage Association (FNMA) (7.1%), Federal Farm Credit Banks (FFCB) (5.6%) and Municipal Bonds (5.6%).

Commercial Paper, US Agency, Treasury Notes and Municipal 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 the College's portfolio as of August 31, 2020 are as follows:

Security	Credit Rating	Concentration	
		Actual	Limit
External Investment Pools	AAA	62.30%	100%
U.S. Agencies, Treasury Notes and Bonds	AA+	35.83%	90%
Commercial Paper	A1/P1	0.96%	25%
Money Market	N/A	0.91%	100%
		<u>100.00%</u>	

## Deposits ( Continued)

The State of Texas Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool and TexPool Prime). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State of Texas Comptroller of Public Accounts has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool and TexPool Prime. The Advisory Board members review the investment policy and management fee structure.

TexPool and TexPool Prime are rated AAA-m by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information is submitted to both Standard & Poor's and the Office of the State of Texas Comptroller of Public Accounts for review.

The First Public (Lone Star Investment Pool) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 225, Texas Government Code. It is governed by trustees comprised of active participants in First Public. The Board of Trustees for First Public has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. First Public is rated AAA-m by Standard & Poor's. First Public consists of Corporate Overnight Plus Funds, Corporate Overnight Funds and Government Overnight Funds.

Local Government Investment Cooperative ("LOGIC" or the "Fund") was organized in conformity with the Inter-local Cooperation Act ("ICA"), Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act ("PFIA"), Chapter 2256 of the Texas Government Code. The ICA and the PFIA provide for the creation of public funds investment pools (including LOGIC) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. Only eligible local governments and agencies of the State of Texas may become Participants. The Fund changed its Organizational structure to a trust effective December 20, 2015. The Cooperative's governing body is a five-member Board of Directors (the "Board") comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. The LOGIC Bylaws also permit a maximum of two Advisory Directors to serve in a non-voting advisory capacity to the Board. J.P. Morgan Investment Management Inc. ("JPMIM") provides investment management services to the Board and Hilltop Securities Inc. ("HTS") provides Participant administrative, marketing and distribution services to the Board. JPMIM and HTS act as Co-Administrators under an Amended and Restated Agreement for Investment Management and Related Services with the Board (the "Agreement"), which was amended and restated effective February 1, 2017. Pursuant to the Agreement, each Co-Administrator may provide services to the Board through the use of affiliates, subcontractors or delegates. JPMorgan Chase Bank, N.A. ("JPMCB") and/or its subcontractors or delegates provide custodial, fund accounting, and depository services, and DST Asset Manager Solutions, Inc. provides transfer agency services. In compliance with the Public Funds Investment Act, all portfolios will maintain a AAA-m or equivalent rating from at least one nationally recognized rating agency. LOGIC has been assigned a rating of AAA by Standard & Poor's.

TexPool, First Public and Logic investment pools are not registered with the Securities & Exchange Commission (SEC) as investment companies but operate in accordance with GASB 79 *Certain External Investment Pools and Pool Participants* and the SEC's Rule 2a7 of the Investment Company Act of 1940. The pools use amortized cost (which excludes unrealized gains and losses) rather than market value to report net positions to compute share price.

## 5. CAPITAL ASSETS

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

	Balance August 31, 2019	Increase	Decrease	Balance August 31, 2020
<u>Not Depreciated</u>				
Land	\$ 90,998,145	\$ 3,708,989	\$ -	\$ 94,707,134
Construction-in-Progress	29,734,008	8,852,308	(27,756,778)	10,829,538
Subtotal	<u>120,732,153</u>	<u>12,561,297</u>	<u>(27,756,778)</u>	<u>105,536,672</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	926,414,202	21,603,653	-	948,017,855
Other Real Estate Improvements	<u>64,363,920</u>	<u>(77,743)</u>	<u>-</u>	<u>64,286,177</u>
Total Buildings & Other Real Estate Improvements	990,778,122	21,525,910	-	1,012,304,032
Library Books	13,129,320	158,326	(84,121)	13,203,525
Furniture, Machinery, Vehicles & Other	107,388,876	3,270,643	(2,079,101)	108,580,418
Total Buildings and Other Capital Assets	<u>1,111,296,318</u>	<u>24,954,879</u>	<u>(2,163,222)</u>	<u>1,134,087,975</u>
<u>Accumulated Depreciation</u>				
Buildings and Building Improvements	177,101,837	16,963,128	-	194,064,965
Other Real Estate Improvements	<u>9,798,157</u>	<u>1,169,942</u>	<u>-</u>	<u>10,968,099</u>
Total Buildings & Other Real Estate Improvements	186,899,994	18,133,070	-	205,033,064
Library Books	10,343,836	406,620	(84,121)	10,666,335
Furniture, Machinery, Vehicles & Other	<u>79,320,481</u>	<u>6,706,561</u>	<u>(2,023,292)</u>	<u>84,003,750</u>
Total Accumulated Depreciation	<u>276,564,311</u>	<u>25,246,251</u>	<u>(2,107,413)</u>	<u>299,703,149</u>
Net Capital Assets	<u>\$ 955,464,160</u>	<u>\$ 12,269,925</u>	<u>\$ (27,812,587)</u>	<u>\$ 939,921,499</u>

## 5. CAPITAL ASSETS

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

	Balance August 31, 2018	Increase	Decrease	Balance August 31, 2019
<u>Not Depreciated</u>				
Land	\$ 86,978,392	\$ 7,345,118	\$ (3,325,365)	\$ 90,998,145
Construction-in-Progress	47,692,568	19,120,771	(37,079,331)	29,734,008
Subtotal	<u>134,670,960</u>	<u>26,465,889</u>	<u>(40,404,696)</u>	<u>120,732,153</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	844,299,389	82,114,812	-	926,414,202
Other Real Estate Improvements	<u>62,196,458</u>	<u>2,167,462</u>	<u>-</u>	<u>64,363,920</u>
Total Buildings & Other Real Estate Improvements	906,495,848	84,282,274	-	990,778,122
Library Books	13,057,144	270,042	(197,866)	13,129,320
Furniture, Machinery, Vehicles & Other	100,186,178	8,445,400	(1,242,702)	107,388,876
Total Buildings and Other Capital Assets	<u>1,019,739,170</u>	<u>92,997,716</u>	<u>(1,440,568)</u>	<u>1,111,296,318</u>
<u>Accumulated Depreciation</u>				
Buildings and Building Improvements	160,954,149	16,147,688	-	177,101,837
Other Real Estate Improvements	<u>8,650,206</u>	<u>1,147,951</u>	<u>-</u>	<u>9,798,157</u>
Total Buildings & Other Real Estate Improvements	169,604,355	17,295,639	-	186,899,994
Library Books	10,119,909	421,793	(197,866)	10,343,836
Furniture, Machinery, Vehicles & Other	<u>72,628,028</u>	<u>7,565,050</u>	<u>(872,597)</u>	<u>79,320,481</u>
Total Accumulated Depreciation	<u>252,352,292</u>	<u>25,282,482</u>	<u>(1,070,463)</u>	<u>276,564,311</u>
Net Capital Assets	<u>\$ 902,057,837</u>	<u>\$ 94,181,123</u>	<u>\$ (40,774,801)</u>	<u>\$ 955,464,160</u>

## 6. NON-CURRENT LIABILITIES

Non-Current Liability activity for the fiscal year ended August 31, 2020 was as follows:

	Balance August 31, 2019	Additions	Reductions	Balance August 31, 2020	Current Portion
<b>Bonds</b>					
General Obligation bonds	\$ 563,955,000	\$ 18,930,000	\$ (54,220,000)	\$ 528,665,000	\$ 26,200,000
Revenue bonds	82,930,000	-	(1,620,000)	81,310,000	1,685,000
Maintenance Tax Note bonds	17,640,000	-	(1,950,000)	15,690,000	2,065,000
Unamortized bond premium	63,187,729	1,333,684	(8,423,246)	56,098,167	7,820,891
<b>Subtotal</b>	727,712,729	20,263,684	(66,213,246)	681,763,167	37,770,891
Accrued compensable absences	10,775,359	8,503,799	(5,222,850)	14,056,308	7,878,056
Net pension liability	107,837,014	21,670,811	(21,912,250)	107,595,575	-
Net OPEB liability	163,351,917	36,963,873	(4,604,254)	195,711,536	4,580,427
Local governmental liability	16,510,198	47,037	(14,579,838)	1,977,397	-
Accounts payable and accrued liabilities	8,123,907	-	(1,592,609)	6,531,298	1,608,535
<b>Total Non-Current Liabilities</b>	<b>\$ 1,034,311,124</b>	<b>\$ 87,449,204</b>	<b>\$ (114,125,047)</b>	<b>\$ 1,007,635,281</b>	<b>\$ 51,837,909</b>

Non-Current Liability activity for the fiscal year ended August 31, 2019 was as follows:

	Balance August 31, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
<b>Bonds</b>					
General Obligation bonds	\$ 594,070,000	\$ -	\$ (30,115,000)	\$ 563,955,000	\$ 34,220,000
Revenue bonds	84,520,000	-	(1,590,000)	82,930,000	1,620,000
Maintenance Tax Note bonds	19,480,000	-	(1,840,000)	17,640,000	1,950,000
Unamortized bond premium	72,470,980	-	(9,283,251)	63,187,729	8,653,378
<b>Subtotal</b>	770,540,980		(42,828,251)	727,712,729	46,443,378
Accrued compensable absences	10,551,854	6,953,793	(6,730,288)	10,775,359	6,179,946
Net pension liability	54,472,950	59,963,984	(6,599,920)	107,837,014	-
Net OPEB liability	82,036,384	122,515,533	(41,200,000)	163,351,917	2,402,877
Local governmental liability	16,562,151	14,062,719	(14,114,672)	16,510,198	-
Accounts payable and accrued liabilities	-	8,123,907	-	8,123,907	1,592,609
<b>Total Non-Current Liabilities</b>	<b>\$ 934,164,319</b>	<b>\$ 211,619,936</b>	<b>\$ (111,473,131)</b>	<b>\$ 1,034,311,124</b>	<b>\$ 56,618,810</b>



## Non-Current Liabilities (Continued)

### Debt Obligations

Debt service requirements by type of bond at August 31, 2020 were as follows:

For the Year Ended August 31,	General Obligation Bonds		Revenue Bonds		Maintenance Tax Notes		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 26,200,000	\$ 23,614,600	\$ 1,685,000	\$ 3,747,869	\$ 2,065,000	\$ 705,963	\$ 29,950,000	\$ 28,068,431
2022	28,130,000	22,324,788	1,750,000	3,677,469	2,175,000	616,000	32,055,000	26,618,256
2023	26,705,000	21,012,288	1,820,000	3,606,194	2,060,000	521,000	30,585,000	25,139,481
2024	28,240,000	19,669,475	1,705,000	3,537,813	2,175,000	415,125	32,120,000	23,622,413
2025	26,755,000	18,308,350	1,760,000	3,468,088	2,290,000	303,500	30,805,000	22,079,938
2026 - 2030	111,210,000	75,129,675	21,615,000	15,767,916	4,925,000	249,125	137,750,000	91,146,716
2031 - 2035	117,435,000	49,388,925	22,010,000	9,315,063			139,445,000	58,703,988
2036 - 2040	81,010,000	27,066,275	18,535,000	4,741,813			99,545,000	31,808,088
2041 - 2046	82,980,000	10,562,150	10,430,000	799,500			93,410,000	11,361,650
<b>Sub Total</b>	<b>\$ 528,665,000</b>	<b>\$ 267,076,525</b>	<b>\$ 81,310,000</b>	<b>\$ 48,661,722</b>	<b>\$ 15,690,000</b>	<b>\$ 2,810,713</b>	<b>\$ 625,665,000</b>	<b>\$ 318,548,959</b>
Net Premium	49,184,890		5,353,950		1,559,327		56,098,167	
<b>Total</b>	<b>\$ 577,849,890</b>	<b>\$ 267,076,525</b>	<b>\$ 86,663,950</b>	<b>\$ 48,661,722</b>	<b>\$ 17,249,327</b>	<b>\$ 2,810,713</b>	<b>\$ 681,763,167</b>	<b>\$ 318,548,959</b>

Debt service principal and interest requirements for all the bonds at August 31, 2020 were as follows:

For the Year Ended August 31,	Principal	Interest	Total
2021	\$ 29,950,000	\$ 28,068,431	\$ 58,018,431
2022	32,055,000	26,618,256	58,673,256
2023	30,585,000	25,139,481	55,724,481
2024	32,120,000	23,622,413	55,742,413
2025	30,805,000	22,079,938	52,884,938
2026 - 2030	137,750,000	91,146,716	228,896,716
2031 - 2035	139,445,000	58,703,988	198,148,988
2036 - 2040	99,545,000	31,808,088	131,353,088
2041 - 2046	93,410,000	11,361,650	104,771,650
	<b>\$ 625,665,000</b>	<b>\$ 318,548,959</b>	<b>\$ 944,213,959</b>
Net Premium	56,098,167	-	56,098,167
<b>Total</b>	<b>\$ 681,763,167</b>	<b>\$ 318,548,959</b>	<b>\$ 1,000,312,126</b>

## 7. BONDS PAYABLE

General information related to bonds payable is summarized below:

Series	Purpose	Issue Date	Original Issue Amount	Repayment Source	Amount Outstanding	
					8/31/2020	8/31/2019
2008 GO	Construction, Equip, Site Acquisition	9/10/2008	\$ 149,780,000	Ad Valorem Tax	\$ -	\$ 20,000,000
2009 GO	Construction, Equip, Site Acquisition	9/16/2009	144,520,000	Ad Valorem Tax	-	5,260,000
2010A GO	Construction, Equip, Site Acquisition	6/17/2010	110,625,000	Ad Valorem Tax	-	17,900,000
2011 GO REF	Refunding	10/5/2011	25,305,000	Ad Valorem Tax	20,320,000	23,450,000
2012 GO REF	Refunding	6/14/2012	21,420,000	Ad Valorem Tax	5,825,000	6,545,000
2015A GO	Construction, Equip, Site Acquisition	4/29/2015	134,870,000	Ad Valorem Tax	132,050,000	134,870,000
2015B GO REF	Refunding	4/29/2015	97,455,000	Ad Valorem Tax	95,365,000	97,455,000
2016 GO REF	Refunding	8/10/2016	133,250,000	Ad Valorem Tax	133,250,000	133,250,000
2017A GO	Construction, Equip, Site Acquisition	2/16/2017	133,015,000	Ad Valorem Tax	122,925,000	125,225,000
2020 GO REF	Refunding	6/3/2020	18,930,000	Ad Valorem Tax	18,930,000	-
<b>Total General Obligation</b>					<b>\$ 528,665,000</b>	<b>\$ 563,955,000</b>
2011 REV REF	Refunding	10/5/2011	7,980,000	Pledged Revenue	\$ 3,210,000	\$ 3,800,000
2012 REV REF	Refunding	6/14/2012	8,155,000	Pledged Revenue	2,320,000	2,665,000
2013 REV	Construction, Equip, Site Acquisition	10/17/2013	58,145,000	Pledged Revenue	39,205,000	39,205,000
2016 REV REF	Refunding	8/10/2016	37,910,000	Pledged Revenue	36,575,000	37,260,000
<b>Total Revenue</b>					<b>\$ 81,310,000</b>	<b>\$ 82,930,000</b>
2009 MTN	Construction for Energy Conservation	12/3/2009	30,740,000	Ad Valorem Tax	\$ 4,240,000	\$ 6,190,000
2016 MTN REF	Refunding	8/10/2016	11,450,000	Ad Valorem Tax	11,450,000	11,450,000
<b>Total Tax Maintenance Note</b>					<b>\$ 15,690,000</b>	<b>\$ 17,640,000</b>

### General Obligation Bonds:

- Limited Tax General Obligation Refunding Bonds, Series 2020
  - Refund the remaining of Series 2008
  - Issued June 3, 2020
  - Total authorized \$18,930,000; all authorized have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$18,930,000 and \$0, respectively.
  - Principal payments begin 2034.
  - Bonds payable installments vary from \$4,205,000 to \$7,470,000, with interest rates at 3.00%, and with the final installment due in 2036.
- Limited Tax General Obligation Bonds, Series 2017A
  - Construction and equipment of buildings and to purchase sites
  - Issued February 16, 2017; the second tranche of GO bonds approved by the voters in the Nov 2014 \$485 million bond election
  - Total authorized \$133,015,000; all authorized have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$122,925,000 and \$125,225,000, respectively.
  - Bonds payable installments vary from \$2,190,000 to \$7,940,000, with interest rates from 3.00% to 5.00%, and with the final installment due in 2046.

## Bonds Payable (continued)

- Limited Tax General Obligation Refunding Bonds, Series 2016
  - Refund a portion of Series 2008 and 2009
  - Issued August 10, 2016
  - Total authorized \$133,250,000; all authorized have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$133,250,000 and \$133,250,000, respectively.
  - Principal payments begin 2021
  - Bonds payable installments vary from \$2,200,000 to \$16,270,000, with interest rates from 4.00% to 5.00%, and with the final installment due in 2038.
- Limited Tax General Obligation Bonds, Series 2015A
  - Construction and equipment of buildings and to purchase sites
  - Issued April 29, 2015; the first tranche of GO bonds approved by the voters in the Nov 2014 \$485 million bond election
  - Total authorized \$134,870,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$132,050,000 and \$134,870,000, respectively.
  - Bonds payable installments vary from \$1,140,000 to \$8,625,000, with interest rates from 2.50% to 5.00%, and with the final installment due in 2045.
- Limited Tax General Obligation Refunding Bonds, Series 2015B
  - Refund all or a portion of Series 2003, 2005A Ref, 2008, 2009 and 2010A
  - Issued April 29, 2015
  - Total authorized \$97,455,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$95,365,000 and \$97,455,000, respectively.
  - Bonds payable installments vary from \$750,000 to \$19,280,000, with interest rates from 2.00% to 5.00%, and with the final installment due in 2027.
- Limited Tax General Obligation Refunding Bonds, Series 2012
  - Refund the remaining of Series 2002 and a portion of Series 2003
  - Issued June 14, 2012
  - Total authorized \$21,420,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$5,825,000 and \$6,545,000, respectively.
  - Bonds payable installments vary from \$460,000 to \$5,725,000, with interest rates from 1.50% to 5.00%, and with the final installment due in 2028.
- Limited Tax General Obligation Refunding Bonds, Series 2011
  - Refund a portion of Series 2002
  - Issued October 5, 2011
  - Total authorized \$25,305,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$20,320,000 and \$23,450,000, respectively.
  - Bonds payable installments vary from \$915,000 to \$4,565,000, with interest rates from 3.00% to 5.00%, and with the final installment due in 2027.

## **Bonds Payable (continued)**

- **Limited Tax General Obligation Bonds, Series 2010A**
  - Construction and equipment of buildings including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
  - Issued June 17, 2010
  - Total authorized \$110,625,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$0 and \$17,900,000, respectively.
  - Bonds payable installments vary from \$500,000 to \$19,200,000, with interest rates from 3.00% to 5.00%. The final installment was due August 15, 2020.
- **Limited Tax General Obligation Bonds, Series 2009**
  - Construction and equipment of buildings, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
  - Issued September 16, 2009
  - Total authorized \$144,520,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Partial refunding of \$83,240,000 on August 10, 2016
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$0 and \$5,260,000, respectively.
  - Original bonds payable installments vary from \$400,000 to \$10,415,000, with interest rates from 2.00% to 5.00%, and with the final installment due in 2034.
  - After refunding, bonds payable installments vary from \$3,900,000 to \$5,260,000, with interest rates at 5.00%. The final installment was due August 15, 2020.
- **Limited Tax General Obligation Bonds, Series 2008**
  - Construction and equipment of buildings, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
  - Issued September 10, 2008
  - Total authorized \$149,780,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Partial refundings of \$35,635,000 on April 29, 2015, \$58,990,000 on August 10, 2016, and \$7,450,000 on June 3, 2020.
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$0 and \$20,000,000, respectively.
  - Original bonds payable installments vary from \$2,665,000 to \$10,655,000, with interest rates from 3.50% to 5.25%, and with the final installment due in 2038.
  - The bond was fully refunded on June 3, 2020.

## **Revenue Bonds:**

- **Revenue Financing Refunding Bonds, Series 2016**
  - Refund the remaining of Series 2007 and 2012B Bonds
  - Issued August 10, 2016
  - Total authorized \$37,910,000, all authorized bonds have been issued
  - Source of revenue for debt service is tuition and general fees
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$36,575,000 and \$37,260,000, respectively.
  - Bonds payable installments vary from \$650,000 to \$5,625,000, with interest rates at 3.25% to 5.00%, and with the final installment due in 2038.

## **Bonds Payable (continued)**

- **Revenue Financing Bonds, Series 2013**
  - Acquire, construct, improve, equip and maintain buildings, property, and facilities.
  - Issued October 17, 2013
  - Total authorized \$58,145,000; all authorized bonds have been issued
  - Source of revenue for debt service is tuition and general fees
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$39,205,000 and \$39,205,000, respectively.
  - Principal payments to begin 2029
  - Bonds payable installments vary from \$455,000 to \$3,650,000, with interest rates from 3.00% to 5.00%, and with the final installment due in 2043.
- **Revenue Financing Refunding Bonds, Series 2012**
  - Refund a portion of Series 2003 and Series 2003A Bonds
  - Issued June 14, 2012
  - Total authorized \$8,155,000; all authorized bonds have been issued
  - Source of revenue for debt service is tuition and general fees
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$2,320,000 and \$2,665,000, respectively.
  - Bonds payable installments vary from \$40,000 to \$1,245,000, with interest rates from 2.00% to 4.00%, and with the final installment due in 2028.
- **Revenue Financing Refunding Bonds, Series 2011**
  - Refund the remaining of Series 2000
  - Issued October 5, 2011
  - Total authorized \$7,980,000; all authorized bonds have been issued
  - Source of revenue for debt service is tuition and general fees
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$3,210,000 and \$3,800,000, respectively.
  - Bonds payable installments vary from \$490,000 to \$675,000, with interest rates from 1.75% to 4.00%, and with the final installment due in 2025.

## **Maintenance Tax Notes:**

- **Maintenance Tax Refunding Bonds, Series 2016**
  - Refund a portion of Series 2009
  - Issued August 10, 2016
  - Total authorized \$11,450,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$11,450,000 and \$11,450,000, respectively.
  - Principal payments begin 2022
  - Bonds payable installments vary from \$2,060,000 to \$2,520,000, with interest rates at 5.00%, and with the final installment due in 2026.
- **Maintenance Tax Note, Series 2009**
  - Acquire, finance, install, renovate, and rehabilitate certain facilities for the purpose of energy conservation, mechanical upgrades and projects.
  - Issued December 3, 2009
  - Total authorized \$30,740,000; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Partial refunding of \$11,450,000 on August 10, 2016
  - Outstanding principal balance as of August 31, 2020 and 2019 is \$4,240,000 and \$6,190,000, respectively.
  - Original bonds payable installments vary from \$1,160,000 to \$2,780,000, with interest rates from 2.00% to 5.00%, and with the final installment due in 2026.
  - After refunding, bonds payable installments vary from \$1,950,000 to \$2,175,000, with interest rates from 4.00% to 4.50%, with the final installment due in 2021.

## **Bonds Payable (continued)**

### **Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. There was no positive arbitrage rebate liability for the bonds with installment calculations due within fiscal years 2020 and 2019.

### **Pledged Revenue**

The revenue pledged as security for the life of the revenue bond debt service includes a portion of tuition and fees, investment income and auxiliary revenues. The bond covenants require the pledge of tuition, allowable by state law, and other revenue sources to maintain a minimum debt service coverage ratio of 1.25. The pledged revenues amounted to \$81,802,089 and \$78,738,415 for the years ended August 31, 2020 and 2019, respectively. The pledged revenue amount equates to 65.44% and 68.94% of total tuition and fee revenues. Debt service on the revenue bonds was \$5,436,381 and \$5,474,944 for the years ended August 31, 2020 and 2019, and the debt service coverage ratio was 15.05 and 14.38, respectively. Revenue bonds are payable in annual installments varying from \$1,190,000 to \$7,650,000 with interest rates from 2.50% to 5.00% and the final installment due in 2043. The College is compliant with all bond covenants for the years ended August 31, 2020 and 2019.

## **8. ISSUED, REFUNDED & DEFEASED BONDS OUTSTANDING**

### **FY 2020 REFUNDING BONDS**

On June 3, 2020 the College issued \$18,930,000 of Limited Tax General Obligation Refunding Bonds. The refunding consisted solely of Refunding Bonds with a reoffering premium of \$1,333,684. The bonds mature serially through 8/15/2036. Interest rates of the refunding bonds are at 3.00%. After payment of \$100,850 in underwriter's discount and cost of issuance expense of \$211,500, the net refunding proceeds were applied to refund \$20,000,000, the remaining portion of the Limited Tax General Obligation Bonds, Series 2008.

The net refunded bonds had an average interest rate of 5.00%. The aggregate debt service payments of the refunding bonds of \$27,470,580 is \$7,893,170 less than the aggregate debt service payments of the refunded bonds of \$35,363,750. The net present value of the savings, adjusted for cash paid out for the refunding transaction, is \$6,080,002. The accounting loss that resulted from the bond refunding is \$284,729 and is being amortized over the life of the new debt using the straight-line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2020.

### **FY 2018 and FY 2019 BONDS ISSUED**

The College did not issue, refund, or defease any bonds during fiscal years 2018 and 2019.

### **FY 2017 BONDS ISSUED**

On February 16, 2017 the College issued \$133,015,000 of Limited Tax General Obligation Bonds. The Series 2017A Limited GO Bonds consisted solely of General Obligation Bonds with a premium of \$18,178,650. The bonds mature serially through 8/14/2038 with term bonds maturing 8/15/2046. Interest rates on the bonds range from 3.00% to 5.00%. After payment of \$726,223 in underwriter's discount and cost of issuance expense of \$467,000, the bond proceeds amounted to \$151,193,650.

The bonds have an average interest rate of 4.65%. The total debt service payments of the bonds are \$246,058,495. The maximum annual debt service is \$8,702,145 with an average annual debt service of \$8,341,751.

### **FY 2016 REFUNDING BONDS**

On August 10, 2016 the College issued \$133,250,000 of Limited Tax General Obligation Refunding Bonds, \$37,910,000 of Revenue Financing Refunding Bonds, and \$11,450,000 of Maintenance Tax Refunding Bonds.

#### **\$133,250,000 Limited Tax General Obligation Refunding Bonds**

The Series 2016 GO Refunding Bonds consisted solely of Refunding Bonds with a reoffering premium of \$24,794,721. The bonds mature serially through 02/15/2034 with term bonds maturing 2/15/2038. Interest rates on the refunding bonds range from 4.00% to 5.00%. After payment of \$582,399 in underwriter's discount and cost of issuance expense of \$438,671, the net refunding proceeds were applied to refund \$142,230,000, a portion of the following outstanding bonds:

Limited Tax General Obligation Bonds, Series 2008 (\$58,990,000)

Limited Tax General Obligation Bonds, Series 2009 (\$83,240,000)

## **ISSUED, REFUNDED & DEFEASED BONDS OUTSTANDING (continued)**

The net refunded bonds had an average interest rate of 5.00%. The aggregate debt service payments of the refunding bonds of \$217,783,811 is \$31,685,189 less than the aggregate debt service payments of the refunded bonds of \$249,469,000. The net present value of the savings, adjusted for cash paid out for the refunding transaction, is \$23,463,355. The accounting loss that resulted from the bond refunding is \$17,886,391 and is being amortized over the life of the new debt using the straight line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2016.

### **\$37,910,000 Revenue Financing System Refunding Bonds**

The Series 2016 Revenue Refunding Bonds consisted solely of Refunding Bonds with a reoffering premium of \$7,455,584. The bonds mature serially through 08/15/2038. Interest rates on the bonds range from 3.25% to 5.00%. After payment of \$167,707 in underwriter's discount and cost of issuance expense of \$235,425, the net refunding proceeds were applied to refund \$43,385,000, in part or in whole, of the following outstanding bonds:

Revenue Financing System Bonds, Series 2007 (\$23,100,000)

Variable Rate Revenue Financing System Bonds, Series 2012B 1&2 (\$20,285,000)

The net refunded bonds have an average interest rate of 5.47%. The aggregate debt service payments of the refunding bonds of \$61,187,307 is \$13,055,415 less than the aggregate debt service payments of the refunded bonds (\$74,242,722). The net present value of the savings, adjusted for cash paid out for the refunding transaction, is \$11,574,326. The accounting loss that resulted from the bond refunding is \$1,492,393 and is being amortized over the life of the new debt using the straight line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2016.

### **\$11,450,000 Maintenance Tax Refunding Bonds**

The Series 2016 Maintenance Refunding Bonds consisted solely of Refunding Bonds with a reoffering premium of \$3,103,737. The bonds mature serially through 09/15/2026. Interest rates on the bonds are 5.00%. After payment of \$47,841 in underwriter's discount and cost of issuance expense of \$99,864, the net refunding proceeds were applied to refund \$12,650,000, a portion of the following outstanding bond:

Maintenance Tax Notes, Series 2009 (\$12,650,000)

The net refunded bonds have an average interest rate of 4.85%. The aggregate debt service payments of the refunding bonds of \$16,143,160 are \$1,779,728 less than the aggregate debt service payments of the refunded bonds of \$17,922,888. The net present value of the savings for the refunding transaction is \$1,622,544. The accounting loss that resulted from the bond refunding is \$1,213,055 and is being amortized over the life of the new debt using the straight line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2016.

## **2014 VOTER AUTHORIZED BONDS**

On November 4, 2014 the voters authorized Lone Star College to issue \$485 million of General Obligation Bonds for the College's capital program. The first \$150 million was issued on 4/29/2015, Series 2015A. Series 2017A was issued on 2/16/2017 for \$150 million and was the second issue of the \$485 million authorization. The balance of \$185 million remains to be issued at a later date.



## ISSUED, REFUNDED & DEFEASED BONDS OUTSTANDING (continued)

### DEFEASED BONDS

In FY 2020, Maintenance Tax Notes, Series 2009, refunded 2016, were called or matured, resulting in an outstanding balance of \$0.

In FY 2019, Limited Tax General Obligation Bonds, Series 2009, refunded 2015 and 2016, were called or matured, resulting in an outstanding balance of \$0.

In FY 2018, Limited Tax General Obligation Bonds, Series 2008, refunded 2015 and 2016, were called or matured, resulting in an outstanding balance of \$0.

In FY 2017, Limited Tax General Obligation Bond, Series 2010A, Revenue Financing Bonds, Series 2007 and 2012, were called or matured, resulting in an outstanding balance of \$0.

In FY 2016, the College defeased a portion of a Revenue Financing System Refunding Bond, Series 2012, Revenue Financing System Bond, Series 2013, and Limited Tax General Obligation Bond, Series 2010A.

Revenue Financing System Refunding Bond, Series 2012 and Revenue Financing System Bond, Series 2013 were redeemed July 28, 2016 for the total amount of \$17,925,000. The Series 2012 partial defeasance consisted of \$825,000 in par value with an original maturity of 2/15/17 and an interest rate of 4.00%. The series 2013 partial defeasance consisted of \$17,100,000 in par value with original serial maturities through 2/15/2029 and with an interest rate range from 3.50% - 5.00%. Limited Tax General Obligation Bond, Series 2010A was redeemed August 10, 2016 for the total amount of \$11,210,000. The original maturity was 8/15/17 with an interest rate of 5.00%.

### DEFEASED BONDS OUTSTANDING

The liability for the bonds below does not appear on the College's financial statement as of August 31, 2020 as these bonds are considered legally defeased.

Bond Issue	Year Refunded	Par Value Outstanding	Call Date/Final Maturity Date
Revenue Financing Bond, Series 2013	2016	\$12,600,000	2/15/2021

## 9. OPERATING LEASES

The College is a lessee for certain of its educational facilities, offices and other equipment from third parties. Rent expense for the years ended August 31, 2020 and 2019 are \$1,485,088 and \$1,558,151, respectively. Future minimum lease payments include a 10% increase based on Fiscal Year 2021 known and estimated equipment leases for years 2022 through 2024. Future lease payments are as follows:

For the Year Ended	
<u>August 31,</u>	<u>Total</u>
2021	\$ 1,973,383
2022	2,006,639
2023	2,010,357
2024	2,062,176
2025	1,220,543
2026-2030	4,770,000
2031-2035	4,611,000
Total future minimum lease payments	<u>\$ 18,654,098</u>

## **10. EMPLOYEES' RETIREMENT PLANS**

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

### Teacher Retirement System (Defined Benefit Plan)

#### **A. Plan Description**

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

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

#### **B. Pension Plan Fiduciary Net Position**

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

#### **C. 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 age is 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description in (A) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

## EMPLOYEES' RETIREMENT PLANS (continued)

### D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates Plan Fiscal Year	
	2020	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%
Employers	7.5%	6.8%
College Contributions	\$8,449,302	\$7,235,646
Member Contributions	\$13,588,937	\$12,689,279
	Measurement Year 2019	Measurement Year 2018
State of Texas (NECE) On-behalf Contributions	\$3,919,213	\$ 3,581,068

The College contributions to the TRS pension plan in FY 2020 were \$8,449,302 as reported in the Schedule of the College Contributions for pensions in the Required Supplementary Information section of these financial statements. Estimated state of Texas on-behalf contributions for FY 2020 were \$3,919,213.

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

## EMPLOYEES' RETIREMENT PLANS (continued)

- 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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.

### E. Actuarial Assumptions

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
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
	2.63%. 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".
Municipal Bond Rate as of August 2018	
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

### F. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 and gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

## EMPLOYEES' RETIREMENT PLANS (continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2019			
Asset Class	FY 2019 Target Allocation <sup>1</sup> %	New Target Allocation <sup>2</sup> %	Long-Term Expected Geometric Real Rate of Return <sup>3</sup>
<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%	0.00%	0.00%
Private Equity	13.00%	14.00%	8.40%
<b>Stable Value</b>			
U.S. Treasuries <sup>4</sup>	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	0.00%	0.00%	0.00%
<b>Real Return</b>			
Global Inflation Linked	3.00%	0.00%	0.00%
Real Assets	14.00%	15.00%	8.50%
Energy and Natural Resources and Commodities	5.00%	6.00%	7.30%
	0.00%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	5.00%	8.00%	5.8%/6.5% <sup>5</sup>
Asset Allocation Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	0.00%	-6.00%	2.70%
<b>Expected Return</b>	<b>100.00%</b>	<b>100.00%</b>	<b>7.23%</b>
<sup>1</sup> FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018			
<sup>2</sup> New target allocation based on the Strategic Asset Allocation dated 10/1/2019			
<sup>3</sup> 10-Year annualized geometric nominal returns include the real rate of return and inflation			
<sup>4</sup> New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal			
<sup>5</sup> 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility			

## EMPLOYEES' RETIREMENT PLANS (continued)

### G. 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%)
College's proportionate share of the net pension liability:	\$ 165,390,027	\$ 107,595,575	\$ 60,770,911

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

At August 31, 2020, the College reported a liability of \$107,595,575 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

The College's Proportionate share of the collective net pension liability	\$ 107,595,575
State's proportionate share that is associated with the College	<u>58,209,864</u>
Total	<u>\$ 165,805,439</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was .2069817297% which was an increase of .0110655297% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions 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 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 in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

**EMPLOYEES' RETIREMENT PLANS (continued)**

For the year ended August 31, 2020, the College recognized a pension expense of \$9,143,950 and revenue of \$9,143,950, for support provided by the State. For the year ended August 31, 2019, the College recognized a pension expense of \$5,794,692, and revenue of \$5,794,692, for support provided by the State.

At August 31, 2020, the College reported its proportionate share of the TRS' 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 experiences	\$ 451,998	\$ 3,735,889
Changes in actuarial assumptions	33,381,431	13,794,787
Differences between projected and actual investment earnings	1,080,384	-
Changes in proportion and differences between the employer's contributions	<u>12,903,730</u>	<u>2,740,499</u>
 Total as of August 31, 2019 measurement date	 \$ 47,817,543	 \$ 20,271,175
Contributions paid to TRS subsequent to the measurement date	<u>8,449,302</u>	<u>-</u>
Total as of fiscal year end	<u>\$ 56,266,845</u>	<u>\$ 20,271,175</u>

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2021	\$ 4,812,916
2022	3,949,973
2023	8,566,572
2024	7,664,170
2025	3,305,070
Thereafter	<u>(752,333)</u>
	<u>\$ 27,546,368</u>



## EMPLOYEES' RETIREMENT PLANS (continued)

### Optional Retirement Plan (Defined Contribution Plan)

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. Benefits fully vest after one year plus one day of employment. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

<u>Optional Retirement Plan Contribution Rates</u>	<u>2020</u>	<u>2019</u>
Member Contribution	6.65%	6.65%
State Contribution	6.60%	6.60%
College Contribution for Participants Enrolled Prior to September 1, 1995	1.90%	1.90%

### Retirement Plan Expense

Below is a summary of ORP retirement plan expense for fiscal years ended August 31, 2020 and 2019.

<u>ORP Retirement Plan Expense</u>	<u>2020</u>	<u>2019</u>
Actual cost of ORP Retirement Benefits	\$ 3,166,672	\$ 3,210,640
College Contribution for ORP Retirement Benefits	2,113,861	2,148,382
State Legislative Appropriation Expended for ORP	1,063,811	1,062,258

## **11. COMPENSABLE ABSENCES**

Full-time non-faculty employees on a twelve month work schedule are eligible for paid annual leave. Eligible employees accrue vacation leave at different rates depending on their length of service and position. Accrual rates range from 8 hours per month to 13.33 hours per month. The College's policy is to allow employees to carry their accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours accrued equal to 400 hours. Eligible employees are entitled to payment for all accumulated annual leave up to the maximum allowed at the time employment with the College is terminated. The College recognizes an accrued liability for the unpaid compensated absences in the amounts of \$14,056,308 and \$10,775,359 for the fiscal years ended August 31, 2020 and 2019, respectively.

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

## **12. COMMITMENTS AND CONTINGENCIES**

On August 31, 2020, various lawsuits and claims involving the College were pending. The ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time. This liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

The Department of Education (“ED”) conducted a program review of the College’s administration of programs authorized by Title IV of the Higher Education Act for award years that spanned from July 1, 2012 through June 30, 2016, which resulted in the identification of instances of noncompliance with certain program requirements. At the request of the Department of Education in conjunction with this program review, during the year ended August 31, 2017, the College conducted an internal review of such noncompliance. This review identified potentially ineligible disbursements during the period under review aggregating to \$13,465,367. In a letter dated October 23, 2018, the Department of Education communicated its final determination that the College is obligated to repay this amount along with \$392,146 in interest, resulting in a total liability of \$13,857,513. The College’s management reviewed the ED findings included in the final program review determination. The College found evidence and documentation that supports a lower amount of ineligible disbursements; and, accordingly, the College appealed the determination. As of August 31, 2019, the College has settled the claim. The amount of \$13,857,513 was the estimated contingency recorded as a liability at August 31, 2018; the final amount of the settlement was \$9,026,563. A payment of \$1,673,848 and \$902,656 towards the liability was made in fiscal years 2020 and 2019 respectively. The remaining \$6,695,393 is payable in four annual installments of \$1,673,848, including interest at 1.0%. The remaining \$6,695,393 is divided between current and noncurrent liabilities as follows: \$1,772,630 and \$4,922,763, respectively.

### 13. DISAGGREGATION OF RECEIVABLES AND PAYABLES

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

	August 31	
	2020	2019
Student Receivables	22,233,903	21,588,612
Taxes Receivable	7,686,122	6,430,958
Federal Receivable	8,125,870	10,966,950
Accounts Receivable	4,359,737	2,378,602
Interest Receivable	251,349	144,582
Other Receivables	2,549,593	2,404,018
Subtotal	45,206,573	43,913,722
Allowance for Doubtful Accounts	(12,353,669)	(11,363,641)
<b>Total Accounts Receivable, Net</b>	<b>32,852,905</b>	<b>32,550,081</b>

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

	August 31	
	2020	2019
Vendors Payable	25,911,011	44,651,801
Salaries and Benefits Payable	6,159,801	2,371,063
Students Payable	2,039,738	605,377
Accrued Interest	1,506,977	1,626,741
Other Payables	9,596,649	5,847,064
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>45,214,176</b>	<b>55,102,046</b>

#### **14. FEDERAL AND STATE CONTRACT AND GRANT AWARDS**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are disclosed on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported within Accounts Receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2020 and 2019 for which monies have not been received nor funds expended totaled \$90,342,791 and \$64,184,253, respectively. Of these amounts, \$85,231,852 and \$58,693,848 were from Federal Contract and Grant Awards; \$5,110,939 and \$5,490,405 were from State Contract and Grant Awards for the fiscal years ended 2020 and 2019, respectively.

## **15. RISK MANAGEMENT**

The College is exposed to various risks of loss related to property damage, personal injury, professional errors and omissions and natural disasters. Significant losses for these risks are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the past three years. The College did not maintain or operate a self-insured insurance plan during the years ended August 31, 2020 and 2019.

## 16. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

HealthSelect of Texas Plan	2020 State/Employer Contribution	2020 Annualized Contribution	2019 State/Employer Contribution	2019 Annualized Contribution
Member Only	\$624.82	\$7,497.84	\$624.82	\$7,497.84

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

<u>Cost of Providing Health Care Insurance</u>	<u>2020</u>	<u>2019</u>
Number of Retirees	571	546
Cost of Health Benefits for Retirees	\$4,822,736	\$4,601,999
Number of Active Full Time Employees	2,997	2,900
Cost of Health Benefits for Active Full Time Employees	\$24,666,285	\$23,825,660
State Appropriation for Health Insurance	\$12,466,501	\$13,086,617
College Expense	\$17,022,520	\$15,341,042

## 17. AD VALOREM TAX

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the System's taxing jurisdiction. The College's taxable values at August 31, 2020 and 2019 are as follows:

	2020	2019
Assessed Valuation of the College	\$ 227,769,990,711	\$ 211,742,223,676
Less: Exemptions	(17,820,989,834)	(16,877,577,975)
Net Assessed Valuation of the College	<b>\$ 209,949,000,877</b>	<b>\$ 194,864,645,701</b>

Tax rates for the years ending August 31, 2020 and 2019 are as follows:

	2020			2019		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation	\$0.3000	\$0.5000	\$0.8000	\$0.3000	\$0.5000	\$0.8000
Assessed Tax Rate per \$100 valuation	\$0.0800	\$0.0278	\$0.1078	\$0.0800	\$0.0278	\$0.1078

Taxes levied for the years ended August 31, 2020 and 2019 were approximately \$221,985,792 and \$206,509,338, respectively, including any penalty and interest assessed, if applicable. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed, and are subject to penalties and interest.

Taxes collected for the years ended August 31, 2020 and 2019 are as follow:

	2020			2019		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 162,963,262	\$ 56,630,994	\$ 219,594,256	\$ 152,345,435	\$ 52,941,418	\$ 205,286,853
Delinquent Taxes Collected	74,165	39,714	113,879	363,684	149,935	513,619
Penalties & Interest Collected	1,390,890	492,555	1,883,445	1,494,819	538,096	2,032,915
<b>Total Gross Collections</b>	<b>\$ 164,428,317</b>	<b>\$ 57,163,263</b>	<b>\$ 221,591,580</b>	<b>\$ 154,203,938</b>	<b>\$ 53,629,449</b>	<b>\$ 207,833,388</b>
Tax Appraisal & Collection Fees	(1,746,097)	(607,873)	(2,353,970)	(1,705,294)	(596,786)	(2,302,080)
<b>Total Net Collections</b>	<b>\$ 162,682,220</b>	<b>\$ 56,555,390</b>	<b>\$ 219,237,610</b>	<b>\$ 152,498,644</b>	<b>\$ 53,032,663</b>	<b>\$ 205,531,308</b>

Tax collections for the years ended August 31, 2020 and 2019 were 98.92% and 99.41%, respectively, of the current year's tax levy. Allowances for uncollectable taxes are based on historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and operations and/or general obligation debt service.



## **18. INCOME TAXES**

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, etc. Organizations*. The College had no material unrelated business income tax liability for the years ended August 31, 2020 or 2019.

## 19. COMPONENT UNIT

Lone Star College Foundation (the Foundation) was established as a separate nonprofit organization in 1991 for the purpose of providing student scholarships and to support academic and workforce programs for the College. Under Governmental Accounting Standards Board Statement (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units – An Amendment of GASB Statement No. 14*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation's financial statements are included in the College's comprehensive annual financial report as a discretely presented component unit as Exhibit 1A – Statements of Financial Position and Exhibit 2A – Statements of Activities for the fiscal years ended August 31, 2020 and 2019.

For complete financial information about the Lone Star College Foundation, please contact the Foundation at:

Lone Star College Foundation, 5000 Research Forest, The Woodlands, TX 77381 or visit their website at: <http://www.lonestar.edu/giving/index.htm>

## **20. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

(In accordance with GASB Statement No. 75)

### **A. Plan Description**

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain post-employment 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.

### **B. 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 by visiting <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2019-CAFR.pdf>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

### **C. Benefits Provided**

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

### **D. 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. There are no long-term contracts for contributions to the plan.

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

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Maximum Monthly Employer Contribution  
Retiree Health and Basic Life Premium  
Fiscal Year 2020**

Retiree only	\$	625
Retiree & Spouse	\$	1,341
Retiree & Children	\$	1,104
Retiree & Family	\$	1,820

Contributions of premiums to the GBP plan for the current year by source is summarized in the following table.

**Premium Contributions by Source  
Group Benefits Program Plan  
For the Fiscal Year Ended August 31, 2020**

Employer Contributions	\$	2,708,542
Member Contributions	\$	-
2019 measurement year NECE on-behalf contributions	\$	13,086,617

**E. 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	
Valuation Date	August 31, 2019
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Projected Annual Salary Increase (includes inflation)	2.5% to 9.5%
Inflation Assumption Rate	2.50%
Mortality Rate	<ul style="list-style-type: none"> <li>• Service Retirees, Survivors and other Inactive Members - Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018.</li> <li>• Disability Retirees - Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale 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.</li> <li>• Active Members - Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.</li> </ul>

## POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

### F. Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

### G. 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 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.

### H. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% 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%)
College's proportionate share of the net OPEB liability:	\$ 233,544,735	\$ 195,711,536	\$ 166,600,261

### I. Healthcare Cost Trend Rates Sensitivity Analysis

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact on the College proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used in measuring the net OPEB Liability.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	\$ 164,337,244	\$ 195,711,536	\$ 236,710,549

## POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

### J. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2020, the College reported a liability of \$195,711,536 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College 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 College were as follows:

The College's Proportionate share of the collective net OPEB liability	\$ 195,711,536
State's proportionate share that is associated with the College	<u>152,640,146</u>
Total	<u>\$ 348,351,682</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 August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.56625113% which was an increase of 0.01508932% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the College recognized OPEB expense of \$172,927 and revenue of \$172,927 for support provided by the State.

**Changes Since the Prior Actuarial Valuation** – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- 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.
- 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.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The percentage of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was decreased 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.

**Changes of Benefit Terms Since Prior Measurement Date** – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

These minor benefit changes have been reflected in the fiscal year 2020 Assumed Per Capita Health Benefit Costs. At August 31, 2020, the College 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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experiences	\$ -	\$ 5,092,589
Changes in actuarial assumptions	13,927,748	43,734,107
Differences between projected and actual investment earnings	80,462	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>5,302,283</u>	<u>-</u>
Total as of August 31, 2019 measurement date	\$ 19,310,493	\$ 48,826,697
Contributions paid to ERS subsequent to the measurement date	<u>2,708,542</u>	<u>-</u>
Total as of fiscal year end	<u>\$ 22,019,035</u>	<u>\$ 48,826,697</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2021	\$ (12,333,100)
2022	(12,333,100)
2023	(6,966,878)
2024	26,024
2025	<u>2,090,850</u>
	<u>\$ (29,516,204)</u>

## **21. ALDINE ISD EARLY COLLEGE HIGH SCHOOL**

The College's Board of Trustees approved an interlocal agreement at their meeting in September 2016 between the College and Aldine ISD ("AISD"). AISD proposed building its MacArthur Early College Facility on the site of the College's East Aldine Satellite Center. The AISD facility is 45,563 square feet and is being constructed as a separate, controlled access wing of the College's building, with a shared utility infrastructure. AISD deposited \$16.5 million of funds in an escrow account with the College, as prescribed by the interlocal agreement. These escrowed funds are used to pay for costs related to this facility upon approval by AISD. The College's liability to AISD is reflected as "local government liability" on the accompanying Statements of Net Position. This agreement has no impact on the Net Position of the College.



## **22. CONSTRUCTION COMMITMENTS**

The College has entered into construction commitments for various projects, including the renovation of facilities and the construction of buildings. On August 31, 2020, the outstanding commitments under construction contracts for facilities and other construction projects was \$37,835,480.

### 23. LEASED FACILITIES

The College leases approximately 340,000 square feet of office space to other entities under non-cancellable lease contracts. For the year ended August 31, 2020, the College received \$4,814,120 in rental income. Future minimum lease receipts due to the College under these contracts are as follows:

For the Year Ended	
<u>August 31,</u>	<u>Total</u>
2021	\$ 4,786,506
2022	2,767,265
2023	1,160,096
2024	232,512
Total future minimum lease receipts	<u>\$ 8,946,379</u>

## **24. SUBSEQUENT EVENTS**

On February 11, 2020 the World Health Organization announced an official name for the disease that caused the 2019 novel coronavirus outbreak, first identified in Wuhan, China. The name of this disease is coronavirus disease 2019, abbreviated as COVID-19. The World Health Organization declared a global pandemic on March 11, 2020, and recommended containment and mitigation measures worldwide. A national emergency was declared in the United States on March 13, 2020. The outbreak of this contagious disease has continued to spread. Any related adverse public health developments have adversely affected public education institutions, workforces, economies, and the financial market globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. Currently, it is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the College's operations and financial results.



## Required Supplementary Information (RSI) Schedules

**LONE STAR COLLEGE SYSTEM**  
**SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY**  
**For the Fiscal Year Ended August 31, 2020**

Measurement year ending August 31 *	2019 **	2018	2017	2016	2015	2014
College's proportionate share of the net Pension liability (%)	0.2069817%	0.1959162%	0.1703631%	0.1653787%	0.14447370%	0.1819112%
College's proportionate share of net pension liability (\$)	\$ 107,595,575	\$ 107,837,013	\$ 54,472,950	\$ 62,494,141	\$ 51,162,603	\$ 48,590,997
State's proportionate share of the net pension liability associated with the college	58,209,864	58,548,008	41,955,696	51,809,767	54,836,429	36,082,142
Total	\$ 165,805,439	\$ 166,385,021	\$ 96,428,646	\$ 114,303,908	\$ 105,999,032	\$ 84,673,139
College's covered payroll	\$ 164,909,264	\$ 149,612,332	\$ 144,659,771	\$ 140,070,767	\$ 131,015,965	\$ 114,391,840
College's proportionate share of the net pension liability as a percentage of its covered payroll	65.25%	72.08%	37.66%	44.62%	39.05%	42.48%
TRS net position as a percentage of total pension liability ***	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll ***	114.93%	126.11%	75.93%	92.75%	91.94%	72.89%

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

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

\*\*\* Per TRS CAFR

Notes to the Schedule of College's Share of Net Pension Liability are an integral part of this statement

**LONE STAR COLLEGE SYSTEM**  
**SCHEDULE OF COLLEGE'S PENSION CONTRIBUTIONS**  
**Last Seven Fiscal Years \*\***

<u>Fiscal year ending August 31 *</u>	<u>2020 **</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 8,449,302	\$ 7,235,646	\$ 6,195,754	\$ 5,624,823	\$ 5,320,500	\$ 4,954,156	\$ 4,021,984
Contribution in Relation to the Contractually Required Contribution	<u>(8,449,302)</u>	<u>(7,235,646)</u>	<u>(6,195,754)</u>	<u>(5,624,823)</u>	<u>(5,320,500)</u>	<u>(4,954,156)</u>	<u>(4,021,984)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 176,735,757	\$ 164,909,264	\$ 149,612,332	\$ 144,659,771	\$ 140,070,767	\$ 131,015,965	\$ 114,391,840
Contributions as a percentage of Covered Payroll	4.78%	4.39%	4.14%	3.89%	3.80%	3.78%	3.52%

\* In accordance with GASB 68, Paragraph 138, the amounts presented above are of the College's last 7 respective fiscal years.

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

Notes to the Schedule of College's Contributions are an integral part of this statement

## **Notes to Required Supplementary Information for Pensions**

### **Changes of Assumptions**

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

### **Changes of Benefit Terms**

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

### **Changes in Reporting Method**

During 2016, GASB clarified that their intention was for a pension plan to maintain the amortization levels by year for the plan amounts of each deferred outflow and deferred inflow and to combine all year's layers together (2014, 2015 and 2016) to arrive at a "collective" or "accumulated" total for each deferral. The total accumulated (collective) amount will be allocated proportionately to each participating employer. Since the information is calculated at the plan level, there will be no need for the participating employers to maintain an amortization schedule.

**LONE STAR COLLEGE SYSTEM**  
**SCHEDULE OF COLLEGE'S SHARE OF NET OPEB LIABILITY**  
**For the Fiscal Year Ended August 31, 2020**

Measurement year ending August 31 *	2019 **	2018	2017
College's proportionate share of the Net OPEB Liability (%)	0.56625113%	0.5511618%	0.2407665%
College's proportionate share of net OPEB Liability (\$)	\$ 195,711,536	\$ 163,351,917	\$ 82,036,384
State's proportionate share of net OPEB liability associated with the college	\$ 152,640,146	\$ 128,894,334	65,551,701
Total	\$ 348,351,682	\$ 292,246,251	\$ 147,588,085
College's covered payroll	\$ 92,960,220	\$ 92,960,220	\$ 92,588,379
College's proportionate share of net OPEB liability as a percentage of its covered payroll	210.53%	175.72%	88.60%
ERS net position as a percentage of the 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, which is the prior fiscal year's 8/31.

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

\*\*\* Per ERS CAFR

Notes to the Schedule of College's Share of Net OPEB Liability are an integral part of this statement



**LONE STAR COLLEGE SYSTEM**  
**SCHEDULE OF COLLEGE'S OPEB CONTRIBUTIONS**  
**For the Fiscal Year Ended August 31, 2020**

Fiscal year ending August 31 *	2020**	2019	2018
Legally required contribution	\$ 2,708,542	\$ 2,551,829	\$ 2,445,958
Actual contributions	(2,708,542)	(2,551,829)	(2,445,958)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
College's covered payroll	\$ 92,960,220	\$ 93,229,200	\$ 92,960,220
Contributions as a percentage of covered payroll	2.91%	2.74%	2.63%

\* In accordance with GASB 75, Paragraph 245, the amounts presented above are as of the College's last 3 respective fiscal years determined on 8/31.

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

Notes to the Schedule of College's Share of Net OPEB Liability are an integral part of this statement

## ***Notes to Required Supplementary Information for OPEB***

### **Changes in Benefit Terms**

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective January 1, 2020, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit change for HealthSelect retirees and dependents for whom Medicare is not primary include:

- an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) for individuals and for families in order to remain consistent with Internal Revenue Service maximums.

This minor benefit change is provided for in the FY 2020 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

### **Changes in Assumptions**

#### **Demographic Assumptions**

Since the last valuation was prepared for this plan, the following assumptions have been updated 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.
- Percentages of future retirees and future retiree spouses assumed to use tobacco.

#### **Economic Assumptions**

Assumptions for 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. 74 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 have been reflected in the FY 2020 Assumed Per Capita Health Benefit Costs.



## Supplementary Schedules

**SCHEDULE A**

**LONE STAR COLLEGE**

**SCHEDULE OF OPERATING REVENUES**

**YEAR ENDED AUGUST 31, 2020 (With Memorandum Totals for the Year Ended August 31, 2019)**

	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises	2020 Total	2019 Total
<b>Tuition</b>						
State funded courses						
In-district resident tuition	\$ 57,605,797	\$ -	\$ 57,605,797	\$ -	\$ 57,605,797	\$ 50,448,547
Out-of-district resident tuition	29,319,777	-	29,319,777	-	29,319,777	25,272,478
Non-resident tuition	9,608,525	-	9,608,525	-	9,608,525	8,970,320
TPEG -credit (set aside)*	(5,526,481)	-	(5,526,481)	-	(5,526,481)	(4,775,847)
State-funded continuing education	1,985,437	-	1,985,437	-	1,985,437	2,187,045
TPEG -non-credit (set aside)*	(164,282)	-	(164,282)	-	(164,282)	(194,156)
Non-state funded continuing education	2,714,269	-	2,714,269	-	2,714,269	3,790,026
Total tuition	95,543,042	-	95,543,042	-	95,543,042	85,698,413
<b>Fees</b>						
Registration fee	2,375,224	-	2,375,224	-	2,375,224	2,129,874
Student activity fee	2,762,024	-	2,762,024	-	2,762,024	2,712,023
Laboratory fee	1,269,333	-	1,269,333	-	1,269,333	1,228,593
Technology fee	15,171,511	-	15,171,511	-	15,171,511	14,892,470
General use fee	9,651,163	-	9,651,163	-	9,651,163	9,473,355
Distance learning fee	5,318,258	-	5,318,258	-	5,318,258	6,212,257
Infrastructure fee	1,941,161	-	1,941,161	-	1,941,161	2,263,960
Differential tuition fee	16,049,309	-	16,049,309	-	16,049,309	13,682,883
Incidental fee	51,357	-	51,357	-	51,357	54,846
Other fees	160,827	-	160,827	-	160,827	251,668
Total fees	54,750,167	-	54,750,167	-	54,750,167	52,901,929
<b>Scholarship allowances and discounts</b>						
Bad debt allowance	(2,052,358)	-	(2,052,358)	-	(2,052,358)	(3,152,510)
Scholarship allowances	(4,021,406)	-	(4,021,406)	-	(4,021,406)	(3,112,286)
Remissions and exemptions - state	(21,123,354)	-	(21,123,354)	-	(21,123,354)	(16,273,973)
Remissions and exemptions - local	(97,369)	-	(97,369)	-	(97,369)	(147,646)
TPEG allowances	(890,583)	-	(890,583)	-	(890,583)	(2,810,144)
State grants to students	(1,505,775)	-	(1,505,775)	-	(1,505,775)	(1,513,991)
Federal grants to students	(39,782,177)	-	(39,782,177)	-	(39,782,177)	(30,623,131)
Other	-	-	-	-	-	-
Total scholarship allowances and discounts	(69,473,022)	-	(69,473,022)	-	(69,473,022)	(57,633,681)
<b>Total net tuition and fees</b>	<b>80,820,186</b>	<b>-</b>	<b>80,820,186</b>	<b>-</b>	<b>80,820,186</b>	<b>80,966,660</b>

**SCHEDULE A (Continued)**

**LONE STAR COLLEGE**

**SCHEDULE OF OPERATING REVENUES**

**YEAR ENDED AUGUST 31, 2020 (With Memorandum Totals for the Year Ended August 31, 2019)**

	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises	2020 Total	2019 Total
Additional operating revenues						
Federal grants and contracts	-	20,831,529	20,831,529	-	20,831,529	14,932,098
State grants and contracts	-	3,993,967	3,993,967	-	3,993,967	4,421,847
Local grants and contracts	1,618,538	824,044	2,442,582	-	2,442,582	3,957,975
Other operating revenue	2,350,695	2,064,350	4,415,045	-	4,415,045	3,107,386
Total additional operating revenues	3,969,233	27,713,890	31,683,123	-	31,683,123	26,419,306
Auxiliary enterprises						
Food service	-	-	-	420,833	420,833	619,232
Bookstore	-	-	-	2,101,509	2,101,509	1,584,757
Child care fees	-	-	-	11,949	11,949	18,683
Special events	-	-	-	182,343	182,343	271,573
Tenant related	-	-	-	6,252,247	6,252,247	6,573,701
Other	-	-	-	831,512	831,512	1,354,713
Total auxiliary enterprises	-	-	-	9,800,393	9,800,393	10,422,659
Total operating revenues	<u>\$ 84,789,419</u>	<u>\$ 27,713,890</u>	<u>\$ 112,503,309</u>	<u>\$ 9,800,393</u>	<u>\$ 122,303,702</u>	<u>\$ 117,808,625</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$5,690,763 and \$4,970,003 was set aside for Texas Public Education Grants in 2020 and 2019, respectively.

## LONE STAR COLLEGE

## SCHEDULE OF OPERATING EXPENSES BY OBJECT

YEAR ENDED AUGUST 31, 2020 (with Memorandum Totals for the Year Ended August 31, 2019)

	Operating Expenses					
	Salaries and Wages	Benefits		Other Expenses	2020 Total	2019 Total
		State	Local			
Unrestricted educational activities						
Instruction	\$ 106,033,153	-	\$ 57,553,925	\$ 10,092,679	\$ 173,679,757	\$ 135,683,425
Public service	561,223	-	124,670	17,082	702,975	734,147
Academic support	41,650,308	-	31,205,731	12,821,355	85,677,394	66,260,490
Student services	37,312,137	-	27,985,975	10,368,287	75,666,399	56,920,524
Institutional support	37,811,542	-	35,532,665	14,139,264	87,483,471	56,944,417
Operation and maintenance of plant	7,824,058	-	8,165,063	30,471,833	46,460,954	40,895,029
Total unrestricted educational activities:	<u>231,192,421</u>	<u>-</u>	<u>160,568,029</u>	<u>77,910,500</u>	<u>469,670,950</u>	<u>357,438,032</u>
Restricted educational activities						
Instruction	948,731	11,006,525	139,372	870,066	12,964,694	12,758,927
Public service	209,156	48,509	32,719	221,377	511,761	599,244
Academic support	2,176,739	5,702,438	257,180	1,602,056	9,738,413	11,876,431
Student services	218,385	5,309,720	36,886	3,112,796	8,677,787	4,827,239
Institutional support	821	7,068,958	-	729,336	7,799,115	6,871,788
Operation and maintenance of plant	-	-	-	3,640,504	3,640,504	3,066,934
Scholarships and fellowships	-	-	-	42,395,233	42,395,233	43,095,928
Total restricted educational activities	<u>3,553,832</u>	<u>29,136,150</u>	<u>466,157</u>	<u>52,571,368</u>	<u>85,727,507</u>	<u>83,096,491</u>
Total educational activities	234,746,253	29,136,150	161,034,186	130,481,868	555,398,457	440,534,523
Auxiliary enterprises	694,921	-	342,445	6,709,756	7,747,122	9,658,720
Depreciation expense - buildings	-	-	-	18,133,070	18,133,070	17,295,639
Depreciation expense - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,113,181</u>	<u>7,113,181</u>	<u>7,986,843</u>
Total operating expenses	<u>\$ 235,441,174</u>	<u>\$ 29,136,150</u>	<u>\$ 161,376,631</u>	<u>\$ 162,437,875</u>	<u>\$ 588,391,830</u>	<u>\$ 475,475,725</u>
					(Exhibit 2)	(Exhibit 2)

## LONE STAR COLLEGE

## SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

YEAR ENDED AUGUST 31, 2020 (With Memorandum Totals for the Year Ended August 31, 2019)

	Unrestricted	Restricted	Auxiliary Enterprises	2020 Total	2019 Total
<b>Non-Operating revenues</b>					
State appropriations					
Education and general state support	\$ 78,683,310	\$ -	\$ -	\$ 78,683,310	\$ 91,081,991
State group insurance	-	12,639,428	-	12,639,428	12,320,390
State retirement matching	-	16,496,722	-	16,496,722	12,016,771
Total state appropriations	78,683,310	29,136,150	-	107,819,460	115,419,152
Maintenance ad valorem taxes	163,311,926	-	-	163,311,926	152,277,079
General obligation ad valorem taxes	-	57,051,546	-	57,051,546	53,202,966
Federal revenue, non-operating	-	76,937,614	-	76,937,614	77,278,621
Gifts	-	-	-	-	284,059
Investment income, net	4,108,383	-	-	4,108,383	7,061,113
Gain on Sale/Donation of capital asset	33,254	-	-	33,254	556,851
Other non-operating revenues	872,923	1,892,225	-	2,765,148	2,962,615
<b>Total non-operating revenues</b>	<b>247,009,796</b>	<b>165,017,535</b>	<b>-</b>	<b>412,027,331</b>	<b>409,042,456</b>
<b>Non-Operating expenses</b>					
Interest on capital related debt	-	25,033,462	-	25,033,462	24,447,197
Loss on disposal of capital assets	24,163	-	-	24,163	370,104
<b>Total non-operating expenses</b>	<b>24,163</b>	<b>25,033,462</b>	<b>-</b>	<b>25,057,625</b>	<b>24,817,301</b>
<b>Net non-operating revenues</b>	<b>\$ 246,985,633</b>	<b>\$ 139,984,073</b>	<b>\$ -</b>	<b>\$ 386,969,706</b>	<b>\$ 384,225,155</b>
				(Exhibit 2)	(Exhibit 2)

## SCHEDULE D

**LONE STAR COLLEGE**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**YEAR ENDED AUGUST 31, 2020 (with Memorandum Totals for the Year Ended August 31, 2019)**

	Detail by Source					Available for Current Operations	
	Restricted		Non-Expendable	Capital Assets (Net)	Total	Yes	No
	Unrestricted	Expendable					
Current:							
Unrestricted	\$ (234,397,811)	\$ -	\$ -	\$ -	\$ (234,397,811)	\$ (234,397,811)	\$ -
Restricted	-	106,563	-	-	106,563	-	106,563
Auxiliary enterprises	9,800,393	-	-	-	9,800,393	9,800,393	-
Plant:							
Debt service	-	21,607,507	-	-	21,607,507	-	21,607,507
Investment in Plant	-	-	-	341,856,580	341,856,580	-	341,856,580
Total Net Position - August 31, 2020	(224,597,418)	21,714,070	-	341,856,580	138,973,232 (Exhibit 1)	(224,597,418)	363,570,650
Total Net Position - August 31, 2019	(141,264,413)	24,866,690	-	334,489,377	218,091,654 (Exhibit 1)	(141,264,413)	359,356,067
Net Increase (Decrease) in Net Position	<u>\$ (83,333,005)</u>	<u>\$ (3,152,620)</u>	<u>\$ -</u>	<u>\$ 7,367,203</u>	<u>\$ (79,118,422)</u> (Exhibit 2)	<u>\$ (83,333,005)</u>	<u>\$ 4,214,583</u>



**SCHEDULE E**

**LONE STAR COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended August 31, 2020**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass Through Disbursements and Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs:</u>			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants-FSEOG(18-19)	84.007	P007A184084	(500)
Federal Supplemental Educational Opportunity Grants-FSEOG(19-20)	84.007	P007A194084	1,047,611
Total Federal Supplemental Educational Opportunity Grant Program			1,047,111
Federal Work-Study Program (19-20)	84.033	P033A194084	1,250,468
Federal Work-Study Program (20-21)	84.033	P033A204084	8,173
Total Federal Work-Study Program			1,258,641
Federal Pell Grant Program (17-18)	84.063	P063P173422	(1,017)
Federal Pell Grant Program (18-19)	84.063	P063P183422	2,624
Federal Pell Grant Program (19-20)	84.063	P063P193422	74,630,255
Total Federal Pell Grant Program			74,631,862
Direct Loan Program (18-19)	84.268	P268K193422	(12,412)
Direct Loan Program (19-20)	84.268	P268K203422	33,275,722
Total Direct Loan Program			33,263,310
<b>TOTAL FINANCIAL AID CLUSTER</b>			110,200,924
TRIO Cluster			
Lone Star College-North Harris: Student Support Services Program	84.042A	P042A150892	243,331
Lone Star College-Tomball: Student Support Services Program	84.042A	P042A151021	213,798
<b>Total TRIO - Student Support Services</b>			457,129
Lone Star College-North Harris:Talent Search Program	84.044A	P044A160416	262,833
Lone Star College- North Harris Upward Bound, Aldine and Eisenhower High Schools	84.047A	P047A170277	224,028
Lone Star College-North Harris Upward Bound, MacArthur and Nimitz High Schools	84.047A	P047A170276	253,627
<b>Total TRIO - Upward Bound</b>			477,655
<b>TOTAL TRIO CLUSTER</b>			1,197,617
Title V - North Harris	84.031S	P031S160059	734,623
Center for Leadership, Academics and Student Success: CLASS	84.031S	P031S160060	589,449
<b>Total Higher Education Institutional Aid Title V CLASS</b>			1,324,072
CARES ACT Cluster			
CARES ACT Higher Education Emergency Relief Fund - Institution	84.425F	P425F202279	7,768,847
CARES ACT Higher Education Emergency Relief Fund - IHEs	84.425E	P425E200588	7,125,750
<b>Total CARES ACT</b>			14,894,597
<u>Pass-Through:</u>			
Texas Higher Education Coordinating Board			
Career and Technical Education - Basic Grants FY19	84.048	20777	(4,044)
Career and Technical Education - Basic Grants FY20	84.048	22109	1,039,354
Career and Technical Education - Leadership Grants	84.048	21938	38,195
Career and Technical Education - Formula Reserve	84.048	22218	23,472
RAND RCT	84.305H	R305H150094	41,028
<b>Total Texas Higher Education Coordinating Board</b>			1,138,005
<u>Pass-Through:</u>			
Texas Workforce Commission			
<u>Pass-Through:</u>			
Houston Galveston Area Council			
Adult Education and Literacy FY20	84.002	214-20	1,140,973
Adult Education and Literacy FY21	84.002	214-21	176,309
<b>Total Adult Education and Literacy</b>			1,317,282
<u>Pass-Through:</u>			
University of Houston - Downtown			
Pathways to Teaching Careers Program	84.031	P031S150206	133,234
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			130,205,731

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

**LONE STAR COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Audit August 31, 2020**

**SCHEDULE E (Continued)**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass Through Disbursements and Expenditures
<u>Pass-Through:</u>			
Texas Workforce Commission			
TANF - Governor's Summer Merit Program	93.558	2819SMP008	4,889
TANF - Governor's Summer Merit Program	93.558	2819SMP005	3,553
Camp Code for Girls	93.558	2819TAN004	3,584
<b>Total Texas Workforce Commission</b>			<b>12,025</b>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>12,025</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
<u>Pass-Through:</u>			
Texas Workforce Commission			
National Dislocated Worker Disaster Grant Project TX-32 Disaster - 2017 Hurricane Harvey	17.277	2818NDW004	(6,138)
College Credit for Heroes VII	17.278	2819WOS000	83,401
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>77,263</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<u>Direct Programs:</u>			
FY 2018 Commercial Motor Vehicle Operator Safety Training Program	20.235	FM-DTG-0067-18-01-00	673
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<b>673</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<u>Pass-Through:</u>			
Disaster Public Assistance			
Texas Division of Emergency Management			
Public Assistance Funds	97.036	TDEM-DR-4332-TX	424,092
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>424,092</b>
<b>U. S. SMALL BUSINESS ADMINISTRATION</b>			
<u>Pass-Through:</u>			
University of Houston			
Small Business Development Centers	59.037	R-19-0059-53813	27,268
Small Business Development Centers	59.037	R-20-0057-53813	232,680
<b>TOTAL U.S. SMALL BUSINESS DEVELOPMENT CENTER</b>			<b>259,948</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<u>Pass-Through:</u>			
Collin County Community College District			
National Convergence Technology Center	47.076	DUE-1700530	27,848
Information Technology Skills Standards, 2020 and Beyond	47.076	DUE-1838535	9,561
<b>Total Collin County Community College District</b>			<b>37,409</b>
<u>Pass-Through:</u>			
The Regents of the University of New Mexico			
Scaling Microsystems Support	47.076	394-084-87AQ	15,312
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>52,721</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 131,032,453</b>

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

**LONE STAR COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED August 31, 2020**

**1 Basis of Presentation**

The schedule of expenditures of federal awards presents the federal grant activity of Lone Star College (the "College") for the year ended August 31, 2020.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget's (OMB) Uniform Guidance and includes awards received directly from federal agencies as well as federal awards passed through other government agencies.

**2 Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when incurred. Revenues are reported only to the extent of expenditures for the current year. Federal receivables represent amounts expended in excess of that received. The College has elected not to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance.

**3 Federal Assistance Reconciliation**

Federal Grants and Contracts Revenue - per Schedule of Operating Revenues (Schedule A)	\$ 20,831,529
Federal Revenue, Non-Operating - per Schedule of Non-Operating Revenues and Expenses (Schedule C)	76,937,614
Federal Direct Student Loan Program	<u>33,263,310</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards (Schedule E)	<u>\$ 131,032,453</u>

**4 Expenditures Not Subject to Federal Single Audit: NONE****5 Sub-Recipients:**

NONE

**6 Adult Education and Literacy FY20**

U.S Department of Education CFDA Number 84.002 represents the Federal and EI Civics funding streams. Included in the Federal funding stream are amounts to be allocated by the pass-through grantor Texas Workforce Commission to the TANF and State funding streams as follows:

(1) TANF funding stream: U.S Department of Health and Human Services CFDA Number 93.558, and

(2) State funding stream: See Schedule F.

However at the time of producing Schedules E and F the Texas Workforce Commission had not advised of these allocations for FY20. Thus the expenditures reported on this Schedule E are shown in aggregate as U.S. Department of Education CFDA Number 84.002.

**7 Disaster Grants - Public Assistance**

The accompanying schedule of expenditures of federal awards includes \$73,354 of grant expenditures approved by FEMA that were incurred in a prior fiscal year.

**SCHEDULE F**

**LONE STAR COLLEGE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
Year Ended August 31, 2020**

State Grantor/Pass Through Grantor	State/Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>TEXAS HIGHER EDUCATION COORDINATING BOARD:</b>			
<u>Direct Programs:</u>			
College Work - Study Program (19-20)	N/A	N/A	\$ 226,033
Mentorship Program (19-20)	N/A	N/A	119,781
Texas Educational Opportunity Grant Program (19-20)	N/A	N/A	1,874,433
Texas Educational Opportunity Grant Renewal Program (19-20)	N/A	N/A	839,589
<b>Total Texas Educational Opportunity Grant Program</b>			<b>2,714,022</b>
Fifth Year Accounting Scholarship	N/A	N/A	3,000
Nursing Innovation Grant Program - Building Simulation & Skills Lab Capacity	N/A	19553	9,943
<b>Total Nursing Innovation Grant Program - Nursing and Allied Health</b>			<b>9,943</b>
Nursing Shortage Reduction Plan - Under 70 Program FY16 - NH	N/A	N/A	(14,961)
Nursing Shortage Reduction Plan - Under 70 Program - CF			(12,785)
Nursing Shortage Reduction Plan Regular FY19 NH			14,669
Nursing Shortage Reduction Plan - Under 70 Program FY17 NH			55,427
Nursing Shortage Reduction Plan - Under 70 Program FY18 NH			9,119
<b>Total Nursing Shortage Reduction Plan</b>			<b>51,468</b>
2018 College Readiness and Success Models for 60x30TX (CRSM-2018) Kingwood	N/A	20518	10,656
2018 College Readiness and Success Models for 60x30TX (CRSM-2018) Kingwood-CI	N/A	21170	48,998
2018 College Readiness and Success Models for 60x30TX (CRSM-2018) Tomball	N/A	20519	19,420
<b>Total College Readiness and Success Models for 60x30TX</b>			<b>79,074</b>
<b>TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD</b>			<b>3,203,322</b>
<b>TEXAS WORKFORCE COMMISSION:</b>			
<u>Direct Programs:</u>			
Lone Star College in Partnership with A Manufacturing Consortium	N/A	2818SDF004	538,984
FY19 Skills for Small Business	N/A	2819SSD002	11,758
Lone Star College in Partnership with Oceaneering International, Inc.	N/A	2819SDF005	119,452
Skills Development Fund COVID-19 Special Initiative	N/A	2820COS004	120,451
<b>Total Skills Development Fund</b>			<b>790,645</b>
<b>TOTAL TEXAS WORKFORCE COMMISSION</b>			<b>790,645</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<b>\$ 3,993,967</b>

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

**LONE STAR COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED August 31, 2020**

**1      Significant Accounting Policies used in Preparing the Schedule**

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

**2      State Assistance Reconciliation**

State Grants and Contracts (Schedule A)	\$      3,993,967
Reconciling items:	
None	-
Total expenditures per Schedule of State Awards	<u>\$      3,993,967</u>

**3      Adult Education and Literacy FY20**

The State funding stream for FY20 is still to be allocated by the pass-through grantor Texas Workforce Commission. Thus all FY20 expenditures are reported on Schedule E in aggregate as U.S. Department of Education CFDA Number 84.002.



## Statistical Section

## STATISTICAL SECTION CONTENTS

This part of the Lone Star College comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the College's overall financial health.

### Contents

#### Financial Trends

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

#### Revenue Capacity

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

#### Debt Capacity

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

#### Demographic and Economic Information

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

#### Operating Information

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

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

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

	For the Fiscal Year Ended August 31, (amounts expressed in thousands)									
	2020	2019	2018 **	2017 as restated	2016	2015 *	2014	2013	2012	2011
Net Investment in Capital Assets	\$341,856	\$334,489	\$275,144	\$233,665	\$216,841	\$198,560	\$178,160	\$178,498	\$195,090	\$190,949
Restricted - expendable	21,714	24,866	27,071	36,830	52,157	48,250	44,889	37,800	13,886	7,574
Unrestricted	(224,597)	(141,264)	(110,682)	(11,902)	(44,448)	(28,218)	52,534	56,314	60,189	47,563
<b>Total net position</b>	<b>\$ 138,973</b>	<b>\$ 218,091</b>	<b>\$ 191,533</b>	<b>\$ 258,593</b>	<b>\$ 224,550</b>	<b>\$ 218,592</b>	<b>\$ 275,583</b>	<b>\$ 272,612</b>	<b>\$ 269,165</b>	<b>\$ 246,086</b>
Net increase (decrease) in net position	\$ (79,118)	\$ 26,558	\$ (67,060)	\$ 34,043	\$ 5,958	\$ (56,991)	\$ 2,971	\$ 3,447	\$ 23,079	\$ 22,400

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

\*\* Net position in 2018 was impacted by GASB 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pensions*.



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

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

	2020	2019	2018	2017 as restated	2016	2015	2014	2013	2012	2011
Tuition and Fees (Net of Discounts)	\$ 80,820	\$ 80,967	\$ 81,367	\$ 82,416	\$ 77,531	\$ 77,565	\$ 61,961	\$ 59,682	\$ 58,864	\$ 54,089
Governmental Grants and Contracts										
Federal Grants and Contracts	20,832	14,932	5,565	4,536	4,208	4,823	5,775	5,583	6,636	5,016
State Grants and Contracts	3,994	4,422	3,481	4,663	4,851	4,657	3,456	3,901	2,657	3,271
Local Grants and Contracts	2,443	3,958	4,047	3,750	4,771	5,574	4,612	4,000	4,423	5,791
Auxiliary enterprises	9,800	10,423	10,606	13,012	14,690	14,963	14,335	9,850	8,570	7,313
Other Operating Revenues	4,415	3,107	4,317	3,389	2,897	2,780	2,239	1,467	1,757	1,547
<b>Total Operating Revenues</b>	<b>\$ 122,304</b>	<b>\$ 117,809</b>	<b>\$ 109,383</b>	<b>\$ 111,766</b>	<b>\$ 108,948</b>	<b>\$ 110,361</b>	<b>\$ 92,378</b>	<b>\$ 84,483</b>	<b>\$ 82,907</b>	<b>\$ 77,027</b>
Ad Valorem Taxes:										
Maintenance and Operations	163,312	152,277	146,643	140,258	125,089	112,203	109,041	104,875	101,461	96,232
General Obligation Bonds	57,052	53,203	51,201	48,875	54,177	46,633	43,663	40,884	39,020	38,486
State Appropriations	107,819	115,419	102,753	95,681	97,052	90,002	85,709	75,962	75,418	73,405
Federal Revenue, Non-Operating	76,938	77,279	82,324	77,449	77,853	91,112	91,369	90,757	89,175	74,414
Investment income	4,108	7,061	4,848	2,609	1,163	663	451	556	500	732
Other non-operating revenues	2,798	3,803	5,872	5,159	6,225	3,525	4,568	4,871	4,183	3,868
<b>Total Non-Operating Revenues</b>	<b>412,027</b>	<b>409,042</b>	<b>393,641</b>	<b>370,031</b>	<b>361,559</b>	<b>344,139</b>	<b>334,801</b>	<b>317,905</b>	<b>309,757</b>	<b>287,137</b>
<b>Total Revenues</b>	<b>\$ 534,331</b>	<b>\$ 526,851</b>	<b>\$ 503,024</b>	<b>\$ 481,797</b>	<b>\$ 470,507</b>	<b>\$ 454,500</b>	<b>\$ 427,179</b>	<b>\$ 402,388</b>	<b>\$ 392,664</b>	<b>\$ 364,164</b>

For the Year Ended August 31,

	2020	2019	2018	2017 as restated	2016	2015	2014	2013	2012	2011
Tuition and Fees (Net of Discounts)	15.13%	15.37%	16.18%	17.11%	16.48%	17.07%	14.50%	14.83%	14.99%	14.85%
Governmental Grants and Contracts										
Federal Grants and Contracts	3.90%	2.83%	1.11%	0.94%	0.89%	1.06%	1.35%	1.39%	1.69%	1.38%
State Grants and Contracts	0.75%	0.84%	0.69%	0.97%	1.03%	1.02%	0.81%	0.97%	0.68%	0.90%
Local Grants and Contracts	0.46%	0.75%	0.80%	0.78%	1.01%	1.23%	1.08%	0.99%	1.13%	1.59%
Auxiliary enterprises	1.83%	1.98%	2.11%	2.70%	3.12%	3.29%	3.36%	2.45%	2.18%	2.01%
Other Operating Revenues	0.83%	0.59%	0.86%	0.70%	0.62%	0.61%	0.52%	0.36%	0.45%	0.42%
<b>Total Operating Revenues</b>	<b>22.89%</b>	<b>22.36%</b>	<b>21.75%</b>	<b>23.20%</b>	<b>23.16%</b>	<b>24.28%</b>	<b>21.63%</b>	<b>21.00%</b>	<b>21.11%</b>	<b>21.15%</b>
Ad Valorem Taxes:										
Maintenance and Operations	30.56%	28.90%	29.15%	29.11%	26.59%	24.69%	25.53%	26.06%	25.84%	26.43%
General Obligation Bonds	10.68%	10.10%	10.18%	10.14%	11.51%	10.26%	10.22%	10.16%	9.94%	10.57%
State Appropriations	20.18%	21.91%	20.43%	19.86%	20.63%	19.80%	20.06%	18.88%	19.21%	20.16%
Federal Revenue, Non-Operating	14.40%	14.67%	16.37%	16.08%	16.55%	20.05%	21.39%	22.55%	22.71%	20.43%
Investment income	0.77%	1.34%	0.96%	0.54%	0.25%	0.15%	0.11%	0.14%	0.13%	0.20%
Other non-operating revenues	0.52%	0.72%	1.17%	1.07%	1.32%	0.78%	1.07%	1.21%	1.07%	1.06%
<b>Total Non-Operating Revenues</b>	<b>77.11%</b>	<b>77.64%</b>	<b>78.25%</b>	<b>76.80%</b>	<b>76.84%</b>	<b>75.72%</b>	<b>78.37%</b>	<b>79.00%</b>	<b>78.89%</b>	<b>78.85%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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

For the Year Ended August 31, (amounts expressed in thousands)										
	2020	2019	2018	2017 as Restated	2016	2015	2014	2013	2012	2011
Instruction	\$ 186,644	\$ 148,442	\$ 137,567	\$ 133,086	\$ 133,901	\$ 128,276	\$ 123,466	\$ 113,233	\$ 108,314	\$ 104,578
Public service	1,215	1,333	1,201	1,279	1,348	1,364	1,340	1,048	1,163	1,252
Academic support	95,416	78,137	66,093	61,254	58,500	60,595	55,928	54,998	47,383	47,497
Student services	84,344	61,748	53,509	51,207	50,524	47,340	41,840	38,498	34,101	30,101
Institutional support	95,283	63,816	50,897	60,484	41,817	40,664	37,230	32,744	29,227	29,908
Operation and maintenance of plant	50,101	43,963	59,257	48,555	52,536	49,375	43,688	42,416	42,230	36,497
Scholarships and fellowships	42,395	43,096	50,574	50,994	53,178	65,330	55,840	56,215	60,374	51,120
Auxiliary enterprises	7,747	9,659	8,935	11,985	16,356	14,088	12,307	8,621	6,772	5,748
Depreciation	25,246	25,282	22,770	22,222	27,455	25,473	23,588	22,346	19,368	12,666
<b>Total Operating Expenses</b>	<u>\$ 588,391</u>	<u>\$ 475,476</u>	<u>\$ 450,803</u>	<u>\$ 441,066</u>	<u>\$ 435,615</u>	<u>\$ 432,505</u>	<u>\$ 395,227</u>	<u>\$ 370,119</u>	<u>\$ 348,932</u>	<u>\$ 319,367</u>
Interest on capital related debt	25,033	24,447	23,116	24,844	28,870	23,738	27,106	22,792	19,614	20,959
Loss on disposal of capital assets	24	370	409	721	63	196	1,876	6,030	666	1,439
<b>Total Non-Operating Expenses</b>	<u>25,057</u>	<u>24,817</u>	<u>23,525</u>	<u>25,565</u>	<u>28,933</u>	<u>23,934</u>	<u>28,982</u>	<u>28,822</u>	<u>20,280</u>	<u>22,398</u>
<b>Total Expenses</b>	<u>\$ 613,448</u>	<u>\$ 500,293</u>	<u>\$ 474,328</u>	<u>\$ 466,631</u>	<u>\$ 464,548</u>	<u>\$ 456,438</u>	<u>\$ 424,209</u>	<u>\$ 398,941</u>	<u>\$ 369,212</u>	<u>\$ 341,765</u>

Statistical Supplement 3 (Cont)

	For the Year Ended August 31,									
	2020	2019	2018	2017 as Restated	2016	2015	2014	2013	2012	2011
Instruction	30.43%	29.67%	29.00%	28.51%	28.82%	28.10%	29.10%	28.38%	29.34%	30.60%
Public service	0.20%	0.27%	0.25%	0.27%	0.29%	0.30%	0.32%	0.26%	0.31%	0.37%
Academic support	15.55%	15.62%	13.95%	13.15%	12.59%	13.28%	13.18%	13.79%	12.83%	13.90%
Student services	13.75%	12.34%	11.28%	10.97%	10.88%	10.37%	9.86%	9.65%	9.24%	8.81%
Institutional support	15.53%	12.76%	10.73%	12.96%	9.00%	8.91%	8.78%	8.21%	7.92%	8.75%
Operation and maintenance of plant	8.17%	8.79%	12.49%	10.41%	11.31%	10.82%	10.30%	10.63%	11.44%	10.67%
Scholarships and fellowships	6.91%	8.61%	10.66%	10.93%	11.45%	14.31%	13.16%	14.09%	16.35%	14.96%
Auxiliary enterprises	1.26%	1.93%	1.88%	2.57%	3.52%	3.09%	2.90%	2.16%	1.83%	1.68%
Depreciation	4.12%	5.05%	4.80%	4.76%	5.91%	5.58%	5.56%	5.60%	5.25%	3.71%
<b>Total Operating Expenses</b>	<b>95.92%</b>	<b>95.04%</b>	<b>95.04%</b>	<b>94.53%</b>	<b>93.77%</b>	<b>94.76%</b>	<b>93.16%</b>	<b>92.77%</b>	<b>94.51%</b>	<b>93.45%</b>
Interest on capital related debt	4.08%	4.89%	4.87%	5.32%	6.21%	5.20%	6.39%	5.71%	5.31%	6.13%
Loss on disposal of capital assets	0.00%	0.07%	0.09%	0.15%	0.01%	0.04%	0.44%	1.51%	0.18%	0.42%
<b>Total Non-Operating Expenses</b>	<b>4.08%</b>	<b>4.96%</b>	<b>4.96%</b>	<b>5.47%</b>	<b>6.22%</b>	<b>5.24%</b>	<b>6.83%</b>	<b>7.22%</b>	<b>5.49%</b>	<b>6.55%</b>
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.00%</b>	<b>100.00%</b>

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

Academic Year (Fall)	Registration Fee (per student)	Resident Fees per Semester Credit Hour (SCH)								Increase Prior Year	Increase from Prior Year
		In-District	Out-of-District	Technology	Student Activity	General Use	Infrastructure Fee	Cost for 12 SCH	Cost for 12 SCH		
		Tuition	Tuition	Fees	Fees	Fee	(per semester)	In-District	Out-of-District	In-District	Out-of-District
*2020	\$0	\$88	\$193	\$0	\$0	\$0	\$0	\$1,056	\$2,316	32.00%	19.38%
2019	12	44	139	11	2	7	20	800	1,940	0.00%	6.59%
2018	12	44	129	11	2	7	20	800	1,820	0.00%	7.06%
2017	12	44	119	11	2	7	20	800	1,700	3.09%	5.20%
2016	12	44	114	9	2	7	20	776	1,616	3.19%	1.51%
2015	12	42	112	9	2	7	20	752	1,592	0.00%	0.00%
2014	12	42	112	9	2	7	20	752	1,592	6.82%	3.11%
2013	12	40	110	7	2	7	20	704	1,544	0.00%	0.00%
2012	12	40	110	7	2	7	20	704	1,544	0.00%	0.00%
2011	12	40	110	7	2	7	20	704	1,544	N/A	N/A

Academic Year (Fall)	Registration Fee (per student)	Non-Resident Fees per Semester Credit Hour (SCH)								Increase Prior Year	Increase from Prior Year
		In-District	Out-of-District	Technology	Student Activity	General Use	Infrastructure Fee	Cost for 12 SCH	Cost for 12 SCH		
		Tuition	Tuition	Fees	Fees	Fee	(per semester)	Out-of-State	International	Out-of-State	International
*2020	\$0	\$248	\$248	\$0	\$0	\$0	\$0	\$2,976	\$2,976	26.10%	26.10%
2019	12	174	174	11	2	7	20	2,360	\$2,360	18.00%	18.00%
2018	12	144	144	11	2	7	20	2,000	2,000	6.38%	6.38%
2017	12	134	134	11	2	7	20	1,880	1,880	4.68%	4.68%
2016	12	129	129	9	2	7	20	1,796	1,796	1.35%	1.35%
2015	12	127	127	9	2	7	20	1,772	1,772	0.00%	0.00%
2014	12	127	127	9	2	7	20	1,772	1,772	2.78%	2.78%
2013	12	125	125	7	2	7	20	1,724	1,724	0.00%	0.00%
2012	12	125	125	7	2	7	20	1,724	1,724	0.00%	0.00%
2011	12	125	125	7	2	7	20	1,724	1,724	N/A	N/A

\* Beginning with the Fall 2020 term, Lone Star College moved to a simplified tuition model, where most fees were rolled into one flat tuition amount per credit hour.

Note: Above amounts include basic enrollment tuition but excludes course-based fees such as laboratory fees, testing fees and certification fees.

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

(amounts expressed in thousands)					Direct Rate		
Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2019-20	\$ 227,769,991	\$ (17,820,990)	\$ 209,949,001	92.18%	0.0800	0.0278	0.1078
2018-19	211,742,224	(16,877,578)	194,864,646	92.03%	0.0800	0.0278	0.1078
2017-18	204,014,743	(15,813,061)	188,201,682	92.25%	0.0800	0.0278	0.1078
2016-17	196,054,317	(15,500,454)	180,553,863	92.09%	0.0800	0.0278	0.1078
2015-16	183,418,226	(14,483,058)	168,935,168	92.10%	0.0754	0.0325	0.1079
2014-15	162,036,778	(13,195,229)	148,841,549	91.86%	0.0765	0.0316	0.1081
2013-14	145,894,831	(12,841,989)	133,052,842	91.20%	0.0825	0.0335	0.1160
2012-13	134,231,554	(11,446,862)	122,784,692	91.47%	0.0863	0.0335	0.1198
2011-12	127,768,523	(10,264,805)	117,503,718	91.97%	0.0875	0.0335	0.1210
2010-11	124,218,962	(8,525,498)	115,693,464	93.14%	0.0841	0.0335	0.1176

Source: Harris and Montgomery County Appraisal Districts

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

(a) Per \$100 Taxable Assessed Valuation

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

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation (expressed in thousands)	FTSE (a)	State Appropriation per FTSE	(hours expressed in thousands)			State Appropriation per Contact Hour
				Academic Contact Hours (b)	Voc/Tech Contact Hours (c)	Total Contact Hours	
2019-20	\$ 78,683	42,650	\$ 1,845	20,691	4,202	24,893	\$ 3.16
2018-19	77,982	42,115	1,852	21,232	4,601	25,833	3.02
2017-18	77,984	37,294	2,091	22,017	4,837	26,854	2.90
2016-17	74,089	42,516	1,743	21,882	4,554	26,436	2.80
2015-16	73,969	40,350	1,833	21,173	4,532	25,705	2.88
2014-15	72,476	40,357	1,796	20,867	4,621	25,488	2.84
2013-14	72,476	39,973	1,813	20,491	4,765	25,256	2.87
2012-13	75,962	40,029	1,898	7,971	166	8,137	9.34
2011-12	75,418	37,563	2,008	7,397	164	7,561	9.97
2010-11	73,405	36,391	2,017	7,126	211	7,337	10.00

Source 2013-14 and after:

(a) CBM001 - Fall Semester (this information is from the total fall fundable credit hours on CBM 004 divided by 12).

(b) CBM004 - Full academic year (Academic only)

(c) CBM00C - Full academic year

Source 2012-13 and prior:

(a) CBM001 Fall Semester (this information is from the total fall fundable credit hours on CBM 004 divided by 12).

(b) CBM004 Fall Semester (Academic only)

(c) CBM00C 1st Quarter

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

**Lone Star College  
Statistical Supplement 7  
Principal Taxpayers  
Last Ten Fiscal Years  
(Unaudited)**

		Taxable Assessed Value (TAV) by Fiscal Year (amounts expressed in thousands)									
Taxpayer	Type of Business	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Palmetto Transoceanic LLC	General Industrial	\$ 1,202,472	\$ 1,195,026	\$ 1,296,880	\$ 1,289,093	\$ 1,130,070	\$ 534,150	\$ -	\$ -	\$ -	\$ -
Centerpoint Energy Inc	Utility	897,480	823,145	779,708	768,270	593,230	697,677	726,301	627,931	612,353	607,492
National Oilwell Inc	Oil and Gas	821,603	758,734	727,283	822,446	1,148,101	831,228	750,757	953,362	853,978	1,029,299
United Airlines Inc	Airline	762,022	778,078	785,506	897,152	868,505	669,438	315,198	269,573	240,493	234,462
Hewlett Packard	Manufacturing	649,359	884,261	735,567	958,710	999,045	970,506	923,268	950,638	966,995	773,400
Prologis	Real Estate	517,642	-	-	-	-	-	-	-	-	-
HEB Grocery Co LP	Retail grocery	485,590	432,492	431,788	378,851	-	-	-	252,711	223,180	-
Halliburton Energy	Oil and Gas	447,600	438,304	612,107	504,152	761,259	689,307	637,090	602,119	417,115	243,305
Liberty Property	Real Estate	445,505	427,588	460,219	411,386	369,225	-	-	-	-	-
Walmart	Retail	379,365	396,209	-	-	-	-	343,630	333,060	340,227	324,956
Baker Hughes	Oil and Gas	-	410,921	552,156	605,697	825,106	612,975	549,693	329,148	316,406	-
Anadarko Realty Co	Real Estate	-	-	368,611	387,529	377,015	367,015	-	-	-	-
Noble Drilling	Oil and Gas	-	-	-	-	413,495	397,375	339,270	-	-	-
Cameron	Oil and Gas	-	-	-	-	-	413,225	406,267	339,451	-	-
Smith International	Oil and Gas	-	-	-	-	-	-	371,334	314,722	241,037	227,655
Walmart RE Business Trust	Real Estate	-	-	-	-	-	-	-	-	230,856	-
LeTourneau Technologies	Oil and Gas	-	-	-	-	-	-	-	-	-	226,670
Comcast of Houston LLC	Utility	-	-	-	-	-	-	-	-	-	218,045
Hines Interests Ltd Psp	Real Estate	-	-	-	-	-	-	-	-	-	215,407
<b>Totals</b>		<b>\$ 6,608,639</b>	<b>\$ 6,544,758</b>	<b>\$ 6,749,825</b>	<b>\$ 7,023,286</b>	<b>\$ 7,485,051</b>	<b>\$ 6,182,896</b>	<b>\$ 5,362,808</b>	<b>\$ 4,972,715</b>	<b>\$ 4,442,640</b>	<b>\$ 4,100,691</b>
<b>Total Taxable Assessed Value</b>		<b>\$ 209,949,001</b>	<b>\$ 194,864,646</b>	<b>\$ 188,201,682</b>	<b>\$ 180,553,863</b>	<b>\$ 168,935,168</b>	<b>\$ 148,841,539</b>	<b>\$ 133,052,842</b>	<b>\$ 122,784,692</b>	<b>\$ 117,503,718</b>	<b>\$ 115,693,464</b>



Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Fiscal Year									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Palmetto Transoceanic LLC	General Industrial	0.57%	0.61%	0.69%	0.71%	0.67%	0.36%	-	-	-	-
Centerpoint Energy Inc	Utility	0.43%	0.42%	0.41%	0.43%	0.35%	0.47%	0.55%	0.51%	0.52%	0.53%
National Oilwell Inc	Oil and Gas	0.39%	0.39%	0.39%	0.46%	0.68%	0.56%	0.56%	0.78%	0.73%	0.89%
United Airlines Inc	Airline	0.36%	0.40%	0.42%	0.50%	0.51%	0.45%	0.24%	0.22%	0.20%	0.20%
Hewlett Packard	Manufacturing	0.31%	0.45%	0.39%	0.53%	0.59%	0.65%	0.69%	0.77%	0.82%	0.67%
Prologis	Real Estate	0.25%	-	-	-	-	-	-	-	-	-
HEB Grocery Co LP	Retail grocery	0.23%	0.22%	0.23%	0.21%	-	-	-	0.21%	0.19%	-
Halliburton Energy	Oil and Gas	0.21%	0.22%	0.33%	0.28%	0.45%	0.46%	0.48%	0.49%	0.35%	0.21%
Liberty Property	Real Estate	0.21%	0.22%	0.24%	0.23%	0.22%	-	-	-	-	-
Walmart	Retail	0.18%	0.20%	-	-	-	-	0.26%	0.27%	0.29%	0.28%
Baker Hughes	Oil and Gas	-	0.21%	0.29%	0.34%	0.49%	0.41%	0.41%	0.27%	0.27%	-
Anadarko Realty Co	Real Estate	-	-	0.20%	0.21%	0.22%	0.25%	-	-	-	-
Noble Drilling	Oil and Gas	-	-	-	-	0.24%	0.27%	0.25%	-	-	-
Cameron	Oil and Gas	-	-	-	-	-	0.28%	0.31%	0.28%	-	-
Smith International	Oil and Gas	-	-	-	-	-	-	0.28%	0.26%	0.21%	0.20%
Walmart RE Business Trust	Real Estate	-	-	-	-	-	-	-	-	0.20%	-
LeTourneau Technologies	Oil and Gas	-	-	-	-	-	-	-	-	-	0.20%
Comcast of Houston LLC	Utility	-	-	-	-	-	-	-	-	-	0.19%
Hines Interests Ltd Psp	Real Estate	-	-	-	-	-	-	-	-	-	0.19%
Total % of TAV		3.15%	3.36%	3.59%	3.89%	4.43%	4.15%	4.03%	4.05%	3.78%	3.54%

Source: Harris County and Montgomery County Appraisal District Reports

Note: Fiscal Year corresponds to prior Tax Year

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

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Current Collections of Prior Levies (d)	Penalty and Interest Collections (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2020	\$ 204,821	\$ 17,165	\$ 221,986	\$ 219,594	98.92%	\$ 114	\$ 1,883	\$ 221,591	99.82%
2019	196,596	9,913	206,509	205,287	99.41%	514	2,033	207,834	100.64%
2018	188,838	10,533	199,371	197,575	99.10%	603	2,239	200,417	100.52%
2017	177,854	13,744	191,597	190,148	99.24%	684	1,968	192,800	100.63%
2016	163,569	16,651	180,220	178,278	98.92%	1,086	1,872	181,235	100.56%
2015	143,277	16,524	159,801	157,603	98.62%	1,089	1,749	160,441	100.40%
2014	126,882	26,539	153,421	151,805	98.95%	614	1,561	153,979	100.36%
2013	130,094	17,002	147,096	144,108	97.97%	2,118	964	147,190	100.06%
2012	131,397	8,624	140,021	139,289	99.48%	2,069	1,264	142,622	101.86%
2011	121,564	14,359	135,923	133,207	98.00%	1,679	1,257	136,143	100.16%

Source: Local Tax Assessor/Collector and College records

(a) Per original Certified Tax Levy

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

(c) Property tax only - does not include Penalties and Interest

(d) Represents cumulative collections of prior years collected in the current year or the year of the tax levy

(e) Represents current year collections of Penalty & Interest for current and prior years

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

For the Year Ended August 31 (amounts expressed in thousands)										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>General Bonded Debt</b>										
General Obligation Bonds	\$ 577,850	\$ 619,153	\$ 655,875	\$ 715,166	\$ 582,146	\$ 596,904	\$ 473,184	\$ 491,077	\$ 506,772	\$ 523,011
<b>Net General Bonded Debt</b>	<b>\$ 577,850</b>	<b>\$ 619,153</b>	<b>\$ 655,875</b>	<b>\$ 715,166</b>	<b>\$ 582,146</b>	<b>\$ 596,904</b>	<b>\$ 473,184</b>	<b>\$ 491,077</b>	<b>\$ 506,772</b>	<b>\$ 523,011</b>
<b>Other Debt</b>										
Revenue bonds	\$ 86,664	\$ 88,955	\$ 92,262	\$ 94,975	\$ 95,934	\$ 116,887	\$ 119,850	\$ 62,623	\$ 44,873	\$ 46,709
Maintenance Tax Notes	17,249	19,605	22,404	24,876	26,616	26,760	28,304	29,866	31,115	32,386
<b>Total Outstanding Debt</b>	<b>\$ 681,763</b>	<b>\$ 727,713</b>	<b>\$ 770,541</b>	<b>\$ 835,017</b>	<b>\$ 704,696</b>	<b>\$ 740,551</b>	<b>\$ 621,338</b>	<b>\$ 583,566</b>	<b>\$ 582,760</b>	<b>\$ 602,106</b>
<b>General Bonded Debt Ratios</b>										
Per Capita	\$ 81.78	\$ 88.75	\$ 95.05	\$ 105.07	\$ 87.25	\$ 91.83	\$ 74.77	\$ 79.42	\$ 83.68	\$ 87.94
Per FTSE	13,549	14,701	17,587	16,821	14,427	14,791	11,838	12,268	13,491	14,372
As a % of Taxable Assessed Value	0.28%	0.32%	0.35%	0.40%	0.34%	0.40%	0.36%	0.40%	0.43%	0.45%
<b>Total Outstanding Debt Ratios</b>										
Per Capita	\$ 96.48	\$ 104.31	\$ 111.67	\$ 122.68	\$ 105.62	\$ 113.93	\$ 98.19	\$ 94.37	\$ 96.23	\$ 101.24
Per FTSE	15,985	17,279	20,661	19,640	17,465	18,350	15,544	14,579	15,514	16,545
As a % of Taxable Assessed Value	0.32%	0.37%	0.41%	0.46%	0.42%	0.50%	0.47%	0.48%	0.50%	0.52%

Notes:

Bonds outstanding are adjusted by the premium or discount.

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

Debt per student is calculated using full-time-equivalent enrollment.

**Lone Star College**  
**Statistical Supplement 10**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(Unaudited)  
(amounts expressed in thousands)

General Obligation Bonds						Excess of Statutory	
Fiscal Year	Taxable	Statutory Tax	Less: Funds	Total Net	Current Year	Limit for Debt	Net Current
Ended	Assessed Value	Levy Limit for	Restricted for	Debt	Debt Service	Service over	Requirements
August 31		Debt Service	Repayment		Requirements	Current	as a % of
						Requirements	Statutory Limit
2020	\$ 209,949,001	\$ 1,049,745	\$ (21,545)	\$ 1,028,200	\$ 66,737	\$ 961,463	4.31%
2019	194,864,646	974,323	(22,354)	951,970	57,800	894,169	3.64%
2018	188,201,682	941,008	(28,724)	912,285	55,626	856,659	2.86%
2017	180,553,863	902,769	(26,531)	876,238	43,797	832,441	1.91%
2016	168,935,168	844,676	(20,626)	824,050	45,538	778,511	2.95%
2015	148,841,549	744,208	(16,841)	727,366	59,360	668,006	5.71%
2014	133,052,842	665,264	(8,565)	656,699	52,946	603,753	6.67%
2013	122,784,692	613,923	(37,687)	576,236	46,496	529,740	1.43%
2012	117,503,718	587,519	(13,400)	574,119	45,493	528,626	5.46%
2011	115,693,464	578,467	(6,351)	572,116	47,201	524,915	7.06%

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

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

**Revenue Bonds**

Fiscal Year Ended August 31	Pledged Revenues (amounts expressed in thousands)						Debt Service Requirements (amounts expressed in thousands)			
	Tuition	All Fees	Rental Income	Interest Income	Auxiliary Revenue	Total	Principal	Interest	Total	Coverage Ratio
2020	\$ 14,401	\$ 56,524	\$ 6,267	\$ 2,108	\$ 2,502	\$ 81,802	\$ 1,620	\$ 3,816	\$ 5,436	15.05
2019	11,824	55,973	6,604	2,235	2,102	78,738	1,590	3,885	5,475	14.38
2018	11,515	54,968	6,923	1,541	2,266	77,213	1,785	3,935	5,720	13.50
2017	12,175	50,727	7,315	692	2,032	72,941	905	4,003	4,908	14.86
2016	12,005	45,892	7,181	439	2,807	68,324	2,945	3,384	6,329	10.80
2015	12,105	46,812	6,151	667	3,163	68,898	2,890	4,531	7,421	9.28
2014	11,383	43,411	7,145	327	2,954	65,220	3,310	4,139	7,449	8.76
2013	11,240	40,742	3,826	381	2,912	59,102	2,535	1,898	4,433	13.33
2012	11,164	35,812	2,619	297	3,043	52,935	2,845	1,537	4,382	12.08
2011	10,291	28,184	-	339	2,874	41,688	2,280	2,219	4,499	9.27

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

Fiscal Year	District Population (a)	District Personal Income (thousands of dollars) (c)	District Personal Income Per Capita (b)	District Unemployment Rate (d)
2020	7,066,141	\$ 416,121,512	\$ 58,890	8.10%
2019	6,976,147	398,715,792	57,154	3.9%
2018	6,900,090	372,721,477	54,017	4.3%
2017	6,806,503	345,851,800	50,812	5.2%
2016	6,671,808	361,016,707	54,111	4.9%
2015	6,500,199	354,013,788	54,462	4.7%
2014	6,328,208	326,058,563	51,525	5.4%
2013	6,183,531	321,412,642	51,979	6.1%
2012	6,056,193	290,940,253	48,040	7.0%
2011	5,947,236	267,613,203	44,998	8.6%
2010	5,826,108	252,937,597	43,415	8.8%

**Sources:**

1/ Census Bureau midyear population estimates. Estimates for 2010-2019 reflect **county** population estimates available as of March 2020.

2/ Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2019 reflect **county** population estimates available as of March 2020.

Metropolitan Areas are defined (geographically delineated) by the Office of Management and Budget (OMB) bulletin no. 20-01 issued March 6, 2020.

Note-- All dollar estimates are in thousands of current dollars (not adjusted for inflation). Calculations are performed on unrounded data.

Last updated: November 17, 2020-- new statistics for 2019; revised statistics for 2010-2018.

**Unemployment rate -**

<https://www.bls.gov/news.release/metro.t01.htm>

Unemployment rate - US Bureau of Labor Statistics

<https://www.bls.gov/news.release/metro.t01.htm>

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

Principal Employment Sectors (a)	2018 (b)		2009 (b)	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
State and local	369,011	8.61%	334,450	9.75%
Retail trade	381,262	8.90%	324,661	9.46%
Construction	335,301	7.83%	271,333	7.91%
Health care and social assistance	(D)		295,105	8.60%
Professional, scientific, and technical services	364,408	8.51%	273,475 (E)	
Manufacturing	250,462	5.85%	239,927	6.99%
Administrative and waste services	(D)		248,824 (E)	
Accommodation and food services	323,192	7.54%	226,181	6.59%
Other services, except public administration	264,052	6.16%	203,167 (E)	
Finance and insurance	221,496	5.17%	180,467	5.26%
Total	2,509,184	58.56%	2,597,590	75.70%
Total Employment	4,284,476		3,431,276	

Source:

U.S. Department of Commerce Bureau of Economic Analysis, Regional Economic System Information, Houston Economic Area (Houston-The Woodlands-Sugar Land, TX), CAEMP25N Total full-time and part-time employment by NAICS industry.

Notes:

(a) Principal employer data was not available for the District.

(b) Data is normally presented with the current year compared to nine years prior.

(c) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

(D) Not shown to avoid disclosure of confidential information; estimates are included in higher-level totals.

(E) The estimate shown here constitutes the major portion of the true estimate.

*Note: In 2009, the employee numbers with an (E) were not included in the Total. If they had been included in the total then the count would be higher than Total Employment.*

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

		Fiscal Year									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Faculty</b>											
	Full-Time	911	921	917	865	878	875	918	842	833	742
	Part-Time	2,794	2,745	2,935	3,101	2,222	2,382	2,039	1,999	1,894	1,900
	Total	3,705	3,666	3,852	3,966	3,100	3,257	2,957	2,841	2,727	2,642
<b>Percent</b>											
	Full-Time	24.6%	25.1%	23.8%	21.8%	28.3%	26.9%	31.0%	29.6%	30.5%	28.1%
	Part-Time	75.4%	74.9%	76.2%	78.2%	71.7%	73.1%	69.0%	70.4%	69.5%	71.9%
<b>Staff and Administrators</b>											
	Full-Time	1,976	1,984	1,832	1,744	1,855	1,852	1,673	1,581	1,479	1,431
	Part-Time	1,424	1,549	1,475	1,401	1,356	1,376	1,483	1,642	1,476	1,297
	Total	3,400	3,533	3,307	3,145	3,211	3,228	3,156	3,223	2,955	2,728
<b>Percent</b>											
	Full-Time	58.1%	56.2%	55.4%	55.5%	57.8%	57.4%	53.0%	49.1%	50.1%	52.5%
	Part-Time	41.9%	43.8%	44.6%	44.5%	42.2%	42.6%	47.0%	50.9%	49.9%	47.5%
FTSE per Full-time Faculty		69.90	90.56	78.79	83.34	81.97	74.42	71.22	77.75	79.03	88.03
FTSE per Full-Time Staff Member		32.22	42.04	39.44	41.34	38.80	35.16	39.08	41.41	44.51	45.65
Average Annual Faculty Salary		\$ 63,675	\$ 83,405	\$ 72,249	\$ 72,088	\$ 71,972	\$ 65,114	\$ 65,376	\$ 65,462	\$ 65,835	\$ 65,321



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

Student Classification	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	58,850	68.40%	53,885	61.47%	53,034	59.49%	53,434	59.76%	51,427	60.04%	49,836	59.38%
31-60 hours	18,044	20.97%	20,724	23.64%	22,043	24.73%	21,678	24.24%	20,382	23.79%	19,776	23.56%
> 60 hours	9,149	10.63%	13,047	14.88%	14,073	15.79%	14,301	15.99%	13,852	16.17%	14,320	17.06%
Total	86,043	100.00%	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%

Semester Hour Load	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	371	0.43%	251	0.29%	262	0.29%	315	0.35%	336	0.39%	436	0.52%
3-5 semester hours	17,321	20.13%	17,914	20.44%	16,814	18.86%	15,648	17.50%	14,976	17.48%	15,099	17.99%
6-8 Semester hours	22,947	26.67%	24,643	28.11%	25,057	28.11%	24,804	27.74%	24,064	28.09%	24,637	29.35%
9-11 semester hours	17,932	20.84%	18,738	21.38%	20,312	22.78%	20,588	23.03%	20,127	23.50%	19,277	22.97%
12-14 semester hours	20,217	23.50%	20,619	23.52%	21,252	23.84%	22,331	24.98%	21,250	24.81%	20,330	24.22%
15-17 semester hours	6,557	7.62%	4,988	5.69%	4,891	5.49%	5,145	5.75%	4,532	5.29%	3,838	4.57%
18 & over	698	0.81%	503	0.57%	562	0.63%	582	0.65%	376	0.44%	315	0.38%
Total	86,043	100.00%	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%

Average course load	8.7	8.5	8.6	8.7	8.7	8.5
---------------------	-----	-----	-----	-----	-----	-----

Tuition Status	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	66,967	77.83%	70,520	83.42%	74,372	83.42%	75,073	83.96%	72,247	84.34%	70,908	84.48%
Texas Resident (out-of-District)	15,447	17.95%	12,209	13.87%	12,365	13.80%	11,749	13.14%	11,027	12.87%	9,776	11.65%
Non-Resident Tuition	3,629	4.22%	4,927	2.71%	2,413	2.71%	2,591	2.90%	2,387	2.79%	3,248	3.87%
Total	86,043	100.00%	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%

Source: AIR Official Day - Fall

Statistical Supplement 15 (Cont)

Fall 2014		Fall 2013		Fall 2012		Fall 2011	
Number	Percent	Number	Percent	Number	Percent	Number	Percent
50,264	60.69%	46,521	59.93%	47,445	60.92%	43,134	57.00%
19,329	23.34%	17,864	23.01%	17,882	22.96%	19,787	26.15%
13,225	15.97%	13,236	17.05%	12,550	16.12%	12,759	16.86%
82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%

Fall 2014		Fall 2013		Fall 2012		Fall 2011	
Number	Percent	Number	Percent	Number	Percent	Number	Percent
310	0.37%	542	0.70%	668	0.86%	2,791	3.69%
13,130	15.85%	11,340	14.61%	12,224	15.70%	14,476	19.13%
24,431	29.50%	22,763	29.33%	21,610	27.75%	21,164	27.97%
19,386	23.41%	17,344	22.34%	17,557	22.54%	16,553	21.87%
21,384	25.82%	21,102	27.19%	21,667	27.82%	17,612	23.27%
3,800	4.59%	4,046	5.21%	3,757	4.82%	2,797	3.70%
377	0.46%	484	0.62%	394	0.51%	287	0.38%
82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%

8.5

8.8

8

8.4

Fall 2014		Fall 2013		Fall 2012		Fall 2011	
Number	Percent	Number	Percent	Number	Percent	Number	Percent
70,681	85.34%	67,644	87.15%	66,716	85.67%	64,901	85.76%
9,164	11.07%	7,573	9.76%	8,019	10.30%	7,224	9.55%
2,973	3.59%	2,404	3.10%	3,142	4.03%	3,555	4.70%
82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%

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

Gender	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	53,043	61.65%	52,908	60.36%	53,993	60.56%	53,316	59.63%	50,593	59.06%	49,978	59.55%	50,043	60.43%	47,155	60.75%	48,086	61.75%	46,503	61.45%
Male	33,000	38.35%	34,748	39.64%	35,157	39.44%	36,097	40.37%	35,068	40.94%	33,954	40.45%	32,775	39.57%	30,466	39.25%	29,791	38.25%	29,177	38.55%
Total	86,043	100.00%	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%

Ethnic Origin	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	25,560	29.71%	26,232	29.93%	27,478	30.82%	28,053	31.37%	27,814	32.47%	28,117	33.50%	28,412	34.31%	27,819	35.84%	28,976	37.21%	29,642	39.17%
Hispanic	36,685	42.64%	37,527	42.81%	35,886	40.25%	34,695	38.80%	32,628	38.09%	30,775	36.67%	28,166	34.01%	25,053	32.28%	23,534	30.22%	21,512	28.42%
African American	11,440	13.30%	11,880	13.55%	13,157	14.76%	14,115	15.79%	13,430	15.68%	13,746	16.38%	15,326	18.51%	13,971	18.00%	14,644	18.80%	13,804	18.24%
Asian	7,068	8.21%	6,858	7.82%	6,879	7.72%	6,744	7.54%	6,381	7.45%	5,958	7.10%	5,514	6.66%	4,989	6.43%	4,521	5.81%	4,404	5.82%
Foreign		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
Native American	158	0.18%	162	0.18%	181	0.20%	177	0.20%	205	0.24%	212	0.25%	204	0.25%	243	0.31%	258	0.33%	297	0.39%
Other	5,132	5.96%	4,997	5.70%	5,569	6.25%	5,629	6.30%	5,203	6.07%	5,124	6.10%	5,196	6.27%	5,546	7.14%	5,944	7.63%	6,021	7.96%
Total	86,043	100.00%	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%

Age	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 20	40,407	46.96%	40,271	45.94%	36,913	41.41%	34,586	38.68%	32,653	38.12%	30,431	36.26%	28,378	34.27%	25,466	32.81%	20,005	25.69%	19,910	26.31%
20-24	24,230	28.16%	25,255	28.81%	27,005	30.29%	28,262	31.61%	27,584	32.20%	27,048	32.23%	26,390	31.87%	24,866	32.04%	28,122	36.11%	27,294	36.07%
25-29	8,574	9.96%	8,945	10.20%	10,058	11.28%	10,757	12.03%	10,203	11.91%	10,303	12.28%	10,467	12.64%	9,964	12.84%	11,167	14.34%	10,718	14.16%
30-39	8,057	9.36%	8,289	9.46%	9,553	10.72%	9,944	11.12%	9,429	11.01%	9,911	11.81%	10,781	13.02%	10,499	13.53%	11,342	14.56%	10,974	14.50%
40-49	3,454	4.02%	3,481	3.97%	3,983	4.47%	4,130	4.62%	4,088	4.77%	4,420	5.27%	4,799	5.79%	4,834	6.23%	5,127	6.58%	4,900	6.47%
50 & over	1,321	1.54%	1,415	1.61%	1,638	1.84%	1,734	1.94%	1,704	1.99%	1,819	2.17%	2,003	2.42%	1,992	2.57%	2,114	2.71%	1,884	2.49%
Total	86,043	100.00%	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%

Average Age	22.8	22.8	23.4	23.7	23.8	24.1	24.4	25.5	25.3	24.8
-------------	------	------	------	------	------	------	------	------	------	------

Source: AIR Official Day

**Lone Star College System**  
**Statistical Supplement 17**  
**Transfers to Senior Institutions**  
**Academic Year 2018-2019 Students**  
**(Includes only public senior colleges in Texas)**  
(unaudited)

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Lone Star Transfer Students	% of all Lone Star Transfer Students
University of Houston	3,494	95		3,589	20.5%
Sam Houston State University	2,257	119		2,376	13.6%
University of Houston - Downtown	1,902	81		1,983	11.3%
Prairie View A&M University	1,270	27		1,297	7.4%
Texas A&M University - Central Texas	1,131	21		1,152	6.6%
Texas State University	893	9		902	5.2%
Texas A&M University	830	18		848	4.9%
The University of Texas at Austin	834	6		840	4.8%
Texas Tech University	569	9		578	3.3%
The University of Texas of the Permian Basin	534	16		550	3.1%
The University of Texas at Arlington	325	75		400	2.3%
Stephen F. Austin State University	356	26		382	2.2%
University of Houston - Victoria	351	29		380	2.2%
Texas Southern University	324	21		345	2.0%
The University of Texas at San Antonio	266	4		270	1.5%
University of Houston - Clear Lake	245	19		264	1.5%
The University of Texas at Dallas	165	3		168	1.0%
University of North Texas	152	5		157	0.9%
The University of Texas at Tyler	149	5		154	0.9%
Lamar University	129	4		133	0.8%
Texas Woman's University	94	2		96	0.5%
Texas A&M University - Corpus Christi	72	5		77	0.4%
Texas A&M University at Galveston	62	8		70	0.4%
The University of Texas - Rio Grande Valley	55	13		68	0.4%
Texas A&M International University	54	8		62	0.4%
Midwestern State University	51	5		56	0.3%
Tarleton State University	52	3		55	0.3%
The University of Texas at El Paso	48	0		48	0.3%
Angelo State University	37	9		46	0.3%
Texas A&M University - Kingsville	32	1		33	0.2%
Texas A&M University - San Antonio	13	9		22	0.1%
West Texas A&M University	19	3		22	0.1%
Texas A&M University - Commerce	20	0		20	0.1%
Texas A&M University - Texarkana	17	2		19	0.1%
Sul Ross State University	16	0		16	0.1%
University of North Texas at Dallas	6	0		6	0.0%
Grand Total	16,824	660		17,484	100.0%

Source:  
Texas Higher Education Data, ASALFS Students Pursuing Additional Education

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Building Use</b>										
Square Footage (in thousands)										
Instruction/Student Services	3,593	3,512	3,444	3,277	3,258	3,140	3,106	2,994	2,969	2,969
Safety, Facilities Systems	106	106	106	104	104	103	103	103	103	103
Libraries	351	351	351	351	351	351	351	351	351	351
Public Service	105	105	105	105	105	105	105	105	105	105
Auxiliary Services	37	37	37	37	37	36	36	36	36	36
Institutional Support	145	145	145	145	145	145	145	145	145	145
Mixed Use	222	222	222	222	222	222	222	222	222	222
<b>Dining Facilities</b>										
Square footage (in thousands)	91	91	91	91	91	91	91	91	91	91
Average daily customers	4,550	4,550	4,550	4,550	4,550	4,550	4,550	4,550	4,550	4,300
<b>Athletic Facilities</b>										
Square footage (in thousands)	112	112	112	112	112	112	112	112	112	112
Stadiums (number of buildings)	-	-	-	-	-	-	-	-	-	-
Gymnasiums (number of buildings)	-	-	-	-	-	-	-	-	-	-
Fitness Centers (number of buildings)	7	7	7	7	7	7	7	7	6	6
Tennis Court (number of courts)	32	32	32	32	32	32	32	32	32	32
<b>Transportation</b>										
Cars	39	39	33	41	38	24	27	25	26	15
Light Trucks/Vans	74	69	63	55	50	50	42	37	33	20
Buses	-	-	-	-	-	-	-	-	-	-



## SINGLE AUDIT SECTION



**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

The Board of Trustees of  
Lone Star College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lone Star College (the College) as of and for the year ended August 31, 2020 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 21, 2020. Our report includes a reference to other auditors who audited the financial statements of North Harris Montgomery Community College District Foundation dba Lone Star College Foundation (the Foundation), as described in our report on the College'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 College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control over financial reporting 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.

Weaver and Tidwell, L.L.P.  
1406 Wilson Road, Suite 100 | Conroe, Texas 77304  
Main: 936.756.8127

**CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)**

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
December 21, 2020





**Independent Auditor's Report on Compliance for Each Major  
Federal and State Program and Report on Internal Control over  
Compliance in Accordance with the Uniform Guidance  
and State of Texas Single Audit Circular**

The Board of Trustees of  
Lone Star College

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

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

***Management's Responsibility***

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

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

Weaver and Tidwell, L.L.P.  
1406 Wilson Road, Suite 100 | Conroe, Texas 77304  
Main: 936.756.8127

**CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)**

### **Opinion on Each Major Federal and State Program**

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2020.

### **Report on Internal Control over Compliance**

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

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
December 21, 2020



## Schedule of Findings and Questions Cost

## Lone Star College

### Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2020

#### Section 1. Summary of Auditor's Results

##### Financial Statements

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued   | Unmodified    |
| 2. Internal control over financial reporting:  |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted?                                     | No            |

##### Federal Awards

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses?          | None reported |
| 5. Type of auditor's report issued on compliance with major programs                                  | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No            |
| 7. Identification of Major Programs   |               |
| Student Financial Aid Cluster:  |               |
| Federal Supplemental Education Opportunity Grant  | 84.007        |
| Federal Work-Study Program  | 84.033        |
| Federal Pell Grant Program  | 84.063        |
| Direct Loan Program   | 84.268        |
| CARES ACT Cluster:  |               |
| CARES ACT Higher Education Emergency Relief Fund – Institution  | 84.425F       |
| CARES ACT Higher Education Emergency Relief Fund – IHEs   | 84.425E       |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs                    | \$3,000,000   |
| 9. Auditee qualified as a low-risk auditee?   | No            |

## Lone Star College

### Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2020

#### State Awards

##### 10. Internal control over major programs:

- |  |               |
|--|---------------|
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |

##### 11. Type of auditor's report issued on compliance with major programs

Unmodified

##### 12. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Grant Management Standards Single Audit Circular?

No

##### 13. Identification of Major Programs

Texas Educational Opportunity Grant Program  
Texas Educational Opportunity Grant Renewal Program  
Skills Development Fund Cluster  
Lone Star College in Partnership with A Manufacturing Consortium  
FY19 Skills for Small Business  
Lone Star College in Partnership with Oceaneering International, Inc.  
Skills Development Fund COVID-19 Special Initiative

##### 14. Dollar threshold used to distinguish between Type A and Type B federal programs

\$300,000

##### 15. State Single Audit - Auditee qualified as a low-risk auditee?

No

#### Section 2. Financial Statement Findings

None reported

#### Section 3. Federal Award Findings and Questioned Costs

None reported

#### Section 4. State Award Findings and Questioned Costs

None reported

## Lone Star College

### Summary Schedule of Prior Audit Findings For the Fiscal Year Ended August 31, 2020

#### Prior Year Findings

##### Corrective Action Plan 2019-001: Inadequate Secondary Review of Certain Accounts

##### Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

##### Responsible Party

Jennifer Mott, Chief Financial Officer

##### Corrective Action Plans

- **Capital projects misclassified:** Improvements will be made to the current business process of tracking capital projects. All projects will be tracked on a spreadsheet and reviewed monthly. When the project is close to 85% completion the Analyst will alert the Fixed Assets Accountant. Facilities Business Office Manager and Accountant will discuss results of monthly review and determine if any action needs to be taken. Fixed Assets Management will monitor all projects currently in CIP. Meetings will occur between Fixed Assets Management and Facilities & Construction to discuss CIP and current projects. The CFO and AVC of Facilities & Construction are the contacts for the corrective action plans. Estimated time of completion for implementing the plan is 08/31/2020.
- **Cutoff of construction in progress not appropriately established:** On July 31st of each year any projects with a completion percentage of 85% or greater will be reviewed by Fixed Assets and the Facilities & Construction departments to determine if capitalization is needed on or before August 31st. Reports will be run to identify projects with no transaction activity for more than 3 months. Completed projects will have an August application for payments processed before fiscal year end. Ongoing projects will have an estimated August accrual. Periodic meetings between the Business Manager of Facilities & Construction and the Fixed Assets Accountant will occur. The CFO and AVC of Facilities & Construction are the contacts for the corrective action plan. Estimated time of completion for implementing the plan is 08/31/2020.
- **Reconciliation of LSC's payable to the Teacher Retirement System:** A business process will be created for monthly reconciliations between the amount paid to TRS and the actual pension expense. A second level review on the monthly reconciliations will be completed by the Executive Director of Accounting. An adjusting entry will be done if needed. The estimated completion time for the reconciliation process and a completed reconciliation is 08/31/2020. In addition, the calculation for estimating the TRS payment will be reviewed and modified to better reflect actual expenses. This will be a collaborative effort between human resources, payroll and accounting. An estimated completion date for the calculation of payment will be completed by 08/31/2021. The CFO and AVC of Financial Operations & Reporting are the contacts for the corrective action plans.

##### Status

Completed

## **Lone Star College**

### **Summary Schedule of Prior Audit Findings For the Fiscal Year Ended August 31, 2020**

#### **Corrective Action Plan 2019-002: Untimely Return of Title IV Funds**

##### **Type of Finding: Significant Deficiency in Internal Control over Noncompliance and Noncompliance**

###### Responsible Party

Jennifer Mott, Chief Financial Officer

###### Corrective Action Plan

Financial Aid has undergone department, employee and process changes. A draft of the Financial Aid Policy and Procedure manual (with assistance of consultants) has been re-written to reflect current and best practices for all process. Once approved, the process for R2T4 will reflect a less manual, and more automated flow to ensure calculations are completed timely. The date of determination for Fall awards will be determined no earlier than January. Adjustments to awards due to R2T4 will be completed within 40 days from the date of determination so funds are returned within 45 days. The CFO and AVC of Financial Aid are the contacts for the corrective action plan. Estimated time of completion is 08/31/2020.

###### Status

Completed

#### **Corrective Action Plan 2019-003: Untimely Submission of FAD Reports**

##### **Type of Finding: Noncompliance**

###### Responsible Party

Jennifer Mott, Chief Financial Officer

###### Corrective Action Plan

An internal calendar will be created noting all state report deadlines. The calendar will be reviewed monthly by the Financial Aid Executive Director of Operations. All reports will be submitted at least two business days prior to the state's deadline so errors can be resolved in time. In addition, financial aid will follow up with written confirmation for future authorized deadline changes. The CFO and AVC of Financial Aid are the contacts for the corrective action plan. Estimated time of completion for implementing plan is 08/31/2020.

###### Status

Completed



## GLOSSARY



## Glossary –

*The definitions in this glossary are for reference purposes only and give a general description.*

**Academic Support** – A functional expense category. Includes funds expended to provide support services for the institution's primary missions, including: retention, preservation and display of educational materials (libraries, galleries), academic administration (deans' salaries and office expenses), technical support (computer services and audiovisual information) and separately budgeted support for course and curriculum development, and organized activities related to instruction.

**Auxiliary Fund** – Activities that exist primarily to furnish goods and/or services to students, faculty, and staff and are expected to be self-supporting. Revenues will equal or exceed the expenses. Examples include food services, bookstore, and tenant activities.

**AVC** – Associate Vice Chancellor.

**CFO** – Chief Financial Officer.

**CIP** – Capital Improvement Projects.

**COO** – Chief Operating Officer.

**Debt Service Fund** – A fund used to account for the accumulation of resources for, and the payment of, general long-term debt obligation principal and interest.

**Expenditure** – A disbursement, the incurrence of a liability, or the transfer of an asset for the purpose of obtaining goods or services.

**FTE** – Full Time Equivalent.

**Functional Classification** – a method of grouping expenses according to the purpose for which the costs are incurred used in higher education, as defined by NACUBO. The functional expense categories used at LSC are instruction, public service, academic support, student services, institutional support, plant services, scholarships and fellowships, and other (auxiliary) revenue.

**Fund** – A fiscal and accounting entity with a self-balancing set of accounts.

**FY** – Fiscal Year. The LSC FY is the period of time beginning September 1 and ending the following August 31.

**GASB** – Governmental Accounting Standards Board.

**General Funds** – A group of funds that includes the Operating, Repair & Replacement (FY 2017 and prior years), Student Activity, Technology and Corporate College funds.

**Institutional Support** – A functional expense category. Funds expended to support the entire organization including: fiscal operations, administrative data processing, employee personnel and records, logistics activities (procurement), support services for faculty and staff that do not operate as auxiliary enterprises and activities concerned with community or alumni relations including development and fundraising.

**Instruction** – A functional expense category. Includes faculty salaries, academic departmental operating expenses, and support staff salaries, but not academic deans.

**iStar** – LSC's PeopleSoft enterprise application suite of products consisting of Financials, Campus Solutions, Human Capital Management and Enterprise Portal.

**LBB** – Legislative Budget Board.

**LSC** – Lone Star College.

**LSC-CF** – CyFair College, one of the Lone Star Colleges.

**LSC-HN** – Houston North, one of the Lone Star Colleges.

**LSC-KW** – Kingwood College, one of the Lone Star Colleges.

**LSC-MG** – Montgomery College, one of the Lone Star Colleges.

**LSC-NH** – North Harris College, one of the Lone Star Colleges.

**LSC-TB** – Tomball College, one of the Lone Star Colleges.

**LSC-UP** – University Park College, one of the Lone Star Colleges.

**Operating Fund** – Unrestricted funds that support the primary missions of the College.

**ORP** – Optional Retirement Plan.

**Plant Services** – A functional expense category. Includes: custodial, building and grounds maintenance, security, and utilities.

**Public Service** – A functional expense category. Includes: non-instructional services benefitting external groups or individuals.

**Revenue** – Funds received from student tuition, property taxes, state appropriations, grants, and other additional sources.

**Student Services** – A functional expense category. Funds expended for activities that primarily contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of formal instruction including: admissions, registrar, counseling, and financial aid administration (not awarding).

**SO-UP** – System Office University Park.

**THECB** – Texas Higher Education Coordinating Board.

**TRS** - Teacher Retirement System.

**VC** – Vice Chancellor.

**VP** – Vice President.

**Sources:**

Lone Star College, [www.lonestar.edu](http://www.lonestar.edu).

National Association of College & University Business Officers, *Financial Accounting and Reporting Manual for Higher Education (FARM)*, [www.nacubo.org](http://www.nacubo.org).



**Lone Star College**  
**5000 Research Forest Drive**  
**The Woodlands, Texas 77381-4356**  
**(832)-813-6500**  
[www.lonestar.edu](http://www.lonestar.edu)