

# 2020



# POPULAR ANNUAL

## Financial Report

FISCAL YEAR ENDED AUGUST 31, 2020



SOUTH TEXAS  
COLLEGE

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# LETTER FROM THE PRESIDENT

This year has been a year like no other, given the stresses of the COVID-19 pandemic on the economy and our personal lives. I applaud all the innovation and “outside the box” thinking that all of our faculty and staff have done to provide instruction, services and support to our students. I think that this will make us a much better and more resilient institution going forward, and remain the premier institution we are today.

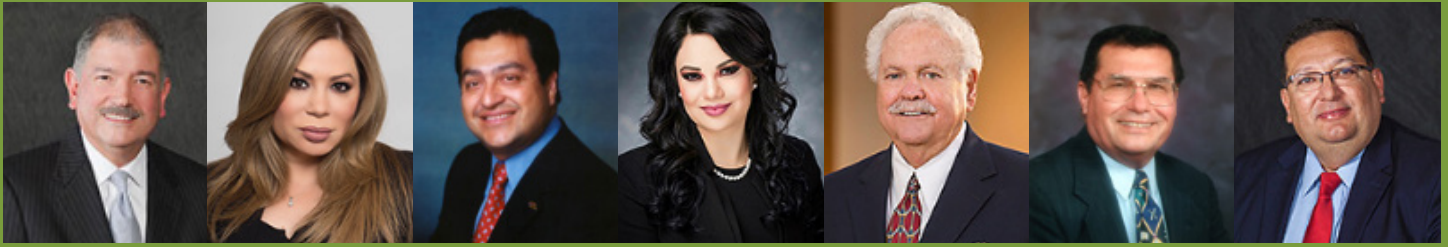
I am excited to present South Texas College District’s Popular Annual Financial Report (PAFR) for the fiscal year ended August 31, 2020. The financial information within this report is derived in large part from the District’s independently audited financial statements of our 2020 Comprehensive Annual Financial Report (CAFR), which is prepared in conformance with Generally Accepted Accounting Principles (GAAP). The PAFR presents highlights of the District’s financial results for the past fiscal year and is designed to be transparent and easily understandable for individuals who are not finance or accounting professionals. Within this report, you will find an analysis of where the District’s financial resources come from and where the dollars are spent in a format that is easy to understand.

This is the first time South Texas College District has prepared the PAFR. The PAFR is not a required document, however, it is considered a best practice by the Government Finance Officers Association (GFOA), and we are proud to present one . Thank you for taking the time to read this report.

Respectfully,

Shirley A. Reed, M.B.A., Ed.D  
President

# BOARD OF TRUSTEES



**Paul R. Rodriguez - Chairman**  
CEO of Valley Land Title Co.

**Rose Benavidez - Vice Chair**  
President of Starr County Industrial Foundation

**Roy de León - Secretary**  
Branch Retail Executive, BBVA Compass Bank

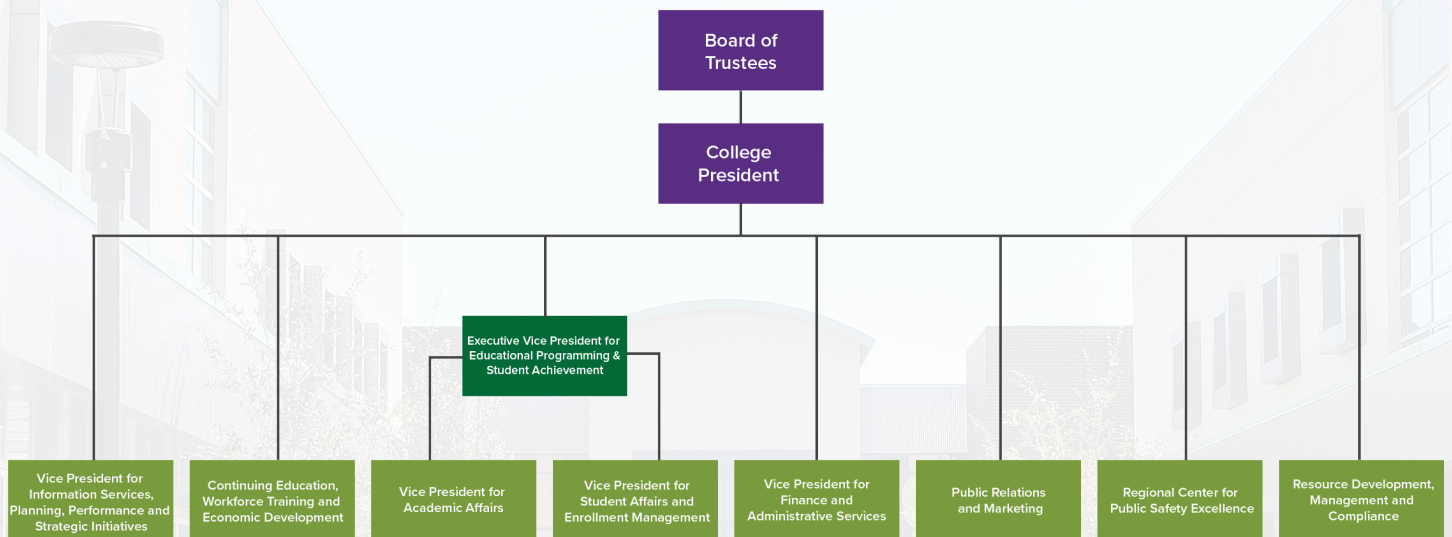
**Victoria Cantú - Member**  
CEO of Children's Education Station, LLC

**Gary Gurwitz - Member**  
Managing Partner, Atlas, Hall & Rodriguez, L.L.P.

**Dr. Alejo Salinas, Jr. - Member**  
Retired Superintendent, Superintendent Emeritus, Hidalgo ISD

**Rene Guajardo - Member**  
Human Resources Director at Mercedes Independent School District

# ORGANIZATIONAL CHART



# MISSION, VISION, & CORE VALUES

## Vision Statement

South Texas College will be a global model in educational innovation serving as a catalyst to drive regional prosperity, economic development, and the social mobility of those we serve.

## Mission Statement

South Texas College is a public institution of higher education that provides educational opportunities through excellence in teaching and learning, workforce development, cultural enrichment, community service, and regional and global collaborations.

## Core Values

**Student Success:** We are committed to the personal, academic, and career goals of each student.

**Excellence:** We are committed to excellence and innovation in teaching, learning, and services.

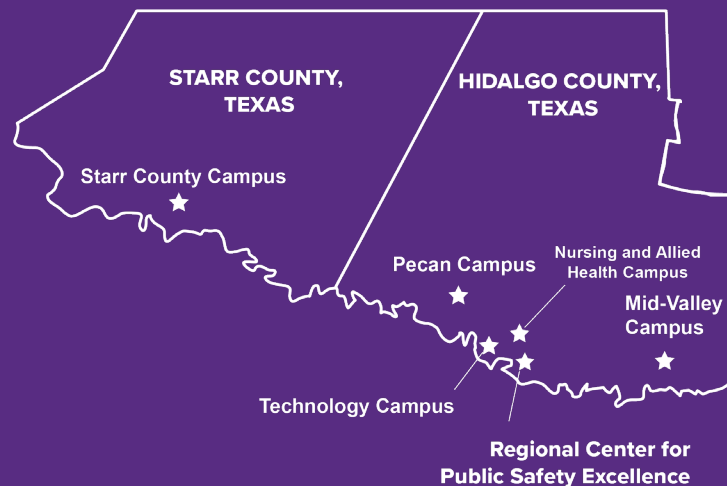
**Opportunity:** We are committed to providing access and support for students to achieve their academic and career goals.

**Community:** We are committed to equitable results through inclusion, diversity, collaboration, and engagement.

**Integrity:** We are committed to being respectful, professional, honest, accountable, and transparent.

# DISTRICT INFORMATION

The District was created on September 1, 1993, by Texas Senate Bill 251, to serve Hidalgo and Starr counties. The District is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACSCOC) to award baccalaureate and associate degrees.



# THE DISTRICT'S INITIATIVES AND ACHIEVEMENTS

The District's innovative endeavors and dedication to excellence have paved the way to praise and acclaim. The District has received numerous awards from national, state, and local bodies that recognize its leadership among the community colleges in the State of Texas and the nation. Some of the initiatives and achievements of the past year include:

- The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2019. This is the seventeenth consecutive year that the District has achieved this prestigious award.
- The Government Treasurers' Organization of Texas (GTOT) presented the Certificate of Distinction to the District for its Investment Policy for the sixth straight time in 2018. The Certificate was issued for the District's success in developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the GTOT, and is effective for a two-year period ending August 31, 2020.
- The District has earned the three Texas Comptroller of Public Accounts' Transparency Stars Program Awards. These awards

recognize local governments that have achieved excellence in transparency for different areas that include:

- Traditional Finance Transparency Star
  - Economic Development Transparency Star
  - Debt Obligation Transparency Star
- The District's Dual Credit Programs are the first in the State of Texas to receive a prestigious accreditation by the National Alliance of Concurrent Enrollment Partnerships (NACEP) reaching a historical milestone in May 2020.
  - The District is among the most innovative online schools for students seeking associate degrees, according to a new ranking published nationwide on February 5. Named among the '30 most innovative online colleges' in the nation, according to Online Schools Center (OSC), the website is an online resource geared towards students who are seeking an online option for college apart from traditional brick and mortar institutions. The District was the only institution in Texas to receive the recognition. The variety of associate degrees makes the District an excellent transfer school and a top-rated college for military personnel whether they are veterans or on active duty, according to OSC.

## Financial Highlights

The Statements of Net Position is a 'point in time' financial statement and provides the reader with a snapshot of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the fiscal year. An asset is a resource with economic value that the District owns or controls. A liability is the District's legal financial debt or obligation that arises during the course of business operation. Net position is either the accumulated resources invested in plant and equipment or resources available with or without restrictions. The statement also includes deferred outflows of resources and deferred inflow of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Reflected in the Statements of Net Position are current and non-current items. Current items are assets and liabilities to be satisfied or liquidated within one year. Non-current items are assets and liabilities to be liquidated or satisfied beyond one year.

# Statements of Revenues, Expenses, and Changes in Net Position (All Funds)

For Fiscal Year Ended August 31, 2020 (in millions)

## Revenues

### Operating Revenues

Net Tuition and Fees	\$ 23.6
Grants and Contracts	19.0
Other Operating Revenue	2.0
<b>Total Operating Revenues</b>	<b>\$ 44.6</b>

### Non-Operating Revenues

Ad-valorem Taxes	\$ 69.7
State Appropriations	50.9
Federal Grants	67.8
Investment Income	4.9
Other Non-Operating Revenues	0.4
<b>Total Non-Operating Revenues</b>	<b>\$ 193.7</b>

<b>Total Revenue</b>	<b>\$ 238.3</b>
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## Expenses

### Operating Expenses

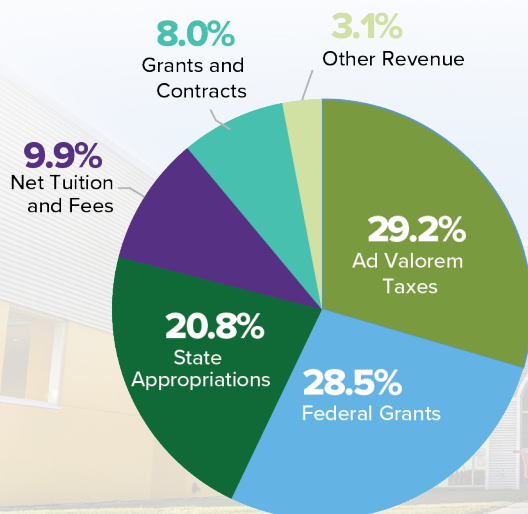
Instruction	\$ 86.3
Public Service	1.3
Academic Support	22.0
Student Services	14.8
Institutional Support	42.4
Operation and Maintenance of Plant	20.5
Scholarships Expense	29.1
Auxiliary Enterprises	2.7
Depreciation Expenses	12.1
<b>Total Operating Expenses</b>	<b>\$ 231.2</b>

### Non-Operating Expenses

Non-Capital Construction Costs	\$ 1.2
Interest on Capital Related Debt	5.8
Other Non-Operating Expenses	0.8
<b>Total Non-Operating Expenses</b>	<b>\$ 7.8</b>

<b>Total Expenses</b>	<b>\$ 239.0</b>
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## Revenue Sources



## Net Position

(Decrease) in Net Position	\$ (0.7)
Net Position at beginning of year	378.0
<b>Net Position at end of year</b>	<b>\$ 377.3</b>

# Statements of Net Position (All Funds)

For Fiscal Year Ended August 31, 2020 (in millions)

## Statements of Net Position

### Assets

Current Assets	\$ 163.9
Noncurrent Assets	474.7
<b>Total Assets</b>	<b>\$ 638.6</b>

<b>Deferred Outflow of Resources</b>	<b>\$ 112.7</b>
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### Liabilities

Current Liabilities	\$ 40.9
Noncurrent Liabilities	296.0
<b>Total Liabilities</b>	<b>\$ 336.9</b>

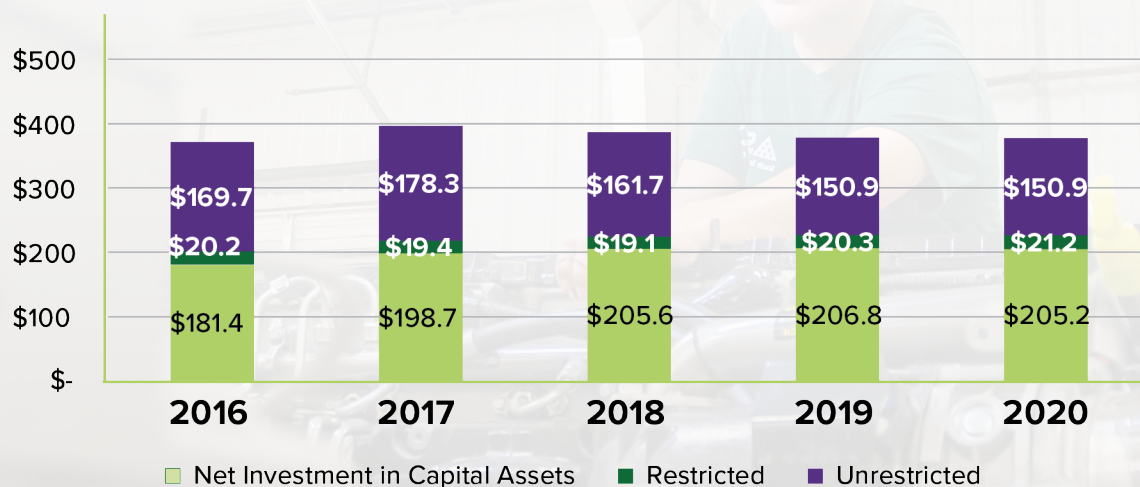
<b>Deferred Inflow of Resources</b>	<b>\$ 37.1</b>
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### Net Position

Net Investment in Capital Assets	\$ 205.2
Restricted	21.2
Unrestricted	150.9
<b>Total Net Position - End of Year</b>	<b>\$ 377.3</b>

## Net Position

(in millions)





# DISTRICT'S OPERATIONS

## Excluding Impact of GASB Statement 68 (pension) and GASB Statement 75 (OPEB)

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the TRS and was impacted by the implementation of GASB Statement No 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015. GASB Statement No 68 (GASB 68) revised and established new financial reporting requirements for most state and local governments that provide their employees with pension benefits.

The District also 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 ERS and was impacted by the implementation of GASB Statement No 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions (OPEB)*, in fiscal year 2018. GASB Statement No 75 (GASB 75) revised and established new accounting and financial reporting requirements for OPEB plans. In fiscal year 2018, ERS utilized an allocation methodology based on employer contributions related to retirees. In fiscal year 2019, ERS changed the allocation methodology by basing it on employer contributions for retirees and active employees. The change in allocation methodology had a significant adverse financial effect on the District.

The District's net position at August 31, 2020 was \$377.3 million compared to \$378.0 million at August 31, 2019. The decrease of \$0.7 million is primarily due to \$271 million pension and net OPEB expenses allocated to the District by TRS and ERS. The financial statements include the impact of GASB Statement 68 and GASB Statement 75, and even though they are required entries by GASB, the District does not deem that the result with these entries appropriately reflects the District's operations throughout the years, as the liabilities are allocated to the District based on the discretion of ERS and TRS

(allocation methods have changed in the past), and are not part of the District's day-to-day operations. The liabilities also reflect a long-term liability that may or may not be due.

Disregarding the effect of the ERS OPEB liability and the TRS pension liability, the District's net position increased by \$26.4 million resulting from excess revenues over expenses. Of the \$26.4 million increase in net position, the unrestricted net position increased by \$27.2 million, net investment in capital assets decreased by \$1.7 million, and expendable net position increased by \$0.9 million.

### Excluding Impact of GASB 68 (Pension) and GASB 75 (OPEB) (All Funds) (in millions)

Operating Revenues	\$ 44.6
Operating Expenses	201.8
<b>Operating Loss</b>	<b>\$ (157.2)</b>

Non-Operating Revenues and Expenses	\$ 183.6
Capital Contributions	-
<b>Increase in Net Position</b>	<b>\$ 26.4</b>

<b>Net Position - Beginning of Year</b>	<b>\$ 441.1</b>
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<b>Net Position - End of Year</b>	<b>\$ 467.5</b>
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# NET POSITION & FUND EXPENDITURES

## What is net position?

A **fund** is a set of accounts that are segregated to identify the transactions associated with a specific activity conducted by the District.

What is a **net position**? It is the difference between **(a)** assets and deferred outflows of resources and **(b)** liabilities and deferred inflows of resources.

**Unrestricted Fund** – accounts for economic resources of the District which are expendable for the purpose of performing the primary missions of the institution such as instruction, research, and public service, and which are not restricted by external sources or designated by the governing board other than operating expenditures.

**Restricted Fund** – accounts for activities that have restrictions pertaining to their use by external parties, such as grants, contracts, donors, or legislation.

**Plant Fund – Unexpended – Construction Fund** - accounts for resources to be used for plant construction or acquisition.

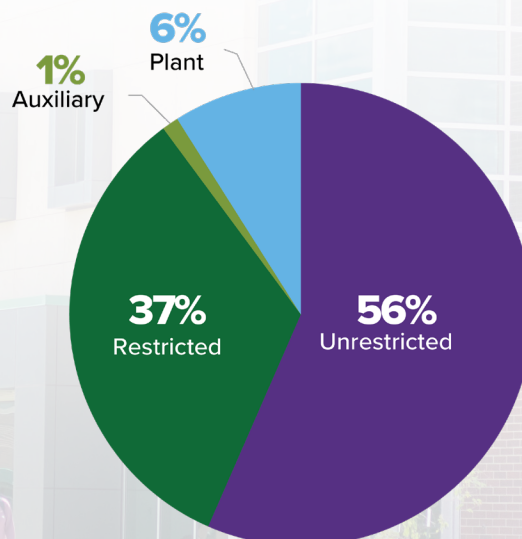
**Plant Fund – Renewals and Replacements Fund** - accounts for resources to be used for renewing and replacing facilities on existing District capital assets.

**Plant Fund – Retirement of Indebtedness Fund** - accounts for funds held in reserve for paying principal and interest on debt, as well as related costs in accordance with bond indentures.

**Endowment Fund** - accounts for donor restricted gifts that are invested as per the donor's stated terms.

**Auxiliary Fund** – accounts for transactions of self-supporting activities. The fund exists to provide goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, for which a fee is charged that is intended to recover associated costs.

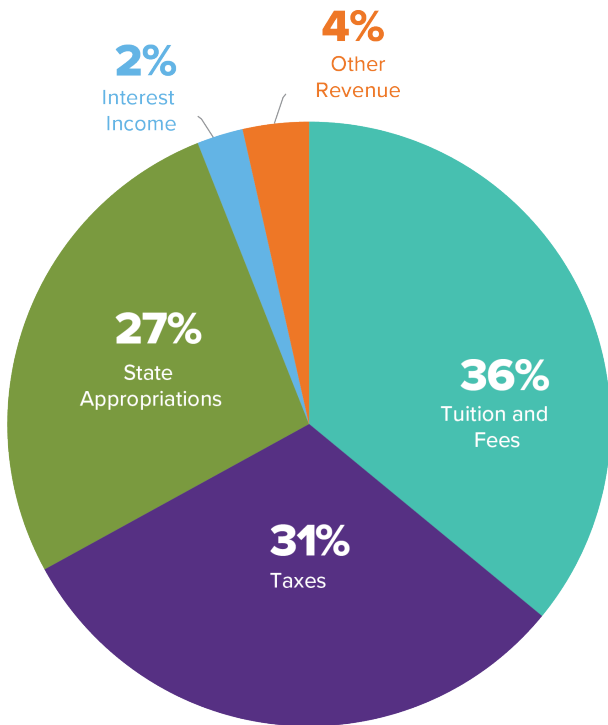
## District's Expenses by Fund



# UNRESTRICTED FUND ACTIVITY

The District has a diversified revenue structure with the main sources of unrestricted revenue deriving from student tuition and fees, local taxes, and state appropriations.

## Unrestricted Revenue Category



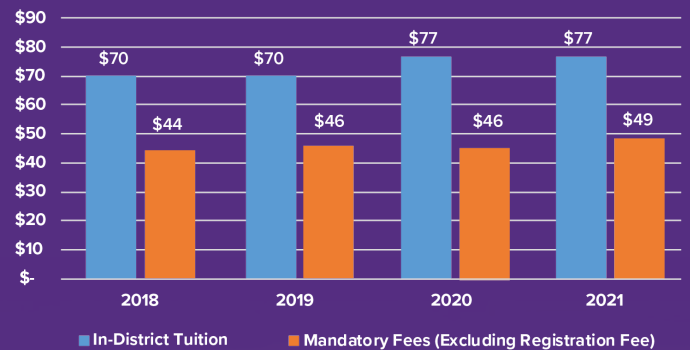
## Tuition and Fees

Student tuition and fees are the primary operating source of revenues for the District, and makes up about 36% of the District's unrestricted revenue stream. The District is committed to providing access and support for students to achieve their academic and career goals, as described in the Core Values of South Texas College. This is accomplished by keeping tuition cost low without lowering the quality of instruction.

The District's in-district tuition rate of \$77 per semester credit hour in fiscal year 2020 remains among the most competitive in the state.

The graph below shows a summary of the tuition and mandatory fee rates per semester credit hour (excluding the registration fee).

## Per Credit Hour Rate

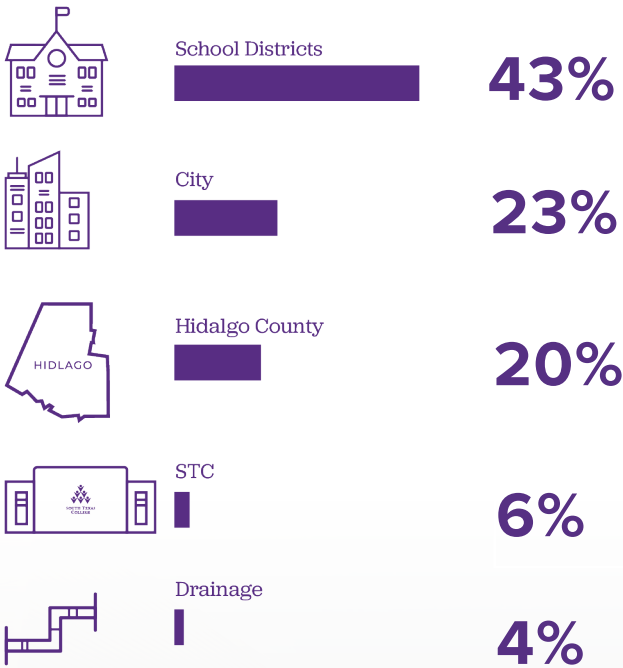


# Property Taxes

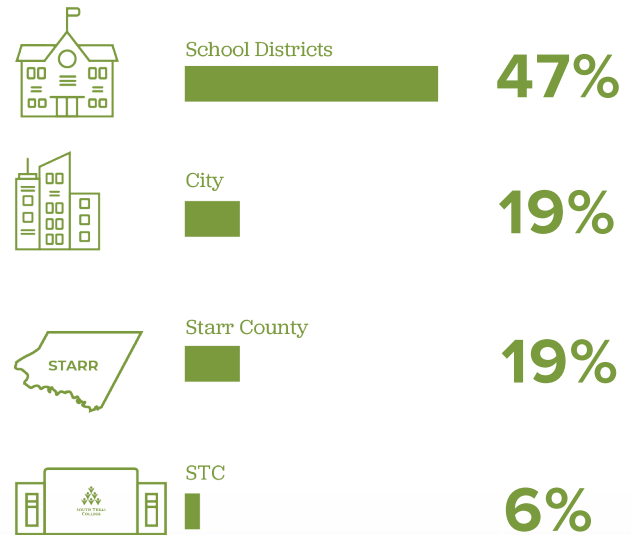
Property taxes continue to be among the District's primary non-operating revenue sources, and accounted for 31% of the District's total unrestricted funding sources for fiscal year 2020. The taxes are used to pay for operating costs and general obligation debt services. For fiscal year 2020 (Levy 2019), the District's property tax rate for a typical homeowner was \$0.1733 per \$100 of the property's assessed value—making up about 6% of the homeowner's total property tax bill.

## 2020 Property Tax Rates for a Typical Homeowner in the South Texas College District

### Hidalgo County

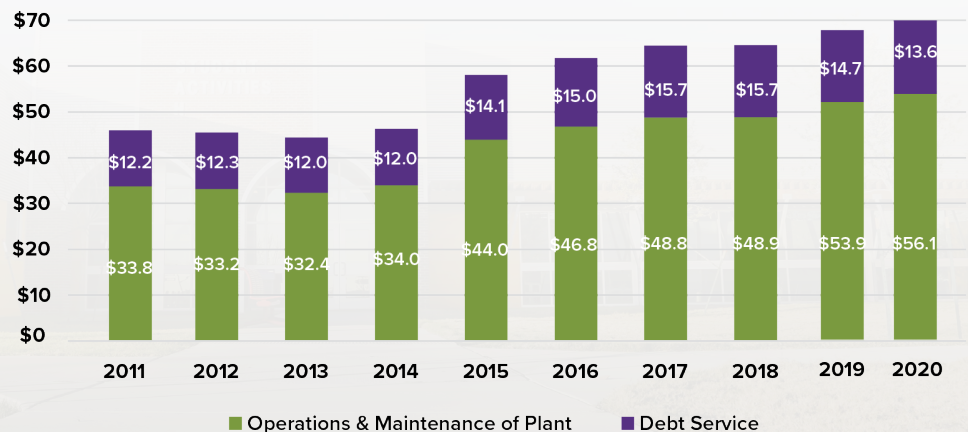


### Starr County



## Property Tax Type

(in millions)



# STATE APPROPRIATIONS

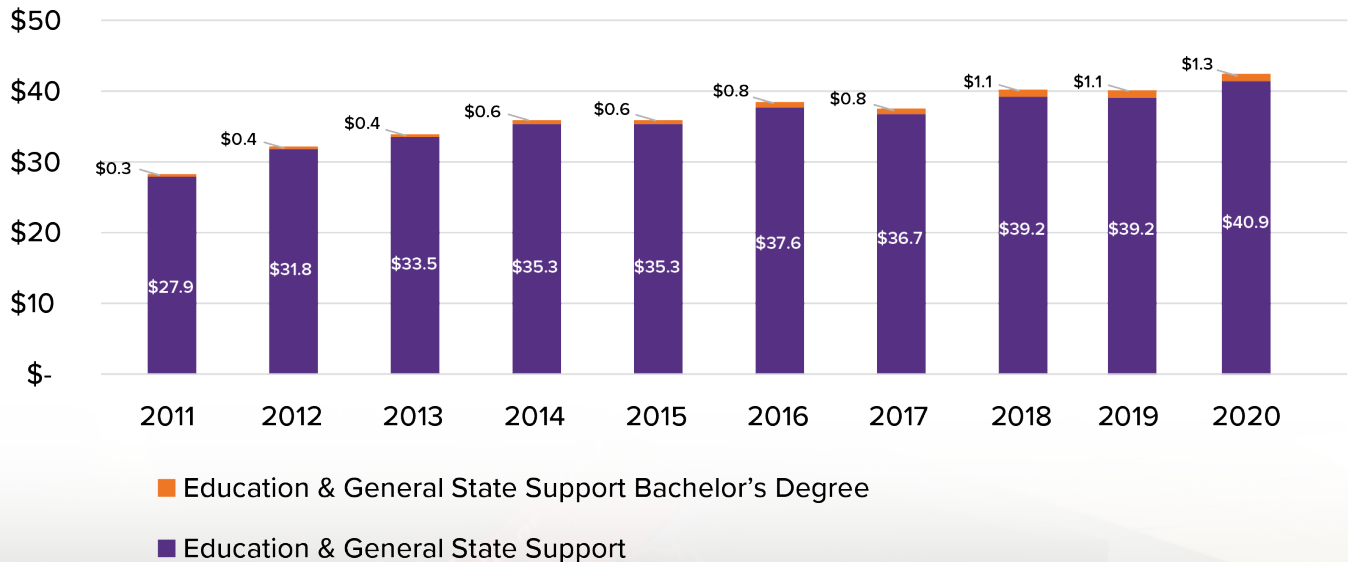
State appropriations account for 27% of the District's unrestricted funding source. The State of Texas appropriates funds to state agencies and institutions of higher education via funding formulas and the non-formula biennial General Appropriations Act. The District receives funding for core operations, student success, contact hour funding, and for offering the Bachelor's degrees.

The District received additional state appropriations in fiscal year 2020 in education and general state support as a result of increased state appropriation for student success points and contact hours. The District also received additional state appropriation related to increased semester credit hours for the District's Bachelor programs.

Below is a ten-year history of the District's state appropriations revenues:

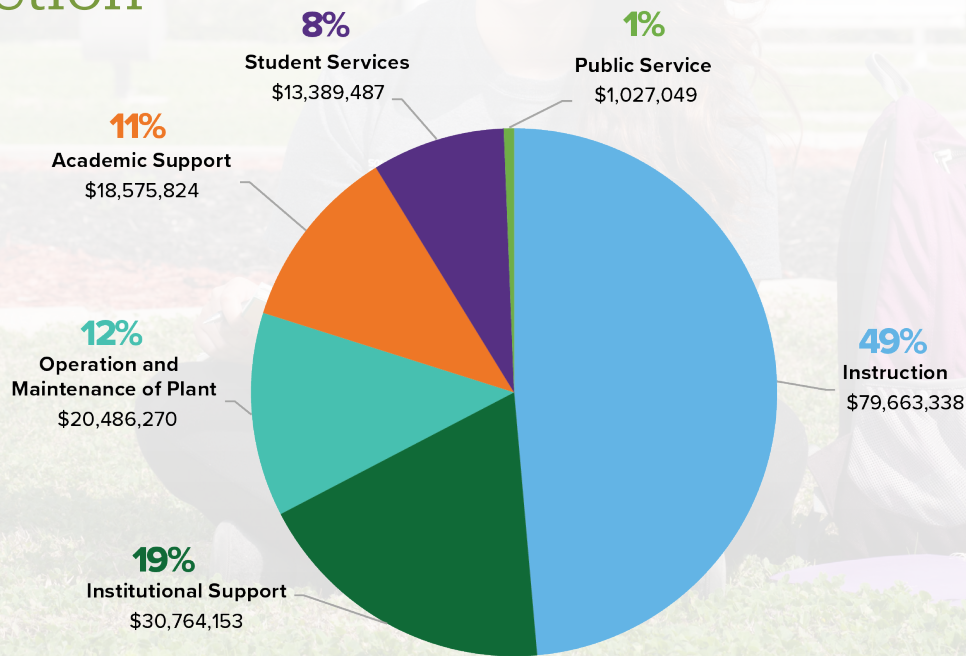
## State Appropriations

(in millions)



# HOW IS THE DISTRICT SPENDING THE MONEY?

## Total Fiscal Year 2020 Unrestricted Expenses by Function



## DISTRICT FUNCTIONS

**Instruction** – Activities dealing directly with student learning, such as faculty salary and benefits, equipment, materials and supplies for the classrooms.

**Public Service** - Activities established primarily to provide non-instructional services for the benefit of individuals and groups that are external to the District.

**Academic Support** – Activities designed to provide support services for the District’s primary mission of instruction and public service. Includes the centers for learning excellence, distance learning, high school programs and services and professional development.

**Student Services** – Activities that provide assistance in the areas of admissions, counseling, financial aid, and student records.

**Institutional Support** – Expenditures for day- to-day operational and administrative activities that benefit the entire institution. Examples are financial and administrative services, information services, and public relations.

**Operation and Maintenance of Plant** – Maintenance, repairs, and minor construction of building costs that are necessary to keep the facilities open and ready for use for students, faculty, and staff.

# UNRESTRICTED REVENUES, EXPENDITURES, & CHANGE IN NET POSITION

## Revenues (in millions)

Appropriations	\$ 50.9
Tuition	34.9
Fees	29.0
Local Taxes	56.3
Other Revenues	11.2
<b>Total Revenues</b>	<b>\$ 182.4</b>

## Expenditures (in millions)

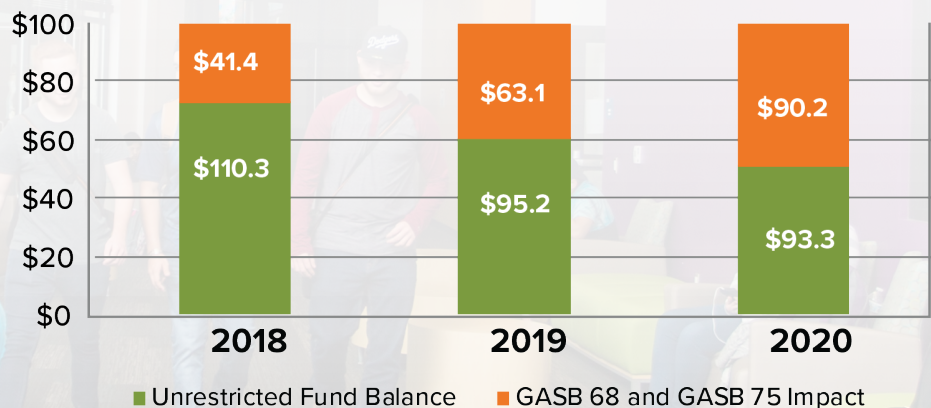
Salaries	\$ 95.8
Benefits	56.7
Operating	23.3
Travel	0.9
Capital Outlay	1.4
<b>Total Expenditures</b>	<b>\$ 178.1</b>

## Net Position (in millions)

Excess of Revenues over Expenditures	\$ 4.2
Net transfers in / (out)	(6.2)
<b>Net change in Fund Balance</b>	<b>(1.9)</b>
<b>Unrestricted Fund Balance August 31, 2019</b>	<b>95.2</b>
<b>Unrestricted Fund Balance August 31, 2020</b>	<b>\$ 93.3</b>

## GASB 68 & GASB 75 Impact on Unrestricted Fund Balance (in millions)

The District's net effect of GASB 68 and GASB 75 have been \$27.1 million for fiscal year 2020 and \$21.7 million for fiscal year 2021. The graph presents the impact that GASB 68 and GASB 75 have had on the cumulative unrestricted fund balance for the past three years.



# CAPITAL ASSETS

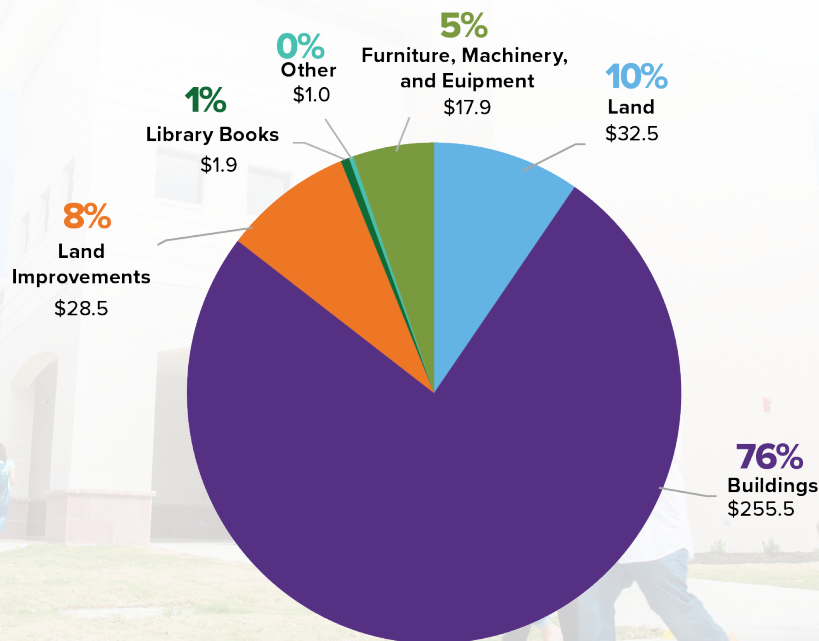
- Capital assets include property, plant, equipment, and infrastructure assets that have an initial unit cost greater than or equal to \$5,000 and estimated useful lives of more than one year.
- Net capital assets slightly decreased in fiscal year 2020, primarily due to an increase in accumulated depreciation. The increase in depreciation was related to new facilities, land improvement, and furniture and equipment added during fiscal year 2018 and 2019 that were funded by the District's Limited Tax Bonds series 2014 and 2015.

## Net Capital Assets

(in millions)

Description	August 31, 2019	Additions	Retirements &		August 31, 2020
			Transfers		
Land	\$ 32.5	\$ -	\$ -	\$ -	\$ 32.5
Collections	0.1	0.0	-	-	0.1
Construction in progress	0.4	1.7	(1.1)		0.9
Buildings	310.3	0.9	-		311.2
Land improvements	45.8	0.3	-		46.1
Library books	6.3	0.3	-		6.6
Furniture, machinery, and equipment	51.3	1.8	(0.5)		52.5
Less					
Accumulated Depreciation	(101.0)	(12.2)	0.5		(112.6)
<b>Total Net Capital Assets</b>	<b>\$ 345.7</b>	<b>\$ (7.3)</b>	<b>\$ (1.1)</b>	<b>\$</b>	<b>\$ 337.3</b>

The graph below summarizes the capital assets by category net of accumulated depreciation.





# DEBT STATUS

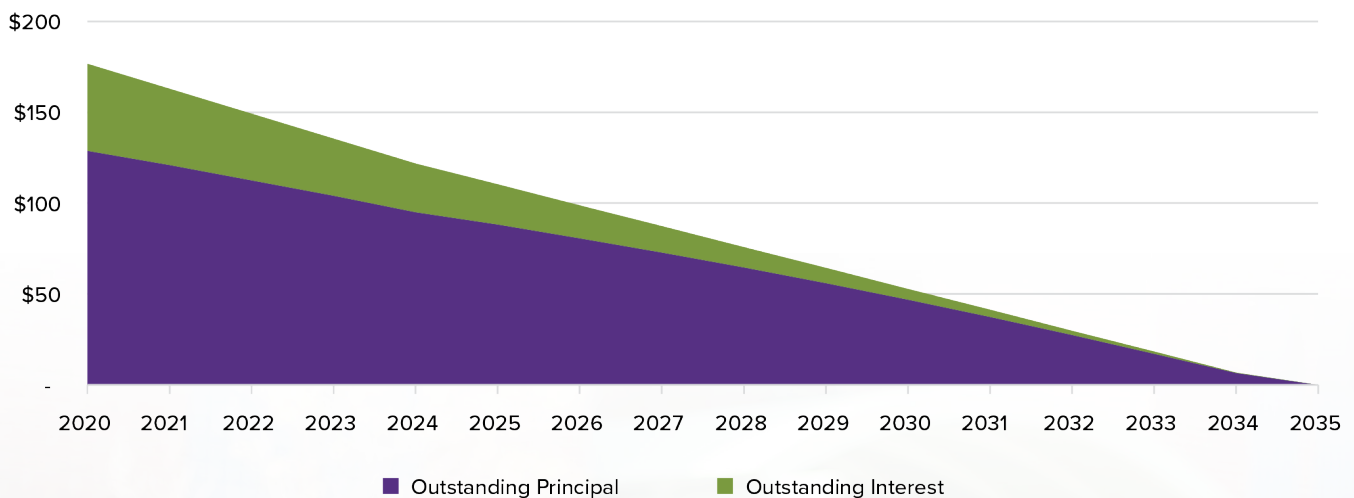
During fiscal year 2020, the District sold a total of \$41 million in Limited Ad Valorem Tax Refunding Bonds which saved the District and taxpayers \$4.4 million in debt service payments and reduced the ad valorem tax rate for the residents of Hidalgo and Starr Counties.

The District currently has three series of limited tax bonds outstanding. These bonds are backed by the full confidence of the community college district and are paid with property taxes.

The Series 2014 Limited Tax Bonds and Series 2015 Limited Tax Bonds were issued to address the facility requirements of the District due to the enrollment increase over the years. Series 2020 Limited Tax Bonds refinanced part of the limited ad valorem tax bonds previously issued in 2014.

## District Outstanding Debt

(in millions)



# ACKNOWLEDGEMENTS

## South Texas College District Finance and Administrative Services and Business Office Staff

**Mary Elizondo**, *Vice President for Finance and Administrative Services*

**Myriam Lopez**, *Comptroller*

**Katarina Bugariu**, *Associate Comptroller*

**Nicole Perez**, *Budget Manager*

**Alma Church**, *Accounting Group Manager*

**Dalinda Gamboa**, *Accounting Group Manager*

**Marittza Adame**, *Accounting Group Manager*

**Norma Reyna**, *Accounting Group Manager*

**Vanessa Balderrama**, *Accounting Group Manager*

**Carolee N. Lopez**, *Graphic Designer*

This Popular Annual Financial Report (PAFR) is intended to provide selected financial information in a simplified and straightforward format. The PAFR is based upon the District's Comprehensive Annual Financial Report (CAFR) which contains more detailed information on the District's finances. The CAFR, PAFR and other financial reports can be found on the District's website at <https://finance.southtexascollege.edu/businessoffice/index.html>.



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