

2023

**POPULAR
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED AUGUST 31, 2023



**SOUTH TEXAS
COLLEGE**

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LETTER FROM THE PRESIDENT



I am excited to introduce South Texas College District's Popular Annual Financial Report (PAFR) for the fiscal year ended August 31, 2023. The financial information within this report is derived in large part from the District's independently audited financial statements of our 2023 Annual Comprehensive Financial Report (ACFR), 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 fourth 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 take pride in presenting it. Thank you for taking the time to read this report.

**Respectfully,
Ricardo J. Solis, Ph.D.
President**

BOARD OF TRUSTEES



Chair

Rose Benavidez

President of Starr County Industrial Foundation



Member

Paul R. Rodriguez

CEO of Valley Land Title Co.



Vice Chair

Dr. Alejo Salinas, Jr.

Retired Superintendent, Superintendent Emeritus, Hidalgo ISD



Member

Dalinda Gonzalez-Alcantar

CEO, Boys & Girls Club of McAllen



Secretary

Victoria Cantú

CEO of Children's Education Station, LLC



Member

Rene Guajardo

Education Consultant

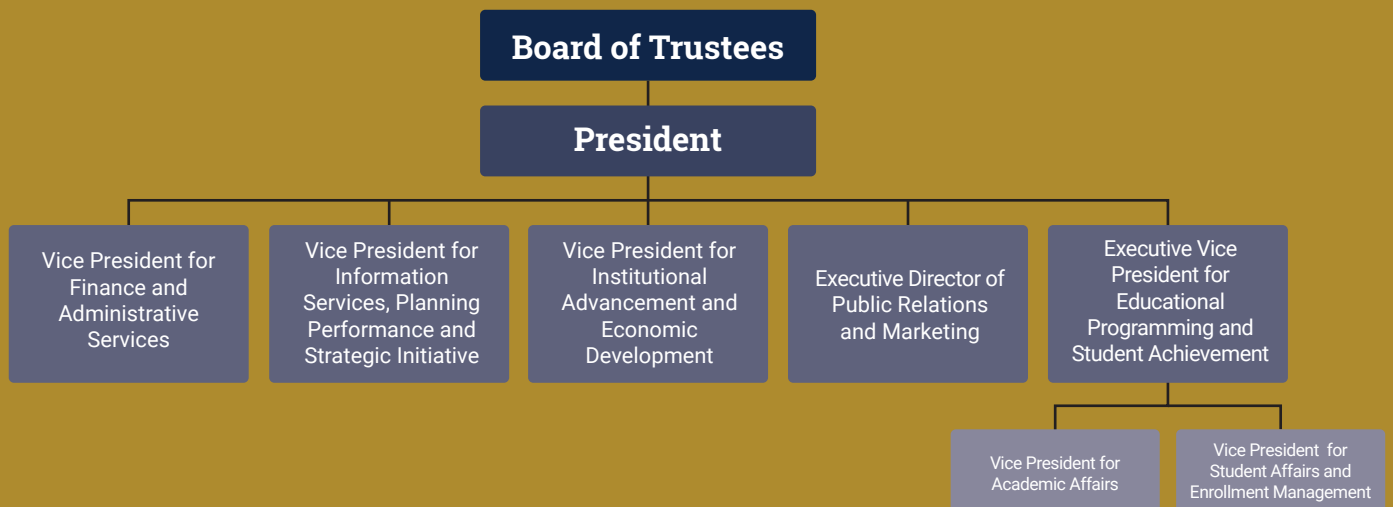


Member

Danny Guzman

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

ORGANIZATIONAL CHART



MISSION, VISION, AND 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.

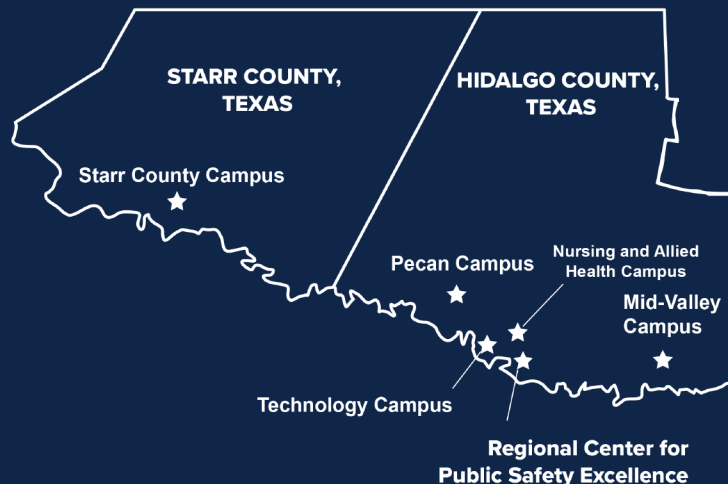
Opportunity: We are committed to providing access and support for students to achieve their academic and career goals.

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 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, 2022. This is the twentieth 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, 2024.

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

In 2023, the District was the recipient of a Military Friendly School Gold Award by VIQTORY for its seventh consecutive year.



FINANCIAL HIGHLIGHTS AND NET POSITION

What is **net position**? It refers to its overall financial situation or condition. It's essentially the difference between what the college owns (assets) and what it owes (liabilities). If the net position is positive, it means the college's assets exceed its liabilities, indicating a healthy financial position. Conversely, if the net position is negative, it means the college owes more than it owns, which could signal financial challenges.

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 - 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 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 NET POSITION (ALL FUNDS)

For Fiscal Year Ended August 31, 2023 (in millions)

Assets

Current Assets	\$	147.0
Non-current Assets		586.8
Total Assets	\$	733.8
Deferred Outflow of Resources	\$	53.5

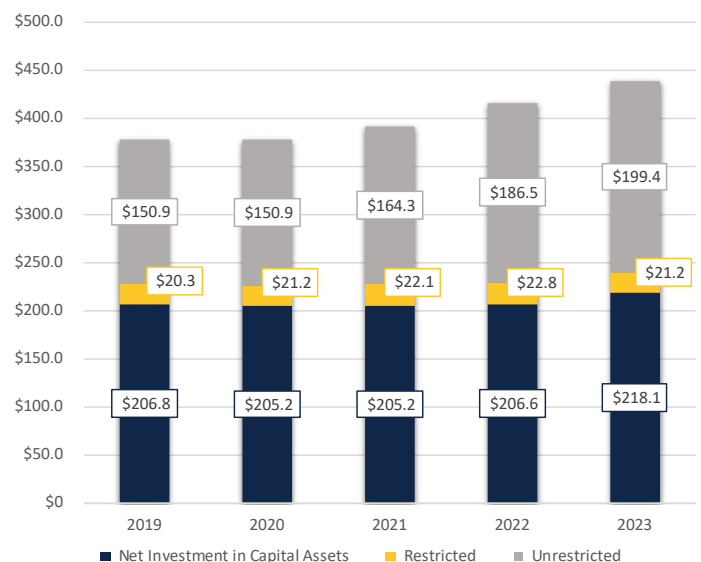
Liabilities

Current Liabilities	\$	38.4
Non-current Liabilities		229.7
Total Liabilities	\$	268.1
Deferred Inflow of Resources	\$	80.5

Net Position

Net Investment in Capital Assets	\$	218.1
Restricted		21.2
Unrestricted		199.4
Total Net Position - End of Year	\$	438.7

Statement of Net Position (in millions)



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.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (ALL FUNDS)

For Fiscal Year Ended August 31, 2023 (in millions)

Revenues

Operating Revenues

Net Tuition and Fee	\$	16.1
Grants and Contracts		19.9
Other Operating Revenue		1.1
Total Operating Revenues	\$	37.1

Non-Operating Revenues

Ad-valorem Property Taxes	\$	82.6
State Appropriations		47.4
Federal Grants		82.8
Investment Income		10.9
Other Non-Operating Revenues		0.3
Total Non-Operating Revenues	\$	224.0
Total Revenues	\$	261.1

Expenses

Operating Expenses

Instruction	\$	85.4
Public Service		0.4
Academic Support		23.5
Student Services		13.4
Institutional Support		34.5
Operation and Maintenance of Plant		23.9
Scholarships Expense		35.8
Auxiliary Enterprises		2.5
Depreciation Expenses		12.8
Total Operating Expenses	\$	232.2

Non-Operating Expenses

Non-Capital Construction Costs	\$	1.5
Interest on Capital Related Debt		3.0
Other Non-Operating Expenses		1.7
Total Non-Operating Expenses	\$	6.2

Total Expenses	\$	238.4
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Capital Contribution	\$	-
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Increase/ (Decrease) in Net Position	\$	22.7
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Net Position at Beginning of Year		416.0
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Net Position at End of Year	\$	438.7
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* In fiscal year 2022, there was a significant increase in federal revenue, primarily attributed to the Higher Education Emergency Relief Fund (HEERF) funding received by the District. This additional funding was used to support students with emergency aid and alleviate institutional costs associated with the pandemic."

Revenue Sources



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, 2023 was \$438.7 million compared to \$416.0 million at August 31, 2022, an increase of \$22.7 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 \$43.3 million resulting from excess revenues over expenses. Of the \$43.3 million increase in net position, the unrestricted net position increased by \$41.2 million, net investment in capital assets increased by \$1.4 million, and expendable net position increased by \$0.7 million.

Net Position Excluding Impact of GASB 68 (Pension) and GASB 75 (OPEB). Note that 2021 and 2022 were restated due to the implementation of GASB 87 (Leases) and GASB 96 (SBITA).

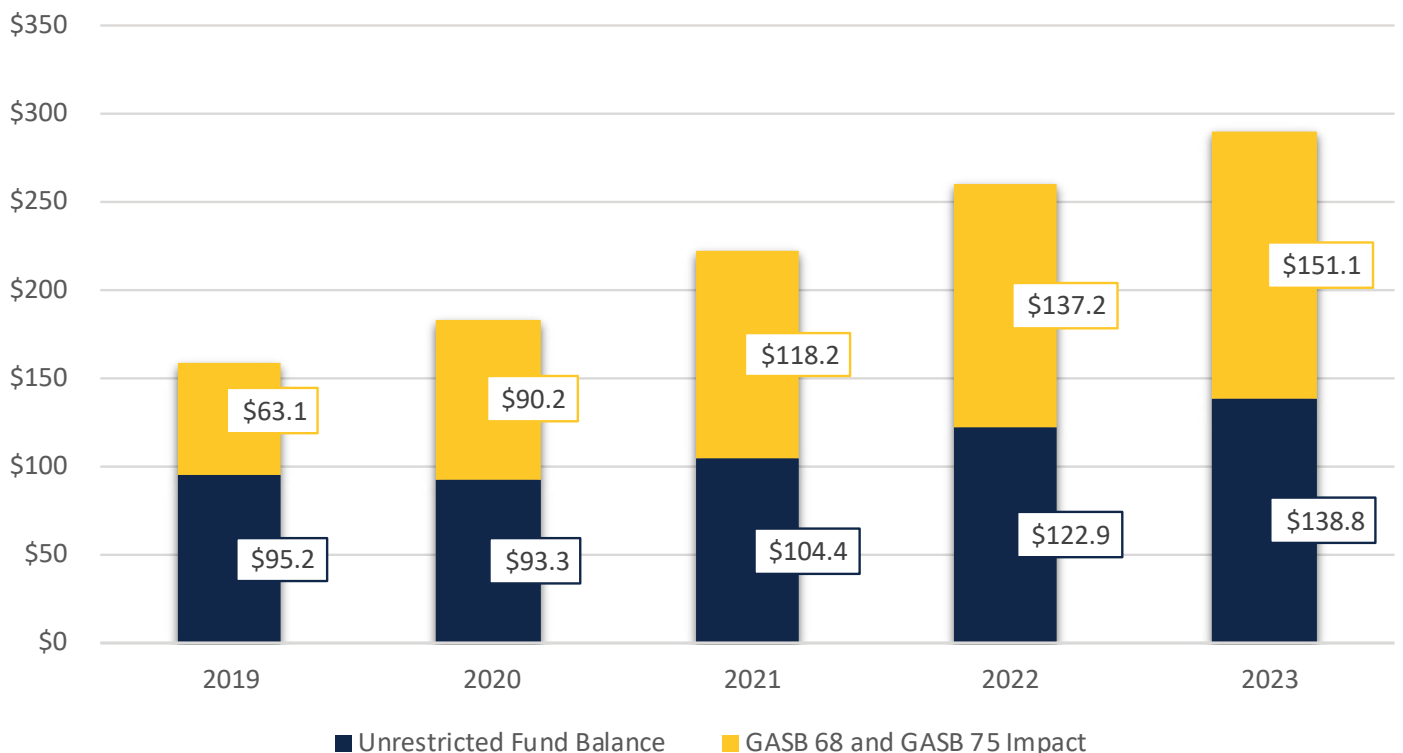
For Fiscal Year Ended August 31 (in millions)

	2021	2022	2023
Operating Revenues	\$ 41.6	\$ 36.7	\$ 37.1
Operating Expenses	201.3	252.3	220.4
Operating Loss	(159.7)	(215.6)	(183.3)
Non-Operating Revenues and Expenses	201.9	259.0	219.9
Income Before Contributions	42.2	43.4	36.6
Capital Contributions	0.1	-	-
Increase in Net Position	42.3	43.4	36.6
Net Position - Beginning of Year	467.5	509.8	553.2
Net Position - End of Year	\$ 509.8	\$ 553.2	\$ 589.8

The District's net effect of GASB 68 and GASB 75 for fiscal years 2021, 2022 and 2023 have been \$28.0 million, \$19.0 million and 13.9 million of net expense. The graph presents the impact that GASB 68 and GASB 75 have had on the cumulative unrestricted fund balance for the past five years.

GASB 68 and GASB 75 Impact on Unrestricted Fund Balance

For Fiscal Year Ended August 31 (in millions)



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 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:

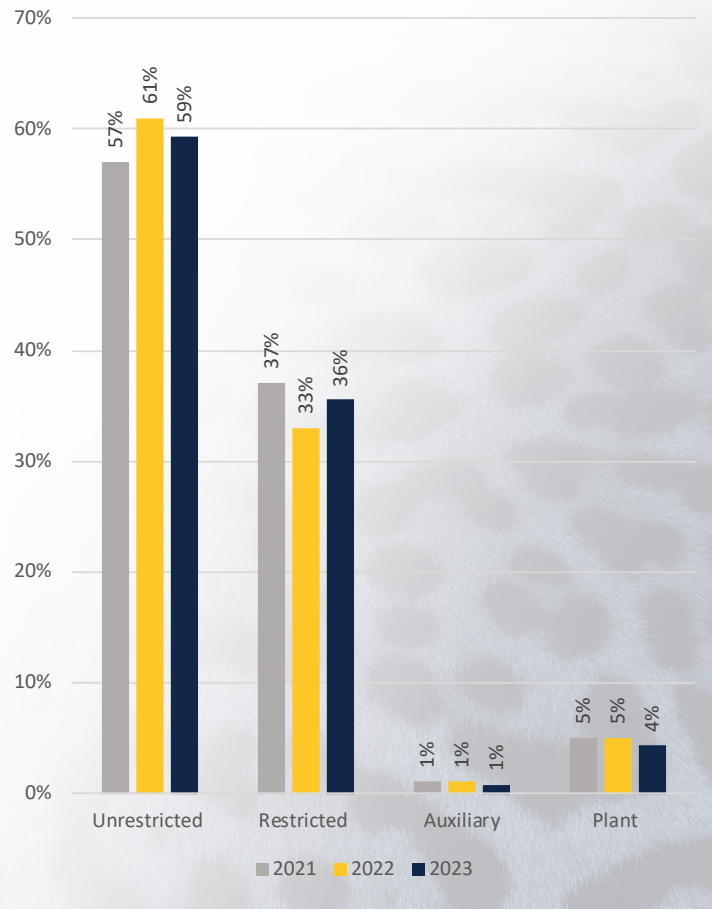
Unexpended – Construction Fund - accounts for resources to be used for plant construction or acquisition.

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



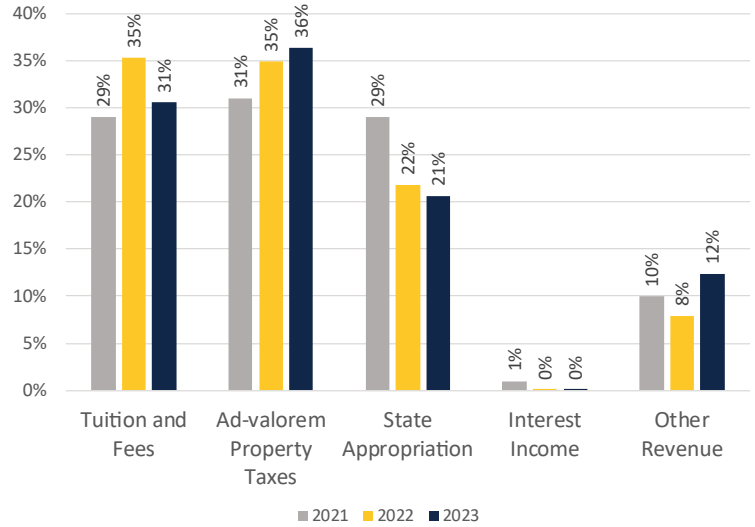
UNRESTRICTED FUND ACTIVITY

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



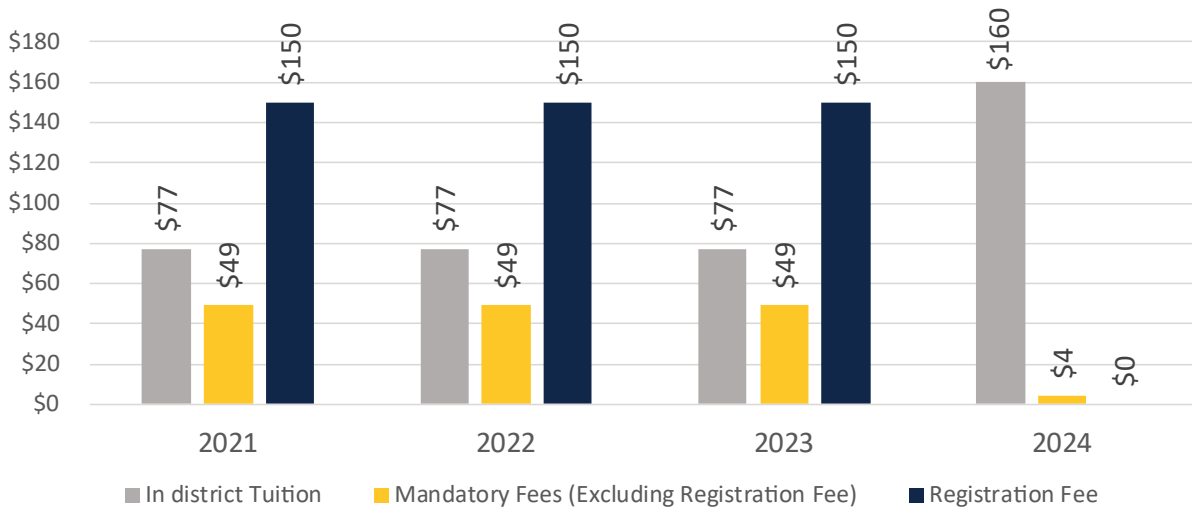
TUITION AND FEES

Student tuition and fees are the primary operating source of revenues for the District, and makes up about 31% 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 adopted a Simplified Tuition Rate (flat tuition rate per semester credit hour with fewer fees). 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. The following fees were discontinued due to the adoption of the Simplified Tuition Rate:

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

Per Credit Hour Rate

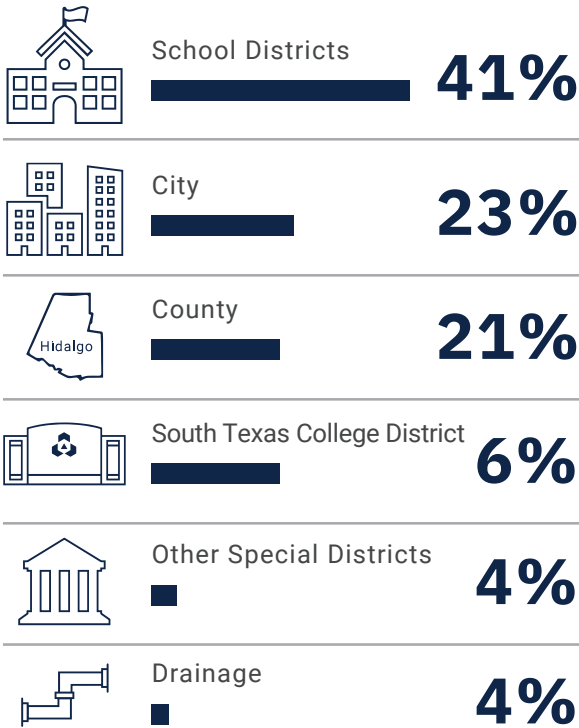


AD-VALOREM PROPERTY TAXES

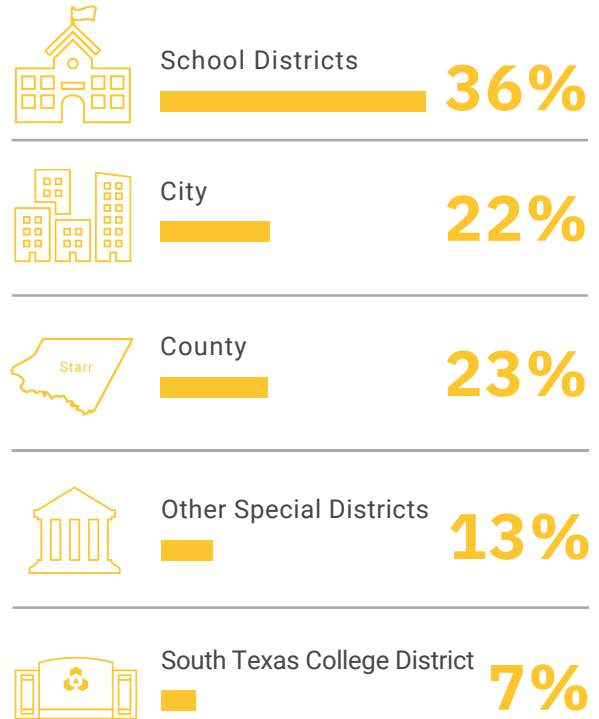
Ad-valorem property taxes continue to be among the District’s primary non-operating revenue sources, and accounted for 36% of the District’s total unrestricted funding sources for fiscal year 2023. The taxes are used to pay for operating costs and general obligation debt services. For fiscal year 2023 the District’s ad-valorem property tax rate for a typical homeowner was \$0.1715 per \$100 of the property’s assessed value—making up about 6-7 percent of the homeowner’s total property tax bill.

PROPERTY TAX RATES FOR A TYPICAL HOMEOWNER IN THE SOUTH TEXAS COLLEGE DISTRICT

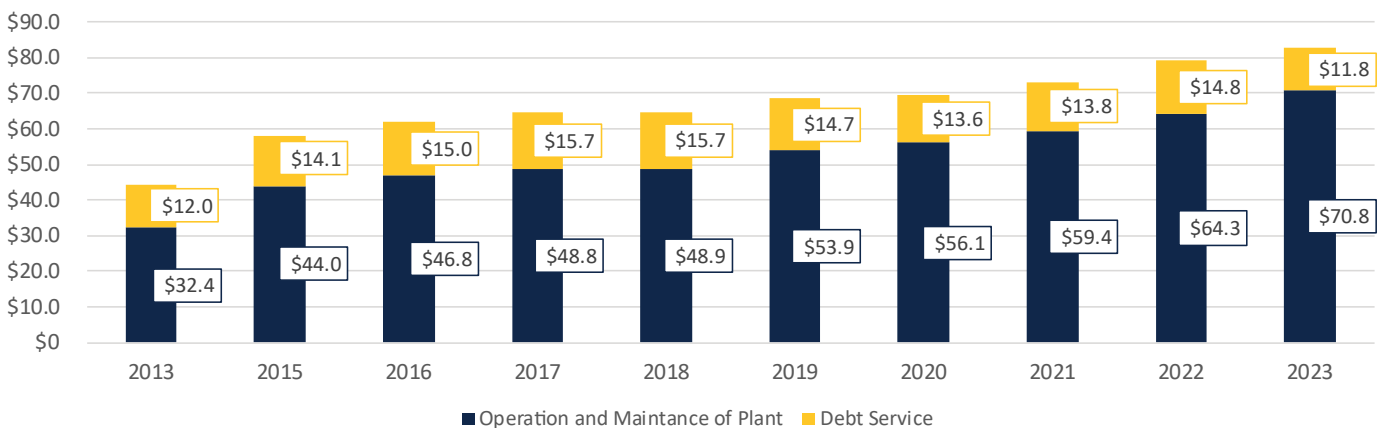
Hidalgo County



Starr County



Property Tax Revenue Type (in millions)



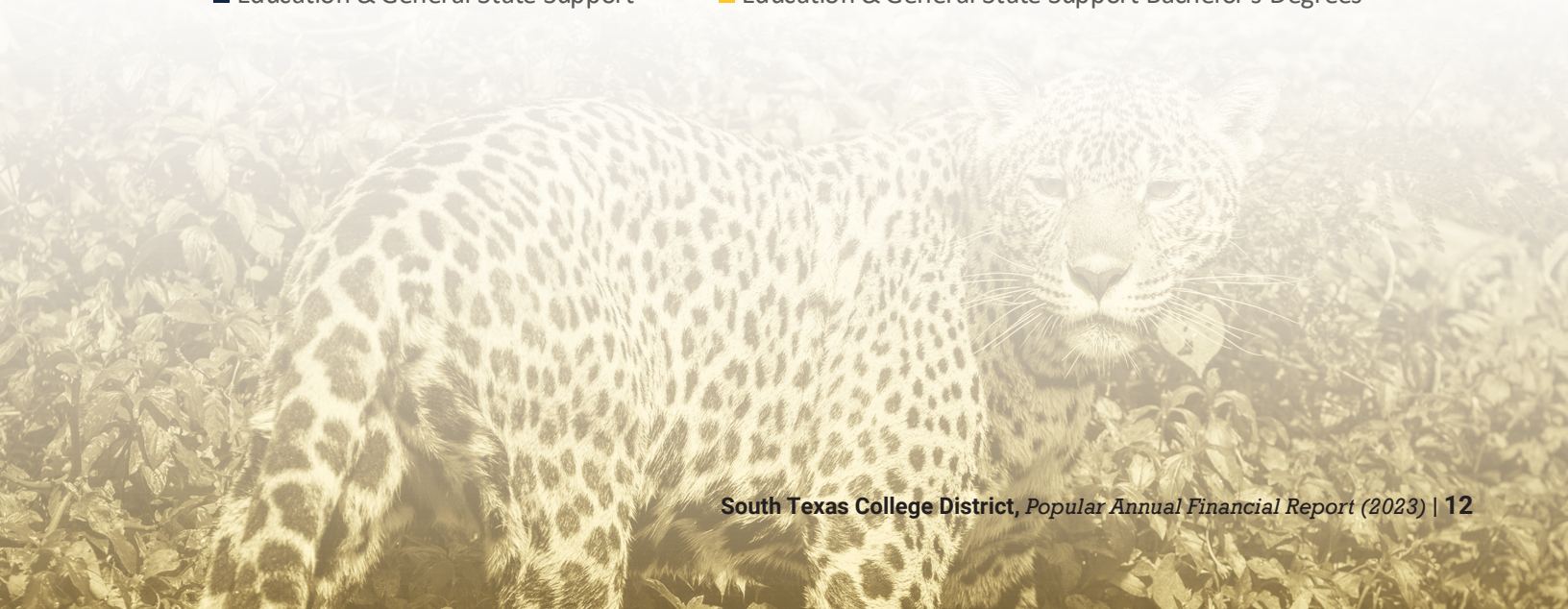
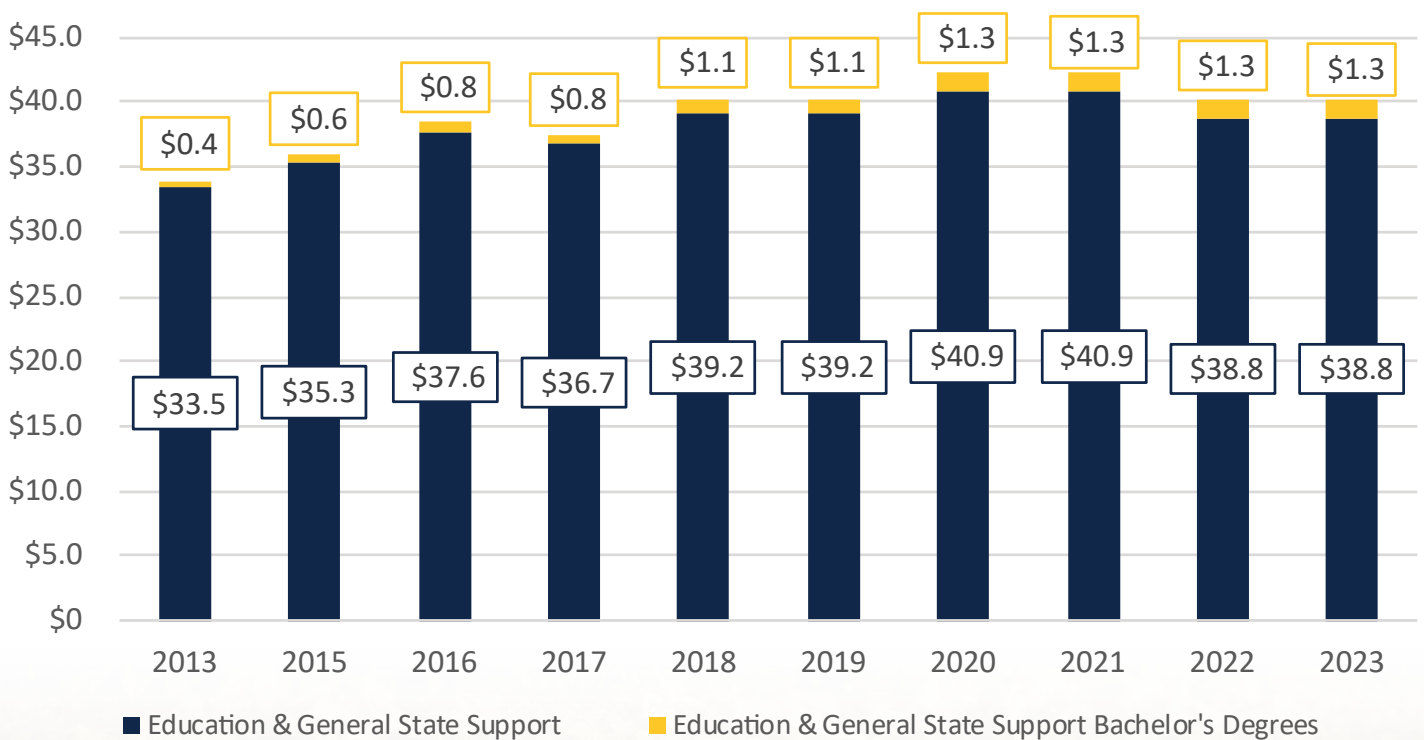
STATE APPROPRIATIONS

State appropriations account for 21% 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 and 2021 in education and general state support as a result of increased state appropriation for student success points and contact hours.

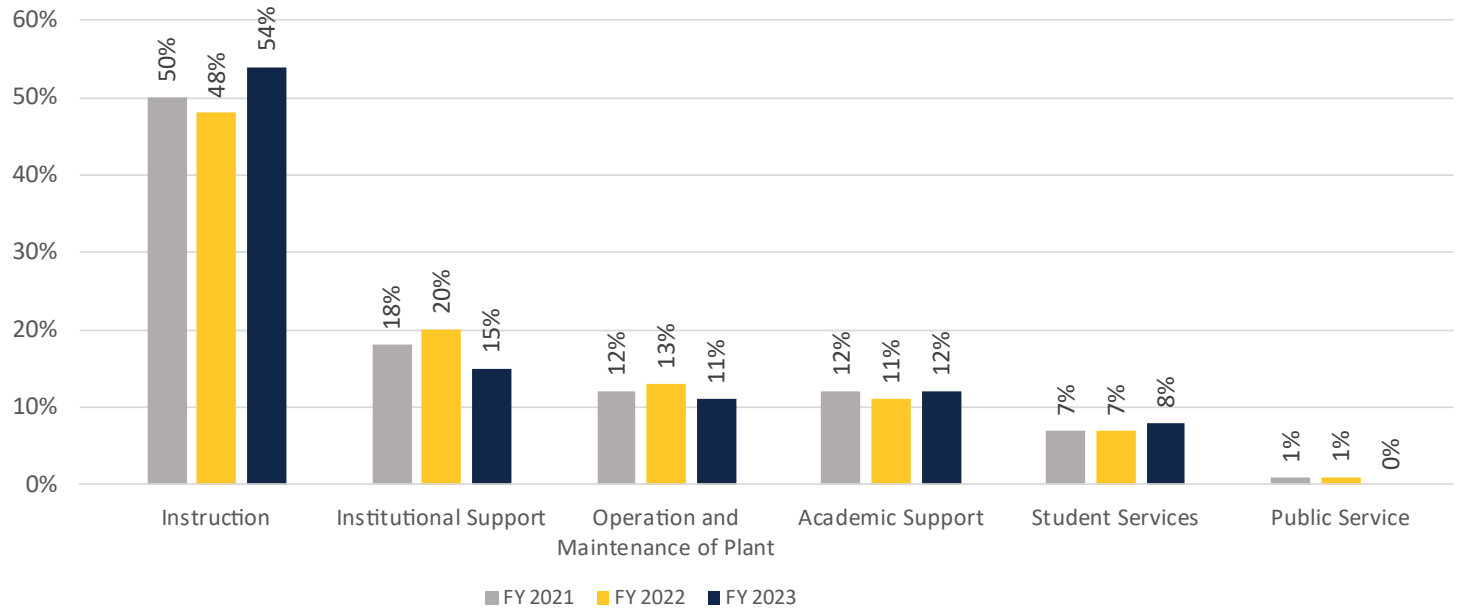
Below is a ten-year history of the District’s state appropriations revenues:

State Appropriations (in millions)



HOW IS THE DISTRICT SPENDING THE MONEY?

Total fiscal year 2023 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.

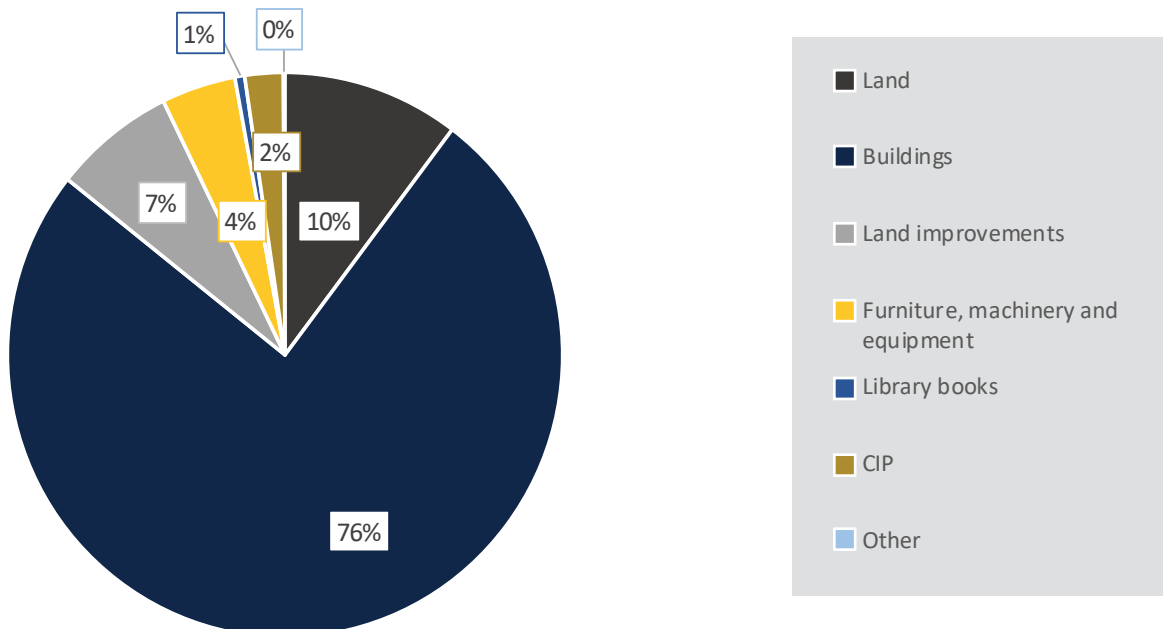
Net capital assets increased in fiscal year 2023, primarily due to an increase in construction in progress and buildings, which was partially offset by an increase in accumulated depreciation. The increase in depreciation was related to facilities, land improvement, and furniture and equipment added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

Net Capital Assets (in millions)

Description	August 31, 2022	Additions	Retirements and Transfers	August 31, 2023
Land	\$ 32.5	\$ 1.0	\$ -	\$ 33.5
Collections	0.1	-	-	0.1
Construction in Progress	1.2	8.4	(2.4)	7.2
Buildings	314.5	4.2	(0.1)	318.5
Land Improvements	47.0	0.1	-	47.1
Library Books	7.0	0.3	(1.0)	6.3
Furniture, Machinery, and Equipment	52.5	3.4	(1.1)	54.8
Leased Assets	0.5	0.1	(0.0)	0.6
Less				
Accumulated Depreciation	(132.5)	(11.8)	1.9	(142.4)
Total Net Capital Assets	\$ 322.8	\$ 5.7	\$ (2.7)	\$ 325.8

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

Net Capital Assets August 31, 2023



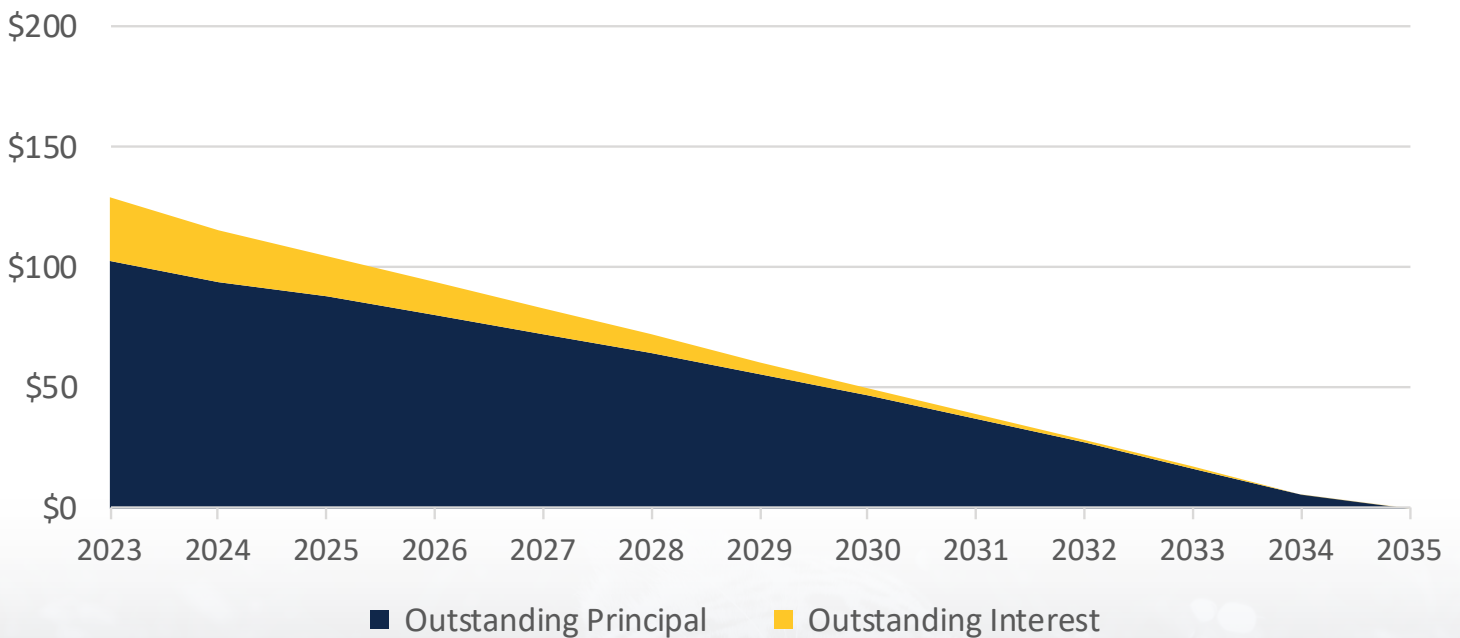
DEBT STATUS

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.

College Outstanding Debt (in millions)



ACKNOWLEDGMENTS



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, 2022

Christopher P. Morill

Executive Director/CEO

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, 2022. 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 third 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.

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 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

Maricarmen Ramirez, Accounting Group Manager

Marittza Adame, Accounting Group Manager

Vanessa Balderrama, Accounting Group Manager

Cristina Gonzalez, Accounting Group Supervisor

Esmeralda Ortegón, Accounting Group Supervisor

Samantha Balboa, Accounting Group Supervisor

Soledad Ortiz, Accounting Group Supervisor

Tania Oliva, Graphic Designer



SOUTH TEXAS
COLLEGE

2023 **POPULAR
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