



SOUTH TEXAS
COLLEGE

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POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ended August 31, 2025

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LETTER FROM THE PRESIDENT

I am pleased to present the South Texas College District's Popular Annual Financial Report (PAFR) for the fiscal year ended August 31, 2025. The financial information within this report is derived in large part from the District's independently audited financial statements of our 2025 Annual Comprehensive Financial Report (ACFR), which is prepared in conformance with Generally Accepted Accounting Principles (GAAP). The PAFR is designed to provide a clear and accessible overview of the District's financial performance for individuals who may not have a background in finance or accounting. Inside, you will find an easy-to-understand analysis of the sources of the District's financial resources and how those funds are allocated.

This is the sixth edition of our PAFR - a voluntary publication that reflects our commitment to transparency and best practices as recommended by the Government Finance Officers Association (GFOA). We take great pride in sharing this report with our community and appreciate your interest in learning more about the District's financial stewardship.

Thank you for taking the time to review this report,

Ricardo J. Solis, Ph.D.

President-



BOARD OF TRUSTEES



Chair

Dr. Alejo Salinas, Jr.

Retired Superintendent,
Superintendent Emeritus,
Hidalgo ISD



Vice chair

Paul R. Rodriguez

CEO of Valley Land
Title Co.



Secretary

Danny Guzman

Right-of-Way Agent, Hidalgo
County Precinct #1



Member

Rose Benavidez

President of Starr County
Industrial Foundation



Member

Victoria Cantú

CEO of Children's
Education Station, LLC



Member

**Dalinda Gonzalez-
Alcantar**

CEO, Boys & Girls Club
of McAllen

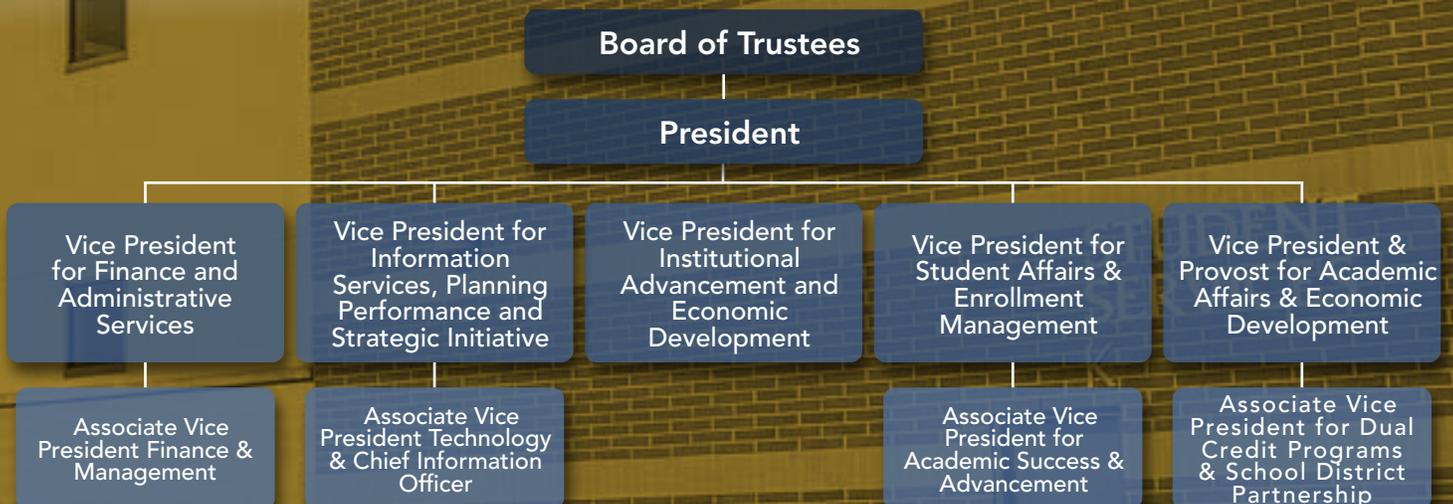


Member

David De Los Rios

Trustee

ORGANIZATIONAL CHART



Vision, Mission & Core Values

Vision Statement

Changing lives and transforming communities through higher education.

Mission Statement

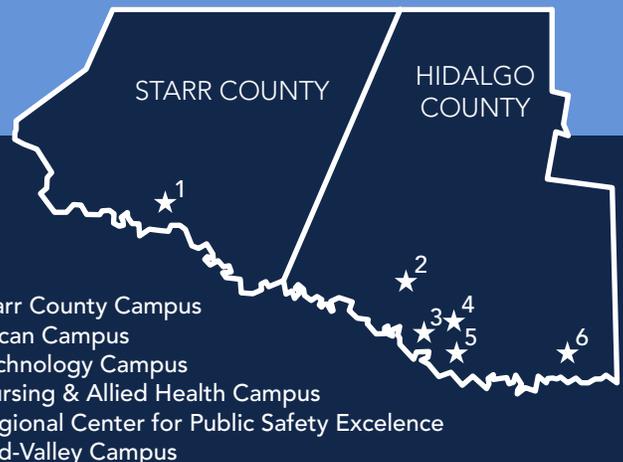
South Texas College is a comprehensive public higher education institution that transforms lives through innovative education, holistic learner support, and community engagement. We empower our region and drive socioeconomic advancement through lifelong learning opportunities.

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.
- **Caring** - We are committed to creating a campus culture that embodies respect, empathy, and genuine care for all.
- **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 and Schools to award baccalaureate and associate degrees.



The District's Initiatives & 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, 2024. This is the twenty-second 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 seventh straight time. 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, 2026.

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



FINANCIAL HIGHLIGHTS & NET POSITION

Assets

Current Assets	\$ 147.8
Non - Current Assets	679.4
Total Assets	\$ 827.2
Deferred Outflow of Resources	\$ 29.0

Liabilities

Current Liabilities	\$ 40.2
Non - Current Liabilities	233.9
Total Liabilities	\$ 274.1
Deferred Inflow of Resources	\$ 47.6

Net Position

Net Investment In Capital Assets	\$ 256.0
Restricted	16.9
Unrestricted	261.6
Total Net Position - End of Year	\$ 534.5

Fiscal Year Ended August 31, 2025 (in millions)

Statement of Net Position (in millions)



During fiscal years 2025, the **Net position increased** primarily as a result of updated state formula funding model, revenue stream from the FAST program (both began in fiscal year 2024), increased property tax revenue due to rising property values, and investment income fueled by high interest rates.

What is Net position?

Net position is a simple way to understand the college's financial health. It compares what the college owns (**assets**) to what it owes (**liabilities**). If the result is positive, it means the college has more resources than bills to pay, which is a good sign. If it's negative, it means the college owes more than it owns and may be under financial strain.

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 the cumulative resources allocated to plant and equipment, or resources that are available to the District with or without restrictions.

A deferred outflow of resources - represent a consumption of net assets that applies to future periods.

A deferred inflow of resources - represent an acquisition of net assets that applies to future periods.

Reflected in the Statement 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.

STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present the District's results of operations for the fiscal year. This statement focuses on the revenues brought in by the College generated primarily by property taxes, state allocations, tuition and fees, and state and federal grants. It compares the revenue brought in during the fiscal year to the cost of the District's activities. The summarized information is presented to enhance the reader's understanding of the financial results of the various District services provided to students and the public.

Fiscal Year Ended August 31, 2025 (in millions)

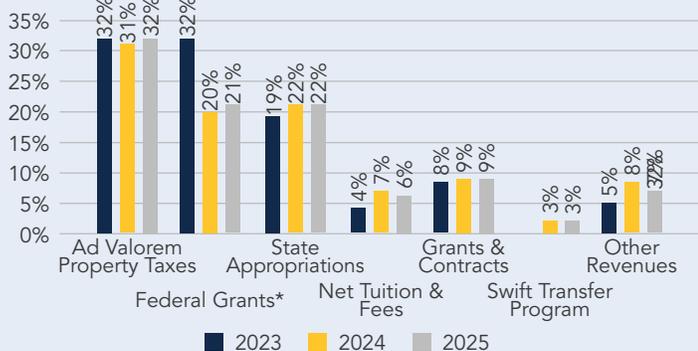
Operating Revenues

Net Tuition & Fees	\$ 17.5
Grants & Contracts	26.8
Other Operating Revenue	1.2
Deferred Outflow of Resources	\$ 45.5

Non - Operating Revenues

Ad - valorem Property Taxes	\$ 98.8
State Appropriations	67.6
Federal Grants	66.2
Investment Income	19.6
Swift Transfer Program	10.3
Other Non - Operating Revenue	1.0
Total Non - Operating Revenues	\$ 264.5
Total Revenues	\$ 310.0

Revenue Sources



Operating Expenses

Instruction	\$ 88.9
Public Service	0.5
Academic Support	27.4
Student Services	16.8
Institutional Support	39.5
Operation and Maintenance of Plant	29.3
Scholarship Expense	33.7
Auxiliary Enterprise	1.9
Depreciation Expenses	17.4
Total Operating Expenses	\$ 255.4

Non - Operating Expenses

Non - Capital Construction Costs	\$ 2.1
Interest on Capital Related Debt	3.4
Other Non - Operating Expenses	0.7
Total Non - Operating Expenses	\$ 6.2

Total Expenses	\$ 261.6
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Capital Contributions	\$ 0.1
Increase/(Decrease) in Net Position	\$ 48.5
Net Position at Beginning of Year	486.0
Net Position at End of Year	\$ 534.5

* Federal revenue peaked in FY 2022 with \$90.6 million from HEERF funding, then declined to \$31.9 million in FY 2023 and \$0.2 million in FY 2024. In FY 2024, formula funding updates increased appropriation revenue and provided additional FAST program funding.



DISTRICT'S OPERATIONS

EXCLUDING IMPACT OF GASB STATEMENTS 68 (PENSION) & GASB STATEMENT 75 (OPEB)

The District participates in cost-sharing, multiple-employer defined benefit pension and OPEB plans with special funding situations, administered by TRS and ERS, respectively. The pension plan was affected by GASB Statement No. 68 in FY 2015, and the OPEB plan by GASB Statement No. 75 in FY 2018, both of which established new financial reporting requirements. In FY 2019, ERS changed its OPEB allocation methodology to include both retirees and active employees, resulting in a significant adverse financial impact on the District.

The District's net position at August 31, 2025 was \$534.5 million compared to \$486.0 million at August 31, 2024, an increase of \$48.5 million. 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 \$47.7 million resulting from excess revenues over expenses. Of the \$47.7 million increase in net position, the unrestricted net position increased by \$33.4 million, net investment in capital assets increased by \$11.8 million, and expendable net position increased by \$2.5 million.

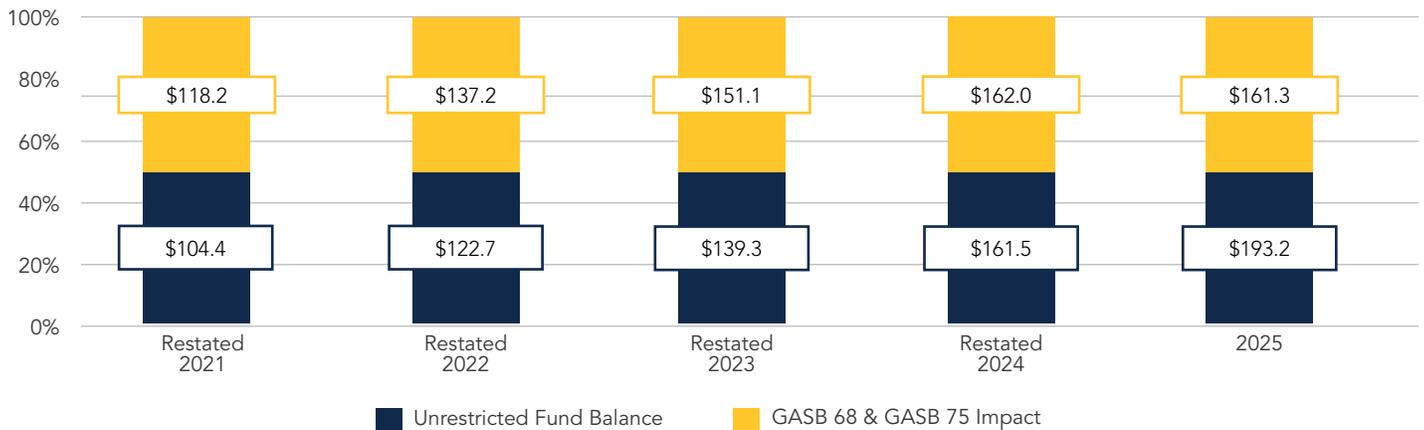
NET POSITION EXCLUDING IMPACT OF GASB 68 (PENSION) AND GASB 75 (OPEB).

Fiscal year 2023 was restated due to correction and fiscal year 2024 due to implementation of GASB 101.

Fiscal Year Ended August 31, 2023, 2024, & 2025 (in millions)	Restated 2023	Restated 2024	2025
Operating Revenues	\$ 32.4	\$ 46.4	\$ 45.5
Operating Expenses	215.3	225.3	255.8
Operating Loss	(182.6)	(178.9)	(210.3)
Non - Operating Revenues & Expenses	219.9	236.7	257.9
Income Before Contributions	37.0	57.8	46.6
Capital Contributions	-	-	0.1
Increase in Net Positions	37.0	57.8	47.7
Net Position - Beginning of Year	553.3	590.2	648.0
Net Position - End of Year	\$ 590.2	\$ 648.0	\$ 695.7

GASP 68 & GASP 75 IMPACT ON UNRESTRICTED FUND BALANCE

Fiscal Year Ended August 31, 2023, 2024, & 2025 (in millions)



The District's net effect of GASB 68 and GASB 75 for fiscal years 2023, 2024 and 2025 have been \$13.9 million, 10.9 million and \$(0.8) million of net expense /(revenue). The graph presents the impact that GASB 68 and GASB 75 have had on the cumulative unrestricted fund balance for the past five years

NET POSITION & FUND EXPENDITURES

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

Unrestricted Fund

Accounts for economic resources of the District which are expendable for the purpose of performing the core operations of the institution such as instruction, 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.

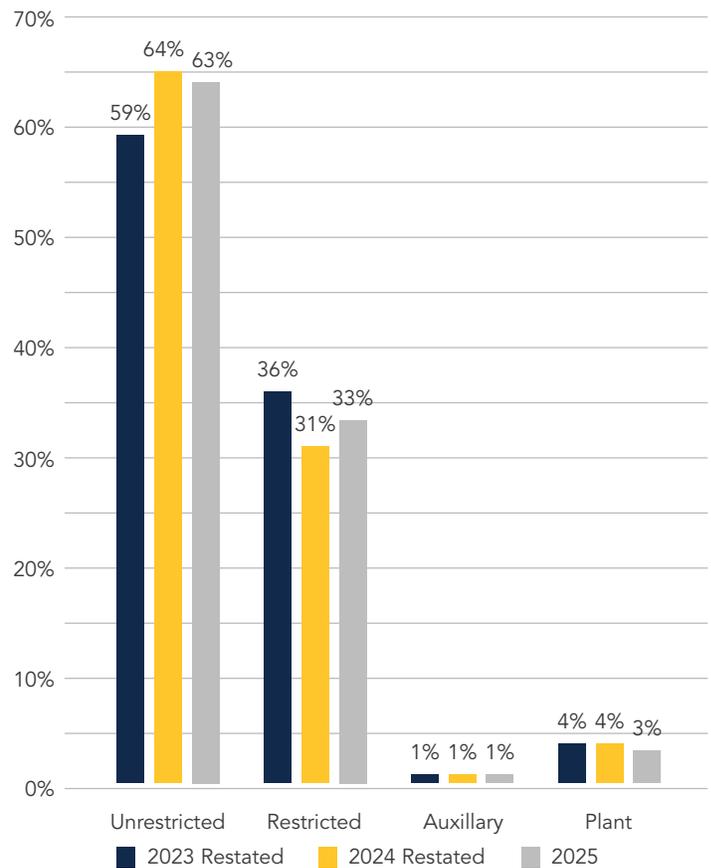
Plant Fund

- **Unexpended - Construction Fund** - Accounts for resources to be used for plant construction or acquisition.
- **Renewals and Replacements Fund** - Accounts for resources to be used for renewing and replacing facilities on existing College capital assets.
- **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.

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 Expenditures by Fund



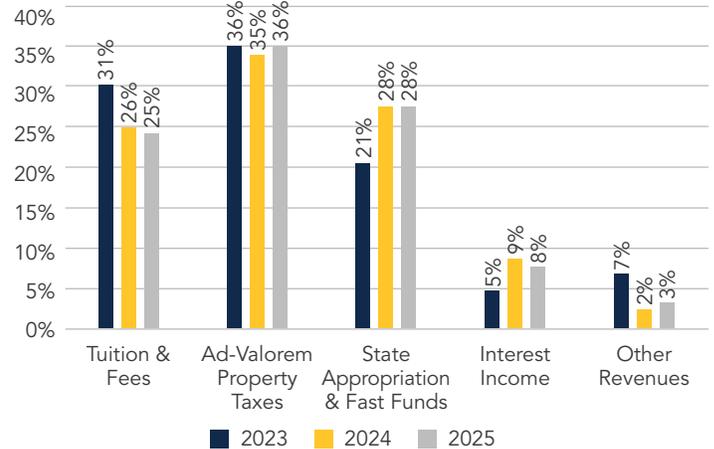
UNRESTRICTED FUND ACTIVITY

Revenue Sources

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

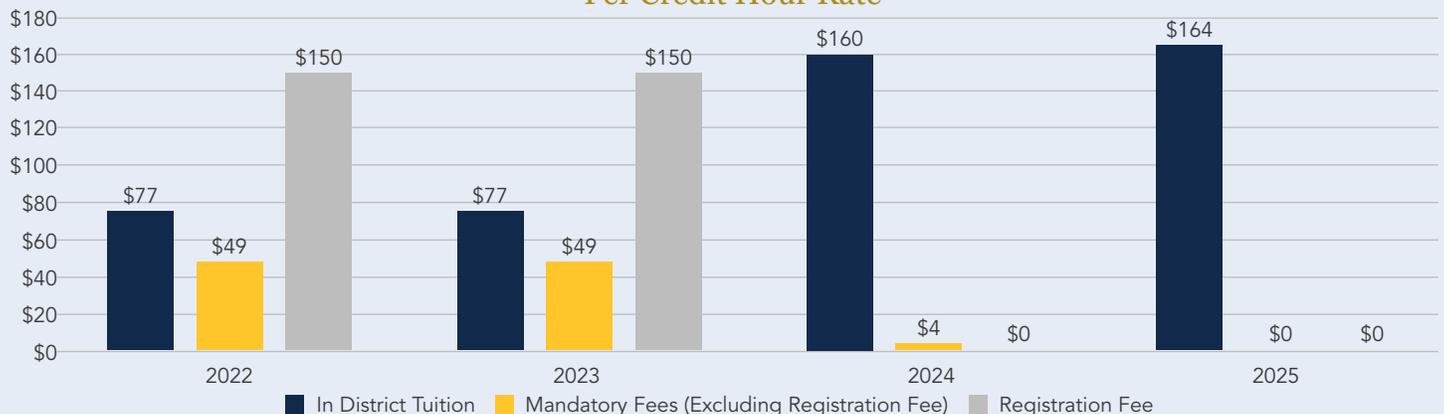


Student tuition and fees are the primary operating source of revenues for the District, and makes up about 25% of the District’s unrestricted revenue stream. The District is committed to providing access and support for students to achieve their academic and career goals, as described in the Core Values of South Texas College. This is accomplished by keeping tuition cost low without lowering the quality of instruction.

In fall 2023 (fiscal year 2024) the District implemented a Simplified Tuition Rate (flat tuition rate per semester credit hour with most mandatory fees consolidated into one, excluding the student activity fee designed to simplifying the process of paying for classes. The District’s in-district tuition rate of \$160 per semester credit hour in fiscal year 2024 remains among the most competitive in the state. In fiscal year 2025, the District increased tuition to \$164 and eliminated all mandatory fees.

The table below shows a summary of the tuition and mandatory fee rates per semester credit hour.

Per Credit Hour Rate

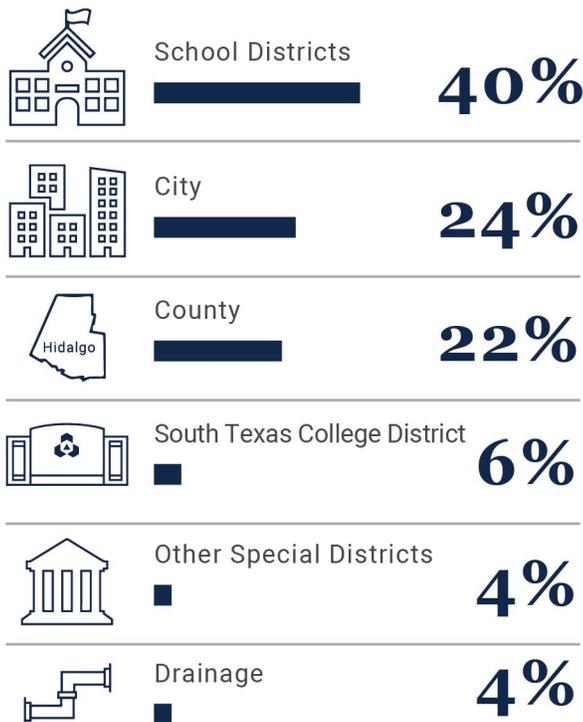


AD-VALOREM PROPERTY TAXES

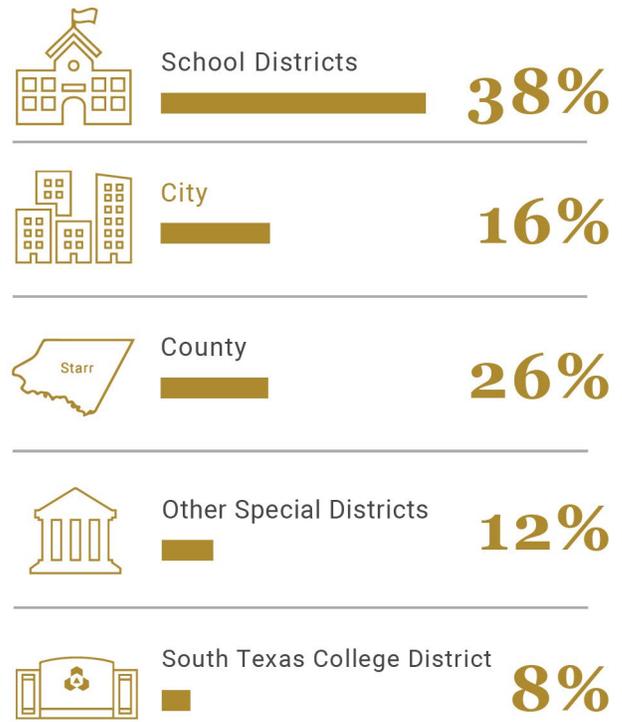
Ad-valorem property taxes continue to be among the District's primary non-operating revenue sources, and accounted for 36% of the District's total unrestricted funding sources for fiscal year 2025. The taxes are used to pay for operating costs and general obligation debt services. For fiscal year 2025 the District's ad-valorem property tax rate for a typical homeowner was \$0.162 per \$100 of the property's assessed value—making up about 6 percent of the homeowner's total property tax bill. This represents an increase of \$0.0058 compared to the rate assessed in fiscal year 2024. The increase in Ad-Valorem property tax revenue is attributed to higher taxable value assessments in the District's two counties in addition to the rate increase.

PROPERTY TAX RATES FOR A TYPICAL HOMEOWNER IN THE STC DISTRICT

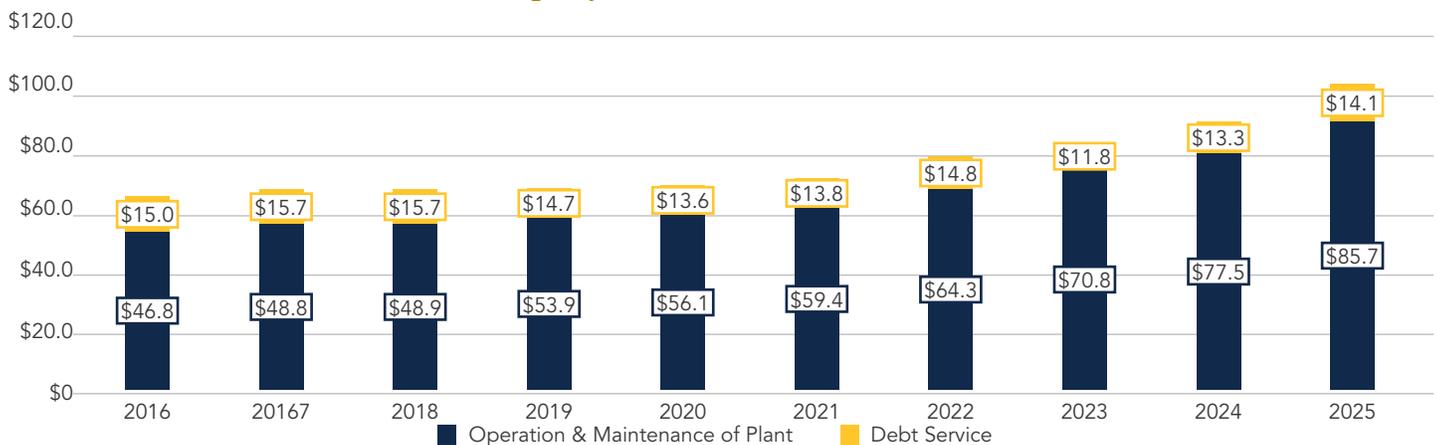
Hidalgo County



Starr County



Property Tax Revenue (in millions)



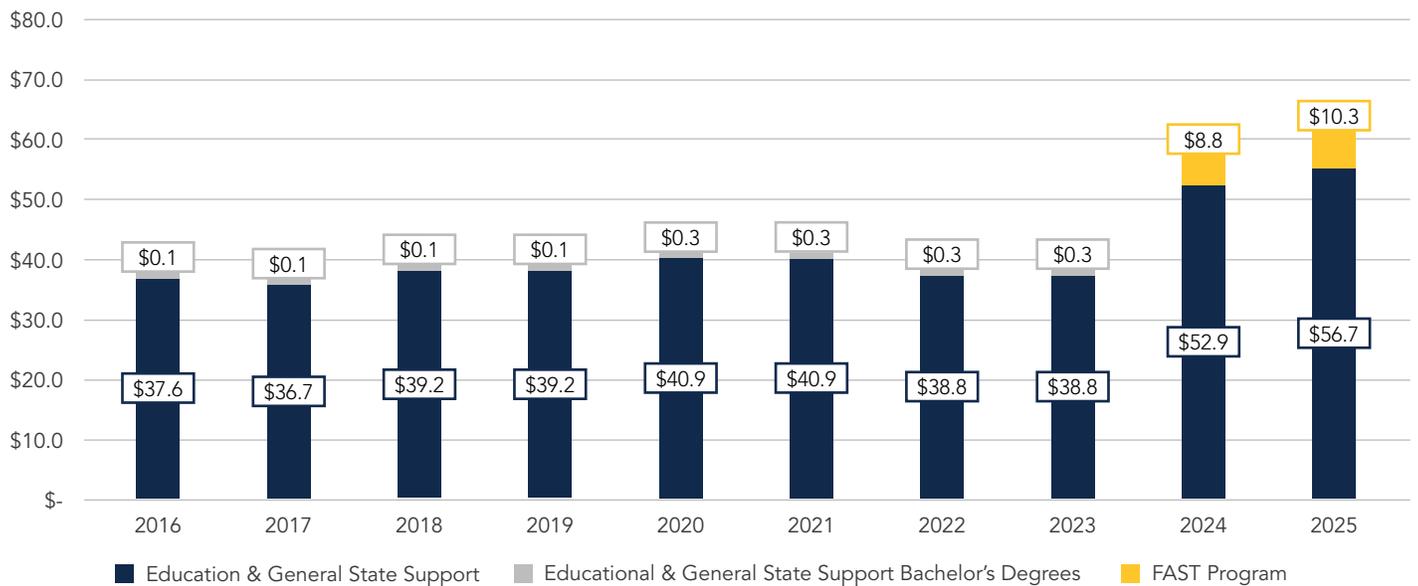
STATE APPROPRIATIONS & FINANCIAL AID FOR SWIFT TRANSFER (FAST) PROGRAM

State appropriations and FAST funds account for 28% of the District’s unrestricted funding source. The State of Texas appropriates funds to state agencies and institutions of higher education.

The District received an additional \$12.8 million in state appropriations in fiscal year 2024 due to a change in the formula funding model that also included the FAST program. The previous funding model was based on core operations, student success, contact hour funding, and for offering the Bachelor’s degrees. The revised formula for the 2024-2025 biennium is based on a Base Tier Formula and a Performance Tier formula. The FAST program provides state funding to support high-school students enrolled in dual-credit courses at South Texas College. Eligible students pay no tuition or fees; instead, the State of Texas reimburses the College a set amount per completed credit hour, which is recorded as College revenue to help cover instructional costs.

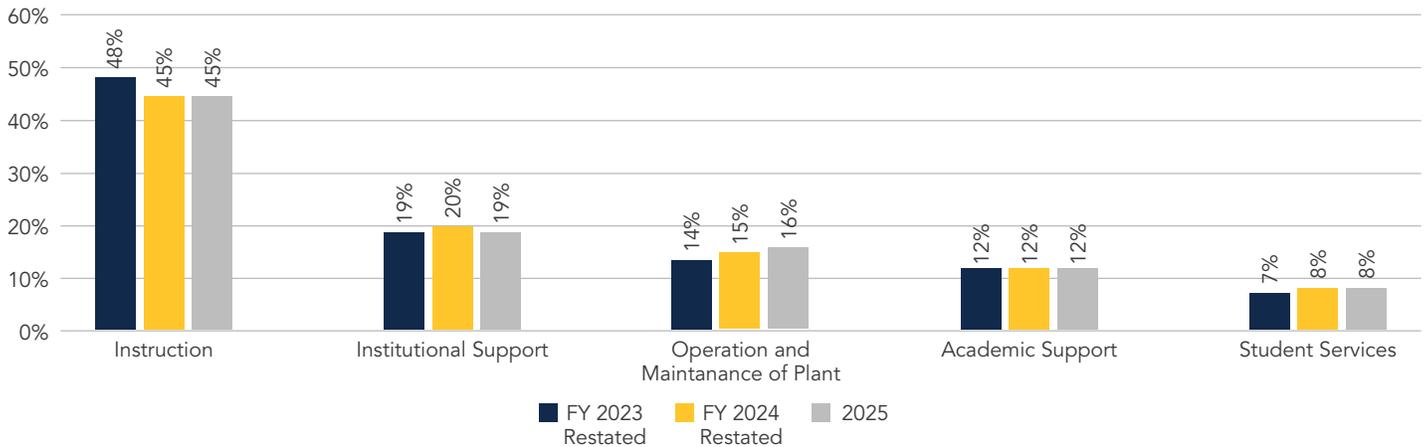
Below is a ten-year history of the district’s state appropriation revenues:

State Appropriations & Fast Funding (in millions)



HOW IS THE DISTRICT SPENDING THE MONEY?

Total fiscal year 2023 - 2025 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.



CAPITAL ASSETS

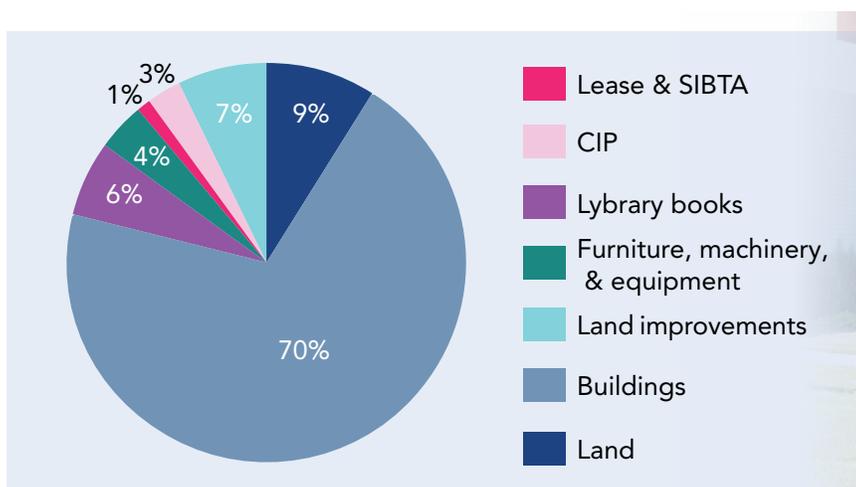
Capital assets include property, plant, equipment, and infrastructure assets that have an initial unit cost greater than or equal to \$5,000 and estimated useful lives of more than one (1) year.

Net capital assets increased in fiscal year 2025, primarily due to an increase in SBITAs and construction in progress, which was partially offset by an increase in accumulated depreciation. The increase in depreciation was related to facilities, land improvement, and furniture and equipment added during fiscal year 2018 and 2019 that were funded by the District Limited Tax Bonds series 2014 and 2015, and SBITA's that was implemented in fiscal year 2023 with the GASB 96 implementation.

Net Capital Assets (in millions)

Description	August 31, 2024	Retirements &			August 31, 2025
		Additions	Transfers		
Land	\$ 33.5	\$ -	\$ -	\$	33.5
Collections	0.1	0.0	-		0.1
Constructions in progress	6.8	10.7	(8.7)		8.8
Buildings	328.4	8.1	-		336.5
Land Improvements	50.2	0.6	-		50.8
Lybrary books	6.6	0.2	-		6.8
Furniture, Machinery, & Equipment	58.5	3.4	(1.7)		60.2
Leased assets	1.4	0.1	-		1.5
SBITA	20.8	12.4	-		33.2
Less					-
Accumulated Depreciation	(158.6)	(17.4)	1.7	\$	(174.3)
Total Net Capital Assets	\$ 347.7	\$ 18.1	\$ (8.7)	\$	357.1

The Graph below summarizes the capital assets by category net of accumulated depreciation.
Net Capital Assets August 31, 2025



DEBT STATUS

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.

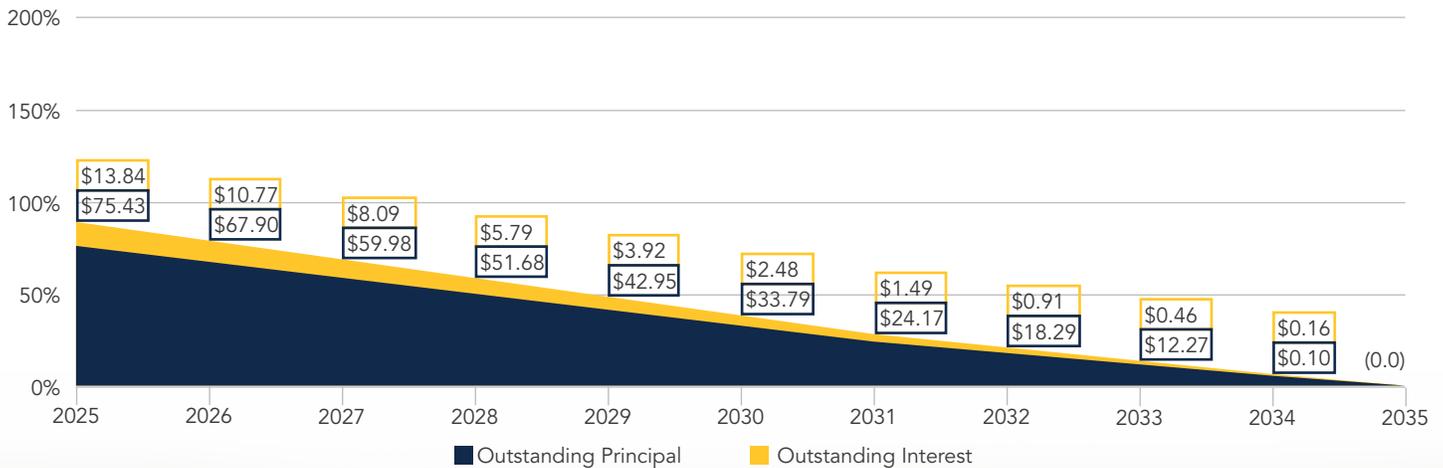
The Series 2014 Limited Tax Bonds and Series 2015 Limited Tax Bonds were issued to address the facility requirements of the District due to the enrollment increase over the years. Series 2020 Limited Tax Bonds refinanced part of the Limited Ad-valorem Tax Bonds previously issued in 2014. Series 2021 Limited Tax Bonds refinanced part of the Limited Ad-valorem Tax Bonds previously issued in 2015.

The district's bond ratings on the outstanding bonds are AA by Standard & Poor's Rating Services and Aa2 by Moody's Investor Services.

It's important to have a good credit rating as it can provide significant benefits:

- **Lower borrowing cost** - as the District can issue bonds at lower interest rates
- **Attracting More Investors** - High credit ratings indicate financial stability, making the institution's bonds more appealing and driving demand for better terms.
- **Increased Access to Funding** - Improve the District's ability to qualify for federal and state funding programs
- **Community and Stakeholder Trust** - Credit ratings reassure stakeholders such as state legislators, taxpayers, students, and parents that the District is effectively managing its finances

Outstanding Debt (in millions)



ACKNOWLEDGEMENTS

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to South Texas College for its Popular Annual Financial Report for the fiscal year ended August, 31, 2024. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. This is the fourth time the College has received the Popular Award. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

South Texas College

For its Annual Financial Report
For the Fiscal Year Ended

August 31, 2024

Christopher P. Merrill

Executive Director/CEO

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 Annual Comprehensive Financial Report (ACFR), which contains more detailed information on the District's finances.

The ACFR, PAFR, and other financial reports can be found on the District's website at

<https://finance.southtexascollege.edu/businessoffice/>.

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

Mary Del Paz	Vice President for Finance and Administrative Services
Myriam Lopez	Associate Vice President Finance and Management
Katarina Bugariu	Director Fiscal Services
Marittza Adame	Director Student Accounts and Bursar
Jose Salinas	Financial Information Systems Officer
Nicole Perez	Senior Budget Manager
Alma Church	Senior Accounting Group Manager
Dalinda Gamboa	Senior Accounting Group Manager
Maricarmen Ramirez	Senior Accounting Group Manager
Soledad Ortiz	Senior Accounting Group Manager
Vanessa Balderrama	Senior Accounting Group Manager
Cristina Gonzalez	Accounting Group Supervisor
Elida Rangel	Accounting Group Supervisor
Esmeralda Ortegón	Accounting Group Supervisor
Nereida Sanchez	Accounting Group Supervisor
Samantha Balboa	Accounting Group Supervisor
Yuri Garcia	Graphic Designer



**SOUTH TEXAS
COLLEGE**