



SOUTH TEXAS COLLEGE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL
YEARS
ENDED**

**AUGUST 31,
2018 AND 2017**

SERVING HIDALGO AND STARR COUNTY, TEXAS



SOUTH TEXAS COLLEGE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED AUGUST 31, 2018 AND 2017

Prepared by the Business Office



HIDALGO COUNTY AND STARR COUNTY, TX

3201 W. Pecan, McAllen TX 78501 • (956) 872-8311 • www.southtexascollege.edu

INTRODUCTORY SECTION

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2018 and 2017**

Table of Contents

Introductory Section	<u>Page No.</u>
Table of Contents -----	i-iv
Transmittal Letter -----	1-11
Board of Trustees -----	12-14
Administrative Officials -----	15
Organizational Chart -----	16
GFOA Certificate of Achievement -----	17-18
 Financial Section	
Independent Auditors' Report -----	19-22
Management's Discussion and Analysis -----	23-40
 Basic Financial Statements:	
<i>Exhibit 1</i>	
Statements of Net Position -----	41-42
<i>Exhibit 2</i>	
Statements of Revenues, Expenses, and Changes in Net Position -----	43
<i>Exhibit 3</i>	
Statements of Cash Flows -----	44-46
Notes to the Basic Financial Statements -----	47-95
 Required Supplementary Information:	
Schedule of District's Proportionate Share of Net Pension Liability -----	96-97
Schedule of District's Contributions for Pensions -----	98-99
Notes to Required Supplementary Information -----	100

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2018 and 2017**

Table of Contents (*Continued*)

	<u>Page No.</u>
Schedule of District's Proportionate Share of Net OPEB Liability Employee Retirement System of Texas State Retiree Health Plan -----	101
Schedule of District's Contributions for OPEB Employee Retirement System of Texas State Retiree Health Plan -----	102
Notes to Required Supplementary Information for OPEB -----	103-104
 Supplementary Information:	
<i>Schedule A</i>	
Schedule of Operating Revenues -----	105
<i>Schedule B</i>	
Schedule of Operating Expenses by Object -----	106
<i>Schedule C</i>	
Schedule of Non-Operating Revenues and Expenses -----	107
<i>Schedule D</i>	
Schedule of Net Position by Source and Availability -----	108-109
<i>Schedule E</i>	
Schedule of Expenditures of Federal Awards -----	110-111
<i>Schedule F</i>	
Schedule of Expenditures of State Awards -----	112
 Statistical Section (Unaudited)	
Statistical Information -----	113-115
<i>Statistical Supplement 1</i>	
Net Position by Component (Unaudited) -----	116-117
<i>Statistical Supplement 2</i>	
Revenues by Source (Unaudited) -----	118-121
<i>Statistical Supplement 3</i>	
Program Expenses by Function (Unaudited) -----	122-125

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2018 and 2017**

Table of Contents (*Continued*)

	<u>Page No.</u>
<i>Statistical Supplement 4</i>	
Tuition and Fees (Unaudited) -----	126-127
<i>Statistical Supplement 5</i>	
Assessed Value and Taxable Assessed Value of Property (Unaudited) -----	128-130
<i>Statistical Supplement 6</i>	
State Appropriation Per FTSE and Contact Hour (Unaudited) -----	131
<i>Statistical Supplement 7</i>	
Principal Taxpayers (Unaudited) -----	132-135
<i>Statistical Supplement 8</i>	
Property Tax Levies and Collections (Unaudited) -----	136-137
<i>Statistical Supplement 9</i>	
Ratios of Outstanding Debt (Unaudited) -----	138-139
<i>Statistical Supplement 10</i>	
Legal Debt Margin Information (Unaudited) -----	140
<i>Statistical Supplement 11</i>	
Pledged Revenue Coverage (Unaudited) -----	141
<i>Statistical Supplement 12</i>	
Demographic and Economic Statistics – Taxing District (Unaudited) -----	142-143
<i>Statistical Supplement 13</i>	
Principal Employers (Unaudited) -----	144
<i>Statistical Supplement 14</i>	
Faculty, Staff, and Administrators Statistics (Unaudited) -----	145
<i>Statistical Supplement 15</i>	
Enrollment Details (Unaudited) -----	146-147
<i>Statistical Supplement 16</i>	
Student Profile (Unaudited) -----	148-149
<i>Statistical Supplement 17</i>	
Transfers to Senior Institutions (Unaudited) -----	150

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2018 and 2017**

Table of Contents (*Continued*)

	<u>Page No.</u>
<i>Statistical Supplement 18</i>	
Capital Asset Information (Unaudited) -----	151
<i>Statistical Supplement 19</i>	
Changes in Net Position (Unaudited) -----	152-156
<i>Statistical Supplement 20</i>	
Ad Valorem Tax Rates Authorized (Unaudited) -----	157
<i>Statistical Supplement 21</i>	
Property Tax Rates – All Direct and Overlapping Governments (Unaudited) -----	158-161
<i>Statistical Supplement 22</i>	
Computation of Direct and Overlapping Debt (Unaudited) -----	162-164

Special Reports Section

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> -----	165-166
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance -----	167-168
Independent Auditors’ Report on Compliance with Requirements Applicable to Each State Major Program and on Internal Control Over Compliance in Accordance with the State of Texas Single Audit Circular -----	169-171
Schedule of Findings and Questioned Costs -----	172-175
Corrective Action Plan -----	176

South Texas College District

3201 West Pecan Blvd.
P.O. Box 9701
McAllen, Texas 78502
(956) 872-4646

December 13, 2018

To: President Shirley A. Reed, MBA, Ed. D.
Members of the Board of Trustees and
Citizens of the South Texas College District:

The Comprehensive Annual Financial Report (CAFR) of South Texas College District (“the District”), for the fiscal years ended August 31, 2018 and 2017, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities, in relation to its mission, have been included.

Management of the District is responsible for establishing and maintaining an internal control structure designed to protect the assets of the District, prevent loss from theft or misuse, and provide adequate accounting data to allow for the preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of internal control should not exceed the benefits presumed to be derived, and (2) the benefits includes decreasing the risk associated with failing to accomplish the District’s objectives.

This letter of transmittal complements and should be read in conjunction with Management’s Discussion and Analysis which immediately follows the independent auditors’ report and which provides a narrative introduction, overview, and analysis of the basic financial statements. The Notes to the Financial Statements, also in the financial section, are considered integral to the basic financial statements and should be read in conjunction with them.

Comprehensive Annual Financial Report

The South Texas College District Comprehensive Annual Financial Report for the fiscal years ended August 31, 2018 and 2017, was prepared by the Business Office. The financial statements are prepared in accordance with GAAP as established by the Governmental Accounting Standards Boards (GASB), and comply with the Annual Financial Reporting Requirements for Texas Public Community Colleges as set for by the Texas Higher Education Coordinating Board (THECB). The financial records of the District are maintained on the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when incurred.

State statute requires an annual audit by independent certified public accountants. The purpose of an independent audit is to provide reasonable assurance, based on an independent review and testing, that the basic financial statements and accompanying notes are fairly stated in all material respects.

The District's Board of Trustees selected the accounting firm of Carr, Riggs & Ingram, LLP. In addition to meeting the requirements set forth in State statutes, their audit also was designed to meet the requirements of the Federal Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform and Administrative Requirements, Cost Principles and audit Requirements of Federal Awards*, and the State of Texas *Single Audit Circular*. The Independent Auditors Report includes an unmodified opinion on the District's financial statements for the years ended August 31, 2018 and 2017. The independent auditors' report is included in the financial section of this report on page 17.

The District is a special purpose government engaged solely in business type activity (BTA). Adhering to Governmental Accounting Standards Board (GASB) Statements 34 and 35, this presentation of financial reporting combines all fund groups into a single column and resembles the format of corporate financial statements. It also serves to make the financial statements more comparable across organizations.

Profile of the District

The District was created on September 1, 1993, by Texas Senate Bill 251, now codified as Section 130.0311, as amended, Texas Education Code, to serve Hidalgo and Starr Counties. It is the only community college in Texas to have been established prior to a taxing district being approved by local voters. A confirmation election, held on August 12, 1995, established a taxing district. A seven-member Board of Trustees is the governing body of the District. The Trustees are elected locally to six-year staggered terms by Hidalgo and Starr County voters. Policy making functions are the responsibility of, and are vested in, the Board. The Board of Trustees delegates administrative responsibilities to the President, who is the Chief Executive Officer of the District.

The District is a political subdivision of the State of Texas located in Hidalgo and Starr Counties, which offers academic, general occupational, developmental, and continuing adult education programs through a network of locations in 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 offers certificates and institutional awards, and is also approved for veteran's educational training in Certificate and Associate of Applied Science degree programs by the Texas Education Agency. The District offers 121 degree and certificate options.

The District also offers bachelor, associates and certificate programs completely online.

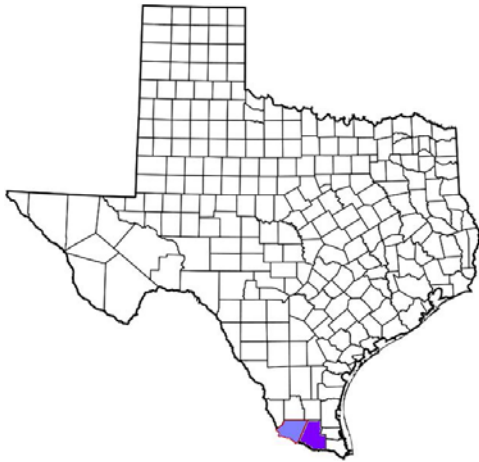
South Texas College is one of the community colleges in Texas that has authorization to offer bachelor degrees.

- Bachelor of Applied Technology (BAT) degree in Technology Management
- BAT degree in Computer & Information Technologies
- BAT degree in Medical & Health Services Management
- Bachelor of Applied Science in Organizational Leadership (BAS-OL)

The District has five campuses located throughout Hidalgo and Starr Counties, and an online virtual campus. The five campuses are as follows:

- Pecan Campus
- Technology Campus
- Dr. Ramiro R. Casso Nursing and Allied Health Campus
- Starr County Campus
- Mid-Valley Campus

In addition, the District has Continuing Education Workforce Training Centers at the Pecan Plaza, Technology Campus, Mid-Valley Campus, and Starr County Campus as well as Higher Education Centers in La Joya and Pharr.



The District is located in the Rio Grande Valley of Texas, near the southernmost part of Texas along the U.S.-Mexico border. This region is composed of four counties including Hidalgo, Cameron, Starr, and Willacy.

The Vision, Purpose, Core Values, and Guiding Principles are as follows:

Vision

South Texas College is a world-class institution advancing regional prosperity through education for a better quality of life in our community.

Purpose

South Texas College is an innovative, public, post-secondary institution providing quality education and career pathways for the people and communities of Hidalgo and Starr counties. The College achieves student success, nurtures talent development, and promotes economic vitality through collaborative and creative approaches to teaching, learning, and support services.

Core Values

1. Student Success: We promote student success and completion through the implementation of diverse strategies and initiatives.
2. Opportunity: We value providing access and opportunities to students to meet the needs of our communities.
3. Excellence: We value excellence in teaching, learning, and all support services.
4. Innovation: We encourage creativity and champion innovative approaches to teaching, learning, and services.
5. Community: We value engaging the community in students' learning experiences and in the positive transformation of our region.

6. Professionalism: We demonstrate professionalism through collegiality, respect, and recognition for each other.
7. Collaboration: We value collaboration and communication among South Texas College employees and South Texas College constituents.
8. Integrity: We value integrity through honest and transparent communication and courageous dialogue.

Guiding Principles

1. South Texas College shares collective responsibility for student learning, student success, and regional prosperity.
2. Students succeed through mutual engagement with the College at each stage of their educational pathways.
3. South Texas College champions innovation through its willingness to transform the College's systems to meet the educational and workforce needs and challenges of our region.
4. Collaboration with educational and business partners is key to student, college, and community successes.

The District has experienced growth since its inception in the Fall of 1993. The following tables illustrate the District's enrollment data over the last five fiscal years.

Annual Enrollment – Academic and Vocational					
	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Total credit hours	641,823	637,181	642,651	593,199	585,280
Total contact hours	12,966,960	12,907,280	13,137,424	12,118,584	12,073,392
Unduplicated full-time student equivalent	21,394	21,239	21,422	19,773	19,509
Unduplicated headcount	43,251	44,768	45,665	42,079	40,458

Annual Enrollment – Continuing Education					
	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Total contact hours	204,448	211,493	583,149	733,868	719,796
Unduplicated full-time student equivalent	1,704	1,762	4,860	6,115	5,998
Unduplicated headcount	3,681	3,310	8,673	10,200	8,476

The District has over 150 articulation agreements, including 2+2 articulation agreements, memorandums of understanding, and collaborative agreements with universities and institutions of higher education across the State of Texas, and the United States as well as with international institutions. Currently, agreements are in-place with over 30 institutions to benefit students from the District as they transfer and continue to pursue their educational goals. The District continues to form articulation agreements with other community colleges and institutions of higher education.

The District has developed intensive academic programs for high school students interested in pursuing degrees in the medical, engineering, computer, or criminal justice science fields. These programs are the Dual Enrollment Medical Science Academy, the Dual Enrollment Engineering Academy, the Dual Enrollment Computer Science Academy, the Dual Enrollment Criminal Justice Academy, and the School to Career Academy in Dual Enrollment. Each academy consists of concentrated two-year

programs of study and internship opportunities for qualified students to pursue an associate of science degree during their junior and senior years of high school. The District has the largest dual credit program in the State of Texas, serving Hidalgo and Starr counties, which includes 23 school districts at over 78 high school sites. Approximately 14,000 students were enrolled in dual credit college-level courses during the 2018 spring semester.

The Continuing, Professional and Workforce Education (CPWE) program provides opportunities for lifelong learners to upgrade their skills, change careers, or seek personal enrichment. The CPWE Division has programs on a variety of topics.

Economic Condition and Outlook

Located near the Texas-Mexico border, the District serves Hidalgo and Starr Counties. Hidalgo County was founded in 1852 from portions of Cameron and Starr Counties and named for *Don Miguel Hidalgo y Costilla*. It covers approximately 1,583 square miles with an estimated population of 955,781 for 2018 of which 90% of the total population is Hispanic and its largest city is McAllen. Starr County was founded in 1848 out of Nueces County and named for James Harper Starr. It covers approximately 1,229 square miles with an estimated population of 69,120 for 2018 and its largest city is Rio Grande City. Both counties are located in the Rio Grande Valley of South Texas and border the Republic of Mexico, served by nine international bridges.

Unemployment rates and per capita income for Hidalgo and Starr Counties are as follows:

- The unemployment rate for Hidalgo County decreased from 8.0% in 2017 to 6.6% in 2018.
- The unemployment rate for Starr County decreased from 11.1% in 2017 to 9.1% in 2018.
- Per capita income in Hidalgo County increased from \$24,579 in 2017 to \$24,805 in 2018.
- Per capita income in Starr County decreased from \$24,540 in 2017 to \$24,140 in 2018.

McAllen's unemployment rate as of August 2018 is the lowest of any city in the Rio Grande Valley. The Rio Grande Valley continues to grow and create jobs (source: themonitor.com).

Additional data related to some of the major cities in the District and surrounding communities include the following:

- The McAllen housing indicators continued to improve through 2018. Dollar Volume of Home Sales for August 2018 of \$319,350,641 compared to August 2017 sales were \$310,432,579. The sales total through August remains at a record level though the margin of year-over-year growth is narrowing (source: McAllen Chamber of Commerce, [www.mcallen.org/ Business-Community/Economic-Pulse](http://www.mcallen.org/Business-Community/Economic-Pulse)).
- According to US News.com, McAllen is the No. 1 Best Place to Live for Quality of Life, due to its short average commute for residents, overall and #2 in satisfaction as measured in the Gallup-Sharecare Well-Being Index (source: www.msn.com).

The McAllen Metropolitan Statistical Area is outpacing the rest of the nation in population and job growth because of the very young and trainable labor force, as well as the abundance of extraordinary business opportunities created by the city's growth. The area is enriched by the contributions of many

cultures and offers a range of outdoor creations, museums, theater, and musical performances (source: McAllen Economic Development Corporation).

Today the Rio Grande Valley is being transformed into a major international trade area by developing first-rate commercial, retail, office, industrial, medical, retirement, and educational facilities. The promotion of international and retail trade, tourism, and manufacturing are among the most successful along the U.S.-Mexico border (source: McAllen Chamber of Commerce).

Reynosa, Tamaulipas, Mexico, McAllen's twin city and a principal city along the U.S.-Mexico border, is a dynamic and business-oriented city with a current border population of approximately 649,800. These two interdependent communities are joined by three international bridges that allow economic and cultural exchanges on a daily basis. Reynosa has a diverse economic base, which includes oil and natural gas resources, livestock, agriculture, tourist trade, and industry (source: population.city/mexico/reynosa).

For more than 40 years, retirees from the northern parts of the United States and Canada have traveled to the Rio Grande Valley to spend their winters in the temperate climate of South Texas. The combination of warm winter weather, numerous outdoor activities, numerous RV and mobile home parks, friendly people, and a low cost-of-living are powerful incentives in attracting wintering visitors. Studies indicate that the retired winter visitors to the Valley, dubbed “Winter Texans,” typically stay anywhere from 3 weeks to 6 months and have had a direct impact on the regional economy (source: University of Texas Rio Grande Valley).

The District plays a vital role in providing educational opportunities for its citizens and preparing a strong workforce in the region. The District has earned a popular reputation among the residents of the two counties due to the enthusiastic support of the private, business, corporate, and industrial communities of Hidalgo and Starr Counties, the rapid expansion of its technical/vocational and academic programs, and its strong commitment to meeting the area’s need for a trained and skilled workforce. The District’s students are graduating in record numbers, transferring to four-year colleges and universities, or finding employment.

The District’s financial outlook for the future continues to be positive. In 24 years, South Texas College District has grown from a student headcount of over 1,000 in Fall 1993 to over 31,000 in Spring 2018. The District’s unrestricted fund budget increased from \$2,325,212 in 1993 to \$161,722,941 in 2018.

Long-Term Financial Planning

The District has a five-year Comprehensive Plan which identifies major initiatives to be undertaken. The objectives and initiatives identified in the Comprehensive Plan form the basis for budget allocations.

Other than federal grants used for scholarships, the District three main sources of revenue:

- Net Tuition and Fees – decreased by \$1,471,838 due to an increase in scholarship discounted tuition awards.

- State Appropriations – increased by \$2,624,819 mainly due to an increase in state benefit funding.
- Ad Valorem Taxes – the Taxable Assessed Value increased by \$1,693,930,479 or 4.85% from \$34,902,217,340 for Levy 2016 to \$36,596,147,819 for Levy 2017.

The District has levied taxes since fiscal year 1997. The following table illustrates the District's property tax levy rates and tax collections over the last ten years.

Tax Levy Rates				
(Per \$100 of assessed valuation)				
Fiscal Year	Current Operations	Debt Service	Taxable Assessed Value (TAV)	Total Tax Collections
2009	\$ 0.11000	\$ 0.03980	\$ 28,933,493,707	\$ 43,734,507
2010	0.11000	0.03910	30,304,183,226	44,615,970
2011	0.11000	0.03970	30,089,658,977	44,329,200
2012	0.11000	0.04070	29,518,175,339	44,157,110
2013	0.11000	0.04070	29,645,534,071	44,193,705
2014	0.11000	0.04000	30,246,199,691	45,108,905
2015	0.14000	0.04500	30,965,159,425	56,344,301
2016	0.14000	0.04500	33,304,492,691	59,726,169
2017	0.14000	0.04500	34,902,217,340	62,418,265
2018	0.14000	0.04500	36,596,147,819	66,710,260

The Texas Higher Education Coordinating Board gathers financial documents for Texas Public Institutions of Higher Education, including community colleges. The Texas Higher Education Coordinating Board's annual report on the financial condition of the state's community colleges is required as referenced in the General Appropriates Act, Senate Bill 1 (S.B. 1), 83rd Texas Legislature, Section 13 (page 111-198). The objective of this report is to provide an assessment of the overall financial health of public community colleges and to identify institutions with the potential for financial stress.

Each community/junior college in Texas must file by December 1 of each fiscal year directly with the Governor, Legislative Budget Board, the Legislative Reference Library, and the Texas Higher Education Coordinating Board, a copy of an annual operating budget, and subsequent amendments thereto, approved by the community/junior college governing board. The budget must include departmental operating budgets by function.

The budget is developed in collaboration with personnel from all divisions of the District. Available resources are allocated based on division's requirements and as approved by the Board of Trustees. The budget process ensures that demands are integrated with the District's mission statement. Monthly budget reports reflecting budgeted and actual revenue and expenses are prepared and provided to management and the Board of Trustees to assist in decision-making and to monitor compliance and performance.

The District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Trustees.

Relevant Financial Policies

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act amendments of 1996 and related Uniform Guidance, U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*.

Board Policy #5350, Unrestricted Fund Balance requires the District to maintain an unrestricted fund balance sufficient to cover no less than four months of budgeted expenditures, unless the Board of Trustees approves the use, transfer, or designation of fund balance, and a plan to restore the fund balance to the minimum amount.

The District has complied with Board Policy #5350 as follows:

Unrestricted Fund Balance Reserve			
	August 31, 2018	August 31, 2017	August 31, 2016
Current Undesignated Unrestricted Fund Balance	\$ 75,850,909	\$91,120,844	\$85,533,204
Next Fiscal Year Budgeted Unrestricted Fund Expenses (including transfers and contingencies)	183,811,500	188,083,617	179,711,050
Fund Balance as a % of Total Expenses	41.3%	48.5%	47.6%
Number of Months Expenses in Reserve	5.0 months	5.8 months	5.7 months

During the fiscal year, the District may designate a portion of the unrestricted fund balance. The unrestricted fund balance designation represents the District's intended use of available resources for specific initiatives.

As of August 31, 2018, the District's Board of Trustees has designated a total of \$34,500,000 of the unrestricted net position for the purpose of supplementing future employee health insurance costs, infrastructure maintenance and renewal of the District's Enterprise Resource Planning system, deferred maintenance of facilities, and a reserve for the District's business continuity and disaster plan.

Board of Trustees Designations			
	August 31, 2018	August 31, 2017	August 31, 2016
Future Employee Health Insurance Costs	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000
Infrastructure Maintenance and Renewal of the District's Enterprise Resource Planning System	15,000,000	15,000,000	13,500,000
Deferred Maintenance of Facilities	4,000,000	4,000,000	4,000,000
Reserve for the District's Business Continuity and Disaster Plan	6,000,000	6,000,000	3,500,000
Furniture Replacement	2,000,000	2,000,000	2,000,000
Total	\$ 34,500,000	\$ 34,500,000	\$ 30,500,000

The District's Investment Policy and Investment Strategy Statement are reviewed and approved annually by the Board of Trustees. It is designed to establish guidelines for investing the District funds by maintaining the preservation and safety of principal by mitigating credit and interest rate risk while attaining a competitive yield on the portfolio. The District's bank deposits and investments must be FDIC insured or properly collateralized with eligible securities as defined by the Public Funds Collateral Act, Chapter 2257, Texas Government Code in accordance with collateral levels as established by state law and the District's Investment Policy and Investment Strategy Statement.

The District continually conducts self-assessment of risk exposure. An outsourced risk consultant is retained to monitor risk factors and to recommend insurance coverage. Insurances include property, general liability, crime, auto, flood, sports activity, errors and omissions, workers compensation, and tax collectors bond. The District has elected to reimburse the Texas Workforce Commission, on a quarterly basis, for unemployment benefits.

Awards and Acknowledgments

The District has continued its tradition of being recognized and honored for its dedication to excellence and its innovative endeavors. The District has received numerous awards from national, state and local sources that demonstrate its leadership among the community colleges in the State of Texas and the nation. Some of the accomplishments and initiatives 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, 2017. This is the fifteenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period

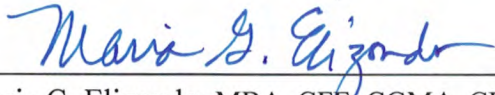
of only one year. The District's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for another certificate.

- In May 2018, the Government Treasurers' Organization of Texas presented the Certificate of Distinction to the District for its Investment Policy for the fifth 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 Government Treasurers' Organization of Texas. The Certificate of Distinction is effective for a two-year period ending May 31, 2018.
- The purpose of these awards is to recognize local governments that have achieved excellence in the indicated area(s) of transparency.
 - The College has earned the following three Texas Comptroller of Public Accounts' Transparency Stars Program Awards:
 - Traditional Finance Transparency Star
 - Economic Development Transparency Star
 - Debt Obligation Transparency Star
- *Diverse Education* 2018 listing ranks the District as number one in the country in awarding Associate Degrees in the majors of Education, Engineering, Public Administration, Social Service, Homeland Security, Law Enforcement, and Firefighting. The District ranked number two in All Disciplines Combined, Biological and Biomedical Sciences, Foreign Languages, Literature and Linguistics, Mathematics and Statistics, Business, Homeland Security, Law Enforcement, Firefighting and Related Protective Services degrees (source: [diverseeducation.com/top 100 Associates degree producers](http://diverseeducation.com/top-100-Associates-degree-producers)).
- The District has been named among 2017 "Examples of Excelencia" institutions in the nation. The District is showing outstanding, evidence-based results of improving Latino student success in higher education. Celebración de Excelencia was held in Washington D.C. on October 5, 2017 where South Texas College was recognized as the national winner in the baccalaureate category for its Competency-Based Bachelor of Applied Science in Organizational Leadership.

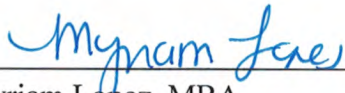
Acknowledgments

The timely preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of the entire staff of the District's Business Office. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Due credit is also granted to the District's Board of Trustees and President for their continued support for maintaining ethical and professional standards of professionalism in the management of the District's finances and operations.

Respectfully submitted,



Maria G. Elizondo, MBA, CFE, CGMA, CPA
Vice President for Finance and Administrative Services



Myriam Lopez, MBA
Comptroller

South Texas College
For the Fiscal Year Ending August 31, 2018

Board of Trustees and President

MR. PAUL R. RODRIGUEZ
CHAIRMAN



CEO of Valley Land Title Co.
District 3
Representing South McAllen, Southwest Pharr, Hidalgo, Sharyland, Southeast Mission, and Granjeno
First Term: August 2012 – May 2016
Second Term: May 2016 – May 2022
Serves as Chair of the Board, member of the Finance, Audit & Human Resources Committee and member of the Facilities Committee.
Formerly served as Secretary of the Board, Chair and member of the Finance, Audit & Human Resources Committee and member of the Facilities Committee.

ROSE BENAVIDEZ
VICE CHAIR



President of Starr County Industrial Foundation
District 1
Representing Starr County
First Term: Nov. 2009 – May 2012
Second Term: May 2012 – May 2018
Third Term: May 2018 – May 2024
Serves as Vice Chair of Board, member of the Finance, Audit & Human Resources Committee and member of the Facilities Committee.
Formerly served as Chair and Vice Chair of the Board, member of the Facilities Committee, and member of the Finance, Audit & Human Resources Committee.

ROY DE LEÓN
SECRETARY



Branch Retail Executive of BBVA Compass Bank – Mercedes
District 7
Representing Northeast Hidalgo County, North Weslaco, Edcouch-Elsa, La Villa, North Mercedes, Northeast Alamo, Northeast Edinburg, and Hargill
(Appointed 1997 - 1998)
First Term: May 1998 – May 2002
Second Term: May 2002 – May 2008
Third Term: May 2008 – May 2014
Fourth Term: May 2014 – May 2020
Serves as Secretary of the Board and Chair of the Finance, Audit & Human Resources Committee.
Formerly served as Chair, Vice Chair, and Secretary of the Board, Chair and member of the Finance, Audit & Human Resources Committee, and member of the Facilities Committee.

**South Texas College
For the Fiscal Year Ending August 31, 2018**

Board of Trustees and President

**VICTORIA CANTÚ
MEMBER**



CEO of Children's Education Station, LLC
District 2
Representing La Joya, Western Mission, Palmview, Sullivan City, Penitas, and Western Alton
First Term: May 2018 – May 2024
Serves as member of the Education and Workforce Development Committee.

**GARY GURWITZ
MEMBER**



Managing Partner, Atlas, Hall & Rodriguez, L.L.P., McAllen
District 4
Representing North McAllen, Northwest Pharr, Palmhurst, Northeast Mission, and Southwest Edinburg
(Appointed 1993 - 1998)
Second Term: May 1998 – May 2004
Third Term: May 2004 – May 2010
Fourth Term: May 2010 – May 2016
Fifth Term: May 2016 – May 2022
Serves as Chair of the Facilities Committee and member of the Education and Workforce Development Committee.
Formerly served as Chair, Vice Chair, and Secretary of the Board, Chair and member of the Facilities Committee, member of the Finance, Audit & Human Resources Committee, and member of the Education and Workforce Development Committee.

**DR. ALEJO SALINAS, JR.
MEMBER**



Clinical Lecturer, University of Texas-Pan American
Retired Superintendent/Superintendent Emeritus, Hidalgo ISD
District 5
Representing Northwest Hidalgo County, Edinburg, North San Juan, and Northeast Pharr
First Term: May 1996 – May 2002
Second Term: May 2002 – May 2008
Third Term: May 2008 – May 2014
Fourth Term: May 2014 – May 2020
Serves as Chair of the Education and Workforce Development Committee and member of the Facilities Committee.
Formerly served as Vice Chair of the Board, Chair and member of the Facilities Committee, Chair and member of the Education and Workforce Development Committee, and member of the Finance, Audit & Human Resources Committee.

South Texas College
For the Fiscal Year Ending August 31, 2018

Board of Trustees and President

RENE GUAJARDO
MEMBER



Human Resources Director, Mercedes ISD
District 6
Representing Donna, South Alamo, South San Juan, Southeast Pharr, South
Weslaco, and Progreso
First Term: May 2018 – May 2024
Serves as member of the Education and Workforce Development Committee and
member of the Finance, Audit & Human Resources Committee.

DR. SHIRLEY A. REED
PRESIDENT

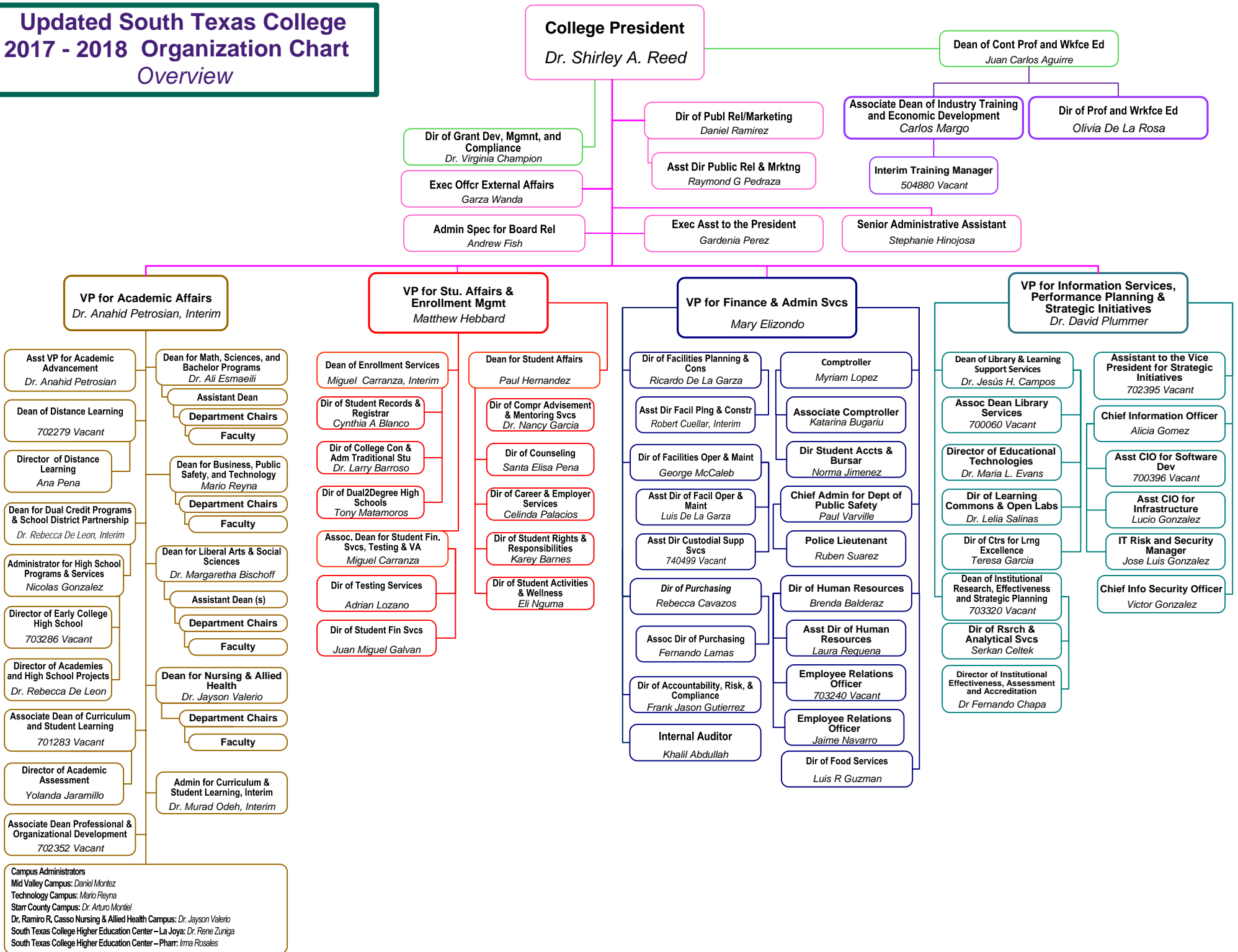


Founding College President: June 1994 - Present

South Texas College District
ADMINISTRATIVE OFFICIALS
For the Fiscal Year 2018

Name	Position
Shirley A. Reed, MBA, Ed. D.	President
Maria G. Elizondo, MBA, CFE, CGMA, CPA	Vice President for Finance and Administrative Services
Myriam Lopez, MBA	Comptroller

Updated South Texas College 2017 - 2018 Organization Chart Overview





Government Finance Officers Association

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Achievement
for Excellence
in Financial
Reporting**

Presented to

South Texas College

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2017

Christopher P. Morill

Executive Director/CEO



SOUTH TEXAS COLLEGE

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees
McAllen, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of South Texas College (the College) as of and for the years ended August 31, 2018 and 2017, 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

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Texas College as of August 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As described in Note 2 to the financial statements, the College adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$15,448,970) to the August 31, 2017 net position. Our opinion is not modified with respect to this matter.

Restatement to Beginning Net Position

As discussed in Note 2Y. Prior Year Restatement, effective for fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability. As provided by *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community Colleges* published by the Texas Higher Education Coordinating Board, the College did not restate its fiscal year 2017 financial statements due to impracticality. As such, the College recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District's Proportionate Share of Net OPEB Liability, Schedule of District's Pension Contributions, and Schedule of District's OPEB Contributions 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 South Texas College's basic financial statements. The introductory section, supplementary schedules (schedules A-D), and 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 (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Texas Comptroller of Public Accounts, State of Texas Single Audit Circular, respectively, and are also not a required part of the basic financial statements.

The supplementary schedules (schedules A-D) and the schedules of expenditures of federal and state awards (schedules E-F) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules (schedules A-D) and schedules of expenditures of federal and state awards (schedules E-F) are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, 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 the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Car, Riggs & Ingram, L.L.C.

McAllen, Texas
December 13, 2018



SOUTH TEXAS COLLEGE

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**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

Introduction

Management's discussion and analysis (MD&A) of the District's financial statements is designed to help readers understand the conditions and events impacting the financial statements, furthermore pointing out trends and changes affecting our operations for the fiscal years ending August 31, 2018 and 2017. This discussion is prepared by management and should be read in conjunction with the transmittal letter, the District's basic financial statements and notes to the financial statements. Responsibility for the completeness and fairness of this information in this section rests with the District's management.

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with the reporting requirements as set by the Texas Higher Education Coordinating Board (THECB).

In fiscal year 2018, the District implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. These implementations affected various balances reported on the basic financial statements including non-current liabilities, deferred outflows and inflows of resources, net position, and OPEB expense, among others. As such, balances in the aforementioned categories may not be comparable between fiscal year 2017 and fiscal year 2018. In the following MD&A, management will make reference to the implementation of GASB 75 when discussing balances rendered incomparable due to the implementation of GASB 75.

The financial statements of this annual report consist of three parts: the Statements of Net Position provide a summary of assets, liabilities, and net position as of August 31, 2018; the Statements of Revenues, Expenses, and Changes in Net Position provide a summary of operations for the fiscal year; and the Statements of Cash Flows provide categorized information about cash inflows and outflows for the fiscal year.

These statements are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; and Statement No. 35 (GASB 35), *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

These three statements will assist the reader in determining whether the District, as a whole, is performing financially better this year as compared to last year. The financial statements are presented using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

This discussion and analysis of the District's financial statements provides an overview of its financial activities for the fiscal year. The 2018 financial focal points of the fiscal year are as follows:

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

- Capital assets, net of accumulated depreciation, at August 31, 2018, had an increase of \$43.4 million from August 31, 2017.
- During 2018, investments decreased by \$23.1 million, and cash and cash equivalent decreased \$38.4 million.
- The bond rating for the District's general obligation bonds is AA by Standards & Poor's and Aa2 by Moody's Investors Service.
- Tuition and fees were discounted by \$76.0 million, \$69.4 million, and \$62.7 million in fiscal years 2018, 2017, and 2016, respectively, which consisted of federal, state, local and private grants that were provided as financial aid to students and other remissions and exemptions.
- The District's total combined net position was \$386.4 million at August 31, 2018, reflects a decrease of \$10.0 million compared to \$396.4 million at August 31, 2017. The \$10.0 million decrease includes a \$15.4 million reduction to fiscal year 2018 beginning net position for the cumulative effect of applying GASB Statement No. 75, as further described in Note 2 of these financial statements

Analysis of Overall Financial Position and Results of Operations and Condensed Financial Information

The Statements of Net Position

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. Net position is the difference between (a) assets and deferred outflows and (b) liabilities and deferred inflows and is divided into three major categories. Net investment in capital assets provides the District's equity in property, plant and equipment. Restricted Net Position are assets, which have external limitations in the way they may be used, and are not accessible for general use. Assets categorized as Unrestricted Net Positions are available to be used for any lawful purpose of the District at the direction of the District's management.

Changes in net position that occur over time can indicate the improvement or weakening of the District's financial condition when considered with non-financial facts, such as enrollment levels and the condition of the facilities. From the data presented, readers of the financial statements are able to determine the assets available to continue operations of the District, and the amount the District owes vendors, investors and lending institutions. Current liabilities are generally liabilities, due within one year, and current assets are those assets, available in the short term, which is considered one year or less. Deferred inflows and outflows are transactions occurring in the current or prior periods although are related to future periods and are not assets or liabilities. The District's

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

deferred outflows of resources include deferred charges on debt refunding and deferred outflows related to pensions and other post-employment benefits (OPEB). The District's deferred inflows of resources are related to pensions and OPEB. The focus is to report the total net resources available to finance future services. Assets and liabilities are presented in the order of liquidity.

The following is prepared from the District's Statements of Net Position and provides a summary of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the change in net position for the years ended August 31:

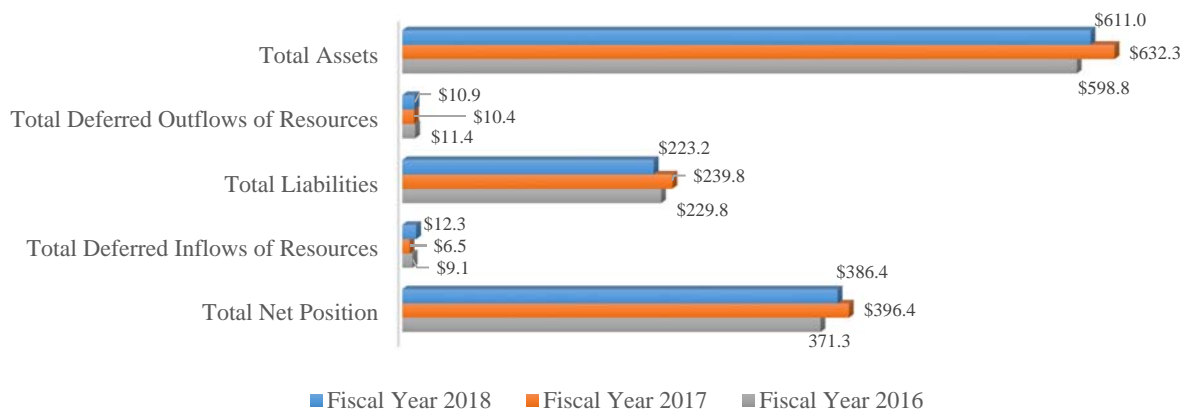
Condensed Statements of Net Position

(in millions)

	Fiscal Year			Change	
	2018	2017	2016	2017-2018	2016-2017
Assets					
Current assets	\$ 158.7	\$ 153.0	\$ 156.0	\$ 5.7	\$ (3.0)
Capital assets, net	351.6	308.2	212.0	43.4	96.2
Noncurrent assets	100.7	171.1	230.8	(70.4)	(59.7)
Total Assets	611.0	632.3	598.8	(21.3)	33.5
Deferred Outflows of Resources					
Deferred outflows of resources	10.9	10.4	11.4	0.5	(1.0)
Total Deferred Outflows of Resources	10.9	10.4	11.4	0.5	(1.0)
Liabilities					
Current liabilities	33.1	53.2	35.0	(20.1)	18.2
Noncurrent liabilities	190.1	186.6	194.8	3.5	(8.2)
Total Liabilities	223.2	239.8	229.8	(16.6)	10.0
Deferred Inflows of Resources					
Deferred inflows of resources	12.3	6.5	9.1	5.8	(2.6)
Total Deferred Inflows of Resources	12.3	6.5	9.1	5.8	(2.6)
Net investment in capital assets	205.6	198.7	181.4	6.9	17.3
Restricted expendable	18.8	19.2	19.9	(0.4)	(0.7)
Restricted non-expendable	0.3	0.3	0.3	-	-
Unrestricted	161.7	178.2	169.7	(16.5)	8.5
Total Net Position	\$ 386.4	\$ 396.4	\$ 371.3	\$ (10.0)	\$ 25.1

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

**Condensed Statement of Net Position
Comparison - August 31, 2018, 2017 and 2016
(in millions)**



In 2018, total assets decreased by \$21.3 million or 3.4% from \$632.3 million at August 31, 2017 to \$611.0 million at August 31, 2018. In 2017, total assets increased by \$33.5 million or 5.6% from \$598.8 million at August 31, 2016 to \$632.3 million at August 31, 2017.

The primary source of the decrease in assets is a decrease in cash and cash equivalents of \$38.4 million and a decrease in investments of \$23.1 million. The decrease in cash was offset by an increase in capital assets, net of accumulated depreciation, at August 31, 2018, of \$43.4 million from August 31, 2017, primarily due to a \$111.4 million increase in buildings, and a \$12.8 million increase in land improvements, offset by a net decrease in construction in progress of \$85.8 million. The new facilities were funded by the District Limited Tax Bonds Series 2014 and 2015. The decrease in cash, cash equivalents and investments are directly related to the increase in capital assets. In addition, net tax receivables decreased by \$3.8 million from \$10.4 million at August 31, 2017 to \$6.6 million at August 31, 2018. The decrease is due to a change in the methodology used for the calculation of property tax allowance.

The primary sources of the increase in assets in 2017 are capital assets that increased by \$96.2 million which was offset by a decrease in cash and cash equivalents of \$21.5 million, and a decrease in investments of \$41.3 million. The increase in capital assets is primarily due to an increase of \$73.5 million in construction in progress and \$19.9 million in buildings for new facilities funded by the District Limited Tax Bonds Series 2014 and 2015. The decrease in cash, cash equivalents and investments are directly related to the increase in capital assets.

There was a small increase in deferred outflow of resources of \$0.5 million to \$10.9 million at August 31, 2018, due to the implementation of GASB 75 and the District's contributions subsequent to the measurement date. In 2017, the deferred outflows of resources decreased by \$1.0 million or 8.8% from \$11.4 million at August 31, 2016 to \$10.4 million at August 31, 2017. The primary reason for the decrease in deferred outflows is due to a decrease of \$0.7 million related to

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

pensions largely due to differences between projected and actual earnings administered by the Teacher Retirement System of Texas (TRS) and a \$0.3 million decrease related to bond refundings.

The deferred inflow section was directly impacted by the implementation of GASB 75 of \$2.9 million primarily due to changes in Actuarial Assumptions. Total deferred inflows increased \$5.8 million or 89.2% from \$6.5 million at August 31, 2017 to \$12.3 million at August 31, 2018. In addition to the deferred inflows related to OPEB, the deferred inflows related to pensions also increased by \$2.9 million due the difference in expected and actual investment earnings and actuarial experience. Deferred inflows of resources decreased \$2.6 million or 28.6% from \$9.1 million in at August 31, 2016 to \$6.5 million at August 31, 2017. The decrease was caused by the difference in expected and actual investment earnings and actuarial assumptions.

The liability section of the District's Statements of Net Position was also impacted by the implementation of GASB 75 as explained previously. Total liabilities decreased \$16.6 million or 6.9% from \$239.8 million at August 31, 2017 to \$223.2 million as of August 31, 2018. Excluding the effect of implementing GASB 75, which required the recording of a \$13.2 million net OPEB liability in noncurrent liabilities, total liabilities decreased \$29.8 million or 12%. The primary reason for the overall decrease was a decrease in current liabilities of \$20.1 million with a \$16.7 million decrease in accounts payable. The accounts payable decrease is due to the timing of payment for fiscal year 2017 merchandise, materials, supplies and services pertaining to construction projects from the issuance of South Texas College District Limited Tax Bonds, Series 2014 and 2015 and a \$2.7 million decrease in the current portion of bonds payable.

During fiscal year 2017, total liabilities increased by \$10.0 million or 4.4% from \$229.8 million at August 31, 2016 to \$239.8 million at August 31, 2017. The \$10.0 million increase in 2017 resulted from an increase in current liabilities of \$18.2 million or 52.0%, partially offset by a decrease in noncurrent liabilities of \$8.2 million or 4.4%. The increase in current liabilities resulted due to an increase in accounts payable of \$17.4 million or 360.3%. The increase is due to the acquisition of merchandise, materials, supplies and services pertaining to construction projects from the issuance of South Texas College District Limited Tax Bonds, Series 2014 and 2015.

Bonds payable and net pension liability comprise the majority of the noncurrent liabilities balance. Excluding GASB 75 and the net OPEB Liability, noncurrent liabilities decreased \$9.7 million. The main reason for the decline is a decrease of \$8.0 million or 5.1% in noncurrent bonds payable attributed to debt service payments and a \$3.0 million decrease in net pension liability attributed to the difference in projected and actual investment earnings. The primary reason for the decrease in 2017 was a decrease of \$10.7 million or 6.4% in noncurrent bonds payable attributed to debt service payments, which was offset by a \$2.5 million or 9.1% increase in net pension liability primarily due to the difference in projected and actual investment earnings.

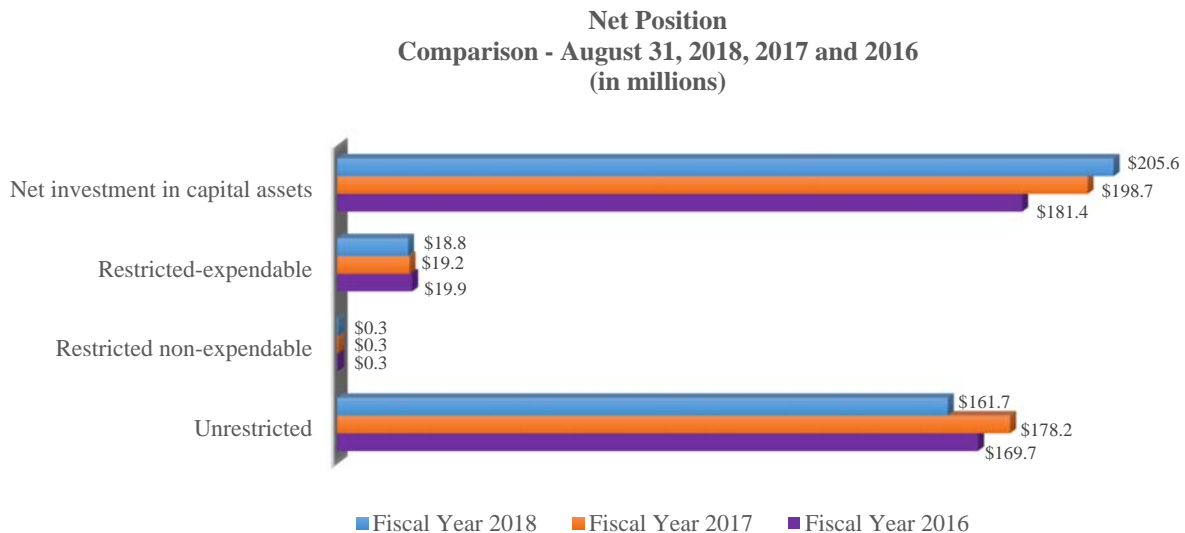
The District's net position at August 31, 2018 was \$386.4 million compared to \$396.4 million at August 31, 2017. The decrease of \$10.0 million is attributed to the restatement of the beginning net position in 2018 of \$15.4 million as required by the implementation of GASB 75. Disregarding the effect of the restatement of the beginning net position, the District's net position increased by

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

\$5.4 million resulting from excess revenues over expenses. Of the \$5.4 million increase in net position, the net investment in capital assets increased by \$6.9 million, which was offset by a decrease of \$1.1 million of unrestricted net position and a decrease \$0.4 million in expendable net position.

The District's already strong net position increased by \$25.1 million or 6.8% from \$371.3 million at August 31, 2016 to \$396.4 million at August 31, 2017 due to excess revenues over expenses. Of the \$25.2 million increase in net position, the net investment in capital assets increased by \$17.2 million, and \$8.5 million of unrestricted net position.

Approximately 50.0% of net position, \$205.6 million in 2018 and \$198.7 million in 2017, reflects the District's substantial net investment in capital assets, net of outstanding debt obligations and accumulated depreciation related to those capital assets. Restricted net position such as endowment gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, student loan funds and assets designated for debt service represent an additional 4.9% in 2018 and 4.8% in 2017 of net position. The remaining unrestricted net position may be used for educational or general operations of the District, which were \$161.7 million and \$178.2 million as of August 31, 2018 and 2017.



Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the District's results of operations for the fiscal year. Activities are reported as either operating or non-operating. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating revenues are primarily those that result from instruction, the operation of the District's auxiliary services, and federal and state grants. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the District. Depreciation on capital assets is

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

included in operating expenses. Non-operating revenues are revenues received for which goods and services are not provided. State allocation and ad-valorem taxes, are considered to be non-operating revenue. Since state allocation and ad-valorem taxes are a significant portion of general operations and maintenance funding, classification of this revenue as non-operating will usually result in an operating deficit, as it does for fiscal years 2018 and 2017.

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present revenues earned by the District, both operating and non-operating, and expenses incurred by the District, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District during the year.

The following summary is prepared from the District's Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended August 31:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	(in millions)			Change	
	Fiscal Year				
	2018	2017	2016	2017-2018	2016-2017
Operating revenues	\$ 41.8	\$ 42.3	\$ 38.8	\$ (0.5)	\$ 3.5
Operating expenses	197.5	177.8	167.1	19.7	10.7
Operating loss	(155.7)	(135.5)	(128.3)	(20.2)	(7.2)
Non-operating revenues and expenses	161.0	160.6	154.9	0.4	5.7
Capital contributions	0.1	-	4.5	-	(4.5)
Increase in net position	5.4	25.1	31.1	(19.7)	(6.0)
Net position - beginning of year	396.4	371.3	340.2	25.1	31.1
Cumulative effect of change in accounting principle	(15.4)	-	-	(15.4)	-
Net Position - End of Year	\$ 386.4	\$ 396.4	\$ 371.3	\$ (10.0)	\$ 25.1

The District's operating revenue remained stable in 2018 and the District saw a slight decrease of 1.2% from \$42.3 million for the period ending August 31, 2017. Although net tuition and fees decreased \$1.5 million, gross tuition and fees increased \$5.1 million primarily due to a \$4.9 million increase in fees. This increase was offset by an increase in scholarship allowances and discounts of \$6.7 million. There was an increase in federal grants to students by \$3.0 million due to a change in the Federal Pell Grant program, which now allows the District to award Pell grants year around. This allows an eligible student to receive up to 150 % of the student's Federal Pell Grant award. Exemptions increased \$2.6 million compared to 2017. The decrease in net tuition and fees was offset by an increase of \$0.5 million in non-governmental grants and contracts and \$0.5 million in

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

local grants and contracts. Operating revenue increased \$3.5 million or 9.1% during 2017 from \$38.8 million at August 31, 2016 to \$42.3 million at August 31, 2017.

Grants and contracts include restricted revenues made available by government agencies as well as private agencies. Grant funding is recognized as revenue at the point when all eligibility requirements imposed by the provider have been met. This source of revenue was 42.1% in 2018 and 37.9% in 2017 of total revenues.

Operating expenses increased \$19.7 million or 11.1% during 2018 to \$197.5 million and \$10.7 million or 6.4% during 2017 to \$177.8 million. For fiscal year 2018, the driving factors for the \$19.7 million increase were related to the completion of construction projects related to the issuance of South Texas College District Limited Tax Bonds, Series 2014 and 2015. The \$6.9 million increase in instruction and \$1.6 million in public service are related to new faculty and staff positions created as a result of the new buildings and more classroom spaces available. The operations and maintenance of plant expenses increased by \$4.1 million due new furniture and equipment purchased for the new buildings. Depreciation expense increased by \$2.7 million and is directly related to the new buildings in operation compared to 2017. Scholarships and fellowships expenses increased by \$1.4 million directly related to the change in the Federal Pell Grant program.

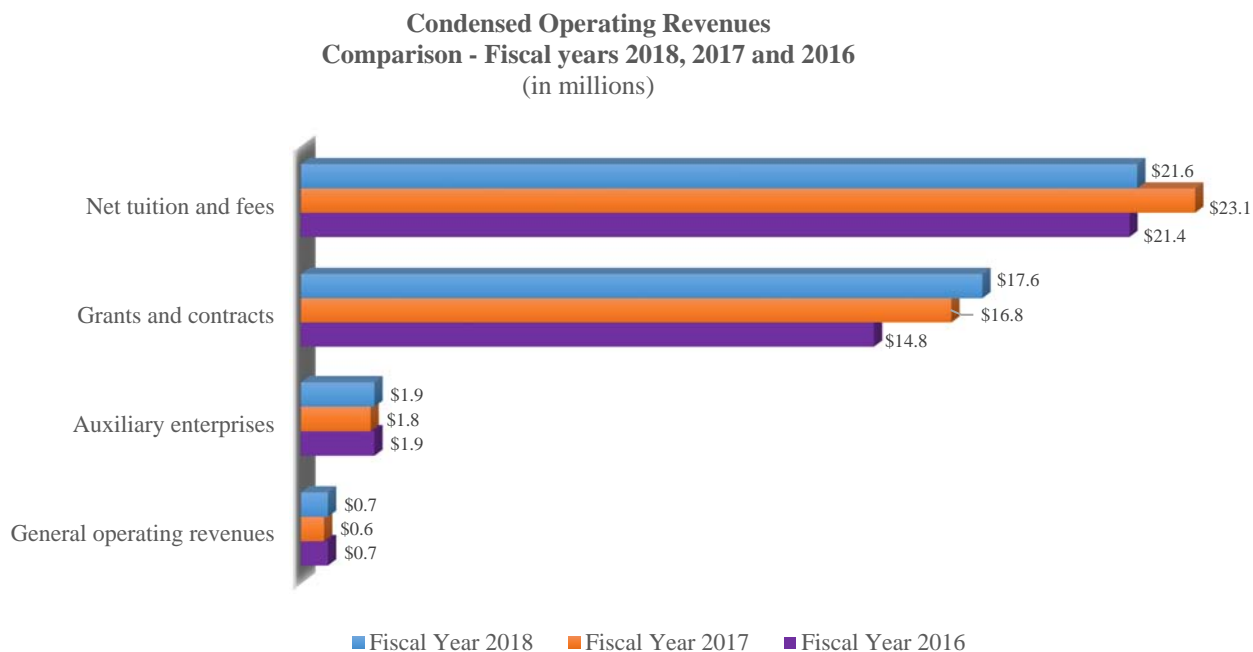
Due to implementation of GASB 75, which changed how OPEB expense is calculated and recorded, the District saw a decrease in OPEB expense. This decrease is distributed across the functional expense categories discussed above.

For fiscal year 2017, the driving factors for the \$10.7 million increase were instruction, institutional support, operations and maintenance of plant expenditures. Other drivers of the increase in expenditures in 2018 and 2017 were the 3% salary increase approved by the Board of Trustees for all faculty and staff, new faculty positions created, and an increase in health insurance costs not funded by the State. The salary increase was offset by the salary savings generated by vacant positions. The increase in institutional support expenses for 2017 was also impacted by additional marketing and advertising expenses incurred due to a rebranding initiative to increase enrollment and improvements for the District's technology resources.

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

Operating revenues, used to fund operating expenses, consisted of the following percentages of the total:

Condensed Operating Revenues (in millions)						
	2018		2017		2016	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Net tuition and fees	\$ 21.6	51.7%	\$ 23.1	54.6%	\$ 21.4	55.2%
Grants and contracts	17.6	42.1%	16.8	39.7%	14.8	38.1%
Auxiliary enterprises	1.9	4.5%	1.8	4.3%	1.9	4.9%
General operating revenues	0.7	1.7%	0.6	1.4%	0.7	1.8%
Total	\$ 41.8	100.0%	\$ 42.3	100.0%	\$ 38.8	100.0%



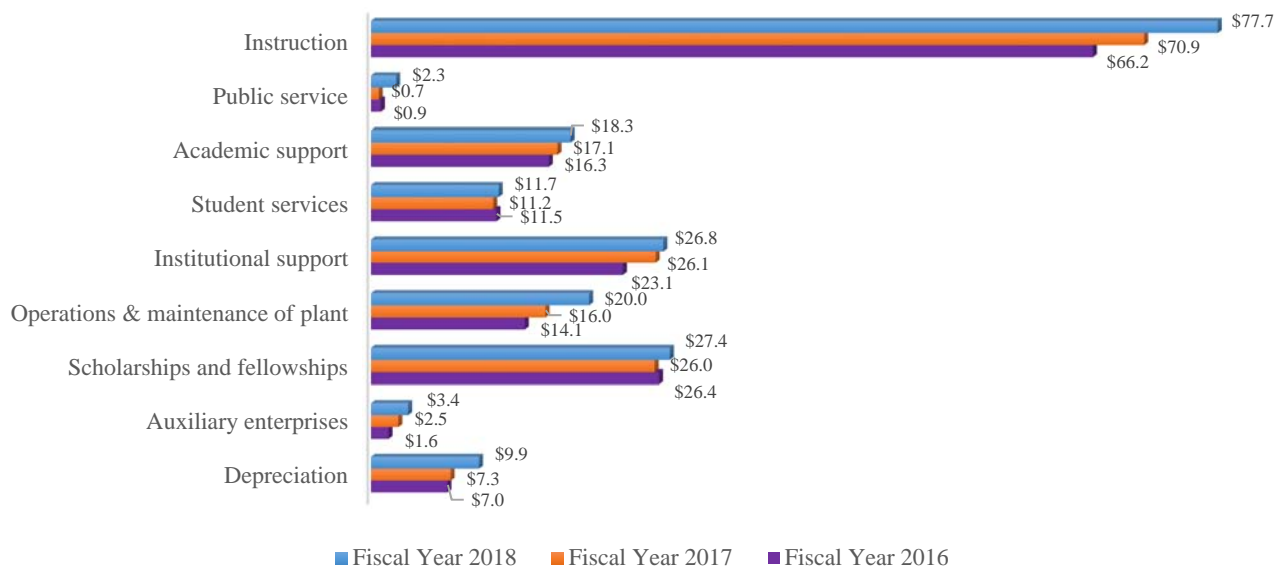
**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated below:

**Operating Expenses by Function
(in millions)**

	2018		2017		2016	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 77.7	39.3%	\$ 70.9	39.9%	\$ 66.2	39.6%
Public service	2.3	1.2%	0.7	0.4%	0.9	0.5%
Academic support	18.3	9.3%	17.1	9.6%	16.3	9.8%
Student services	11.7	5.9%	11.2	6.3%	11.5	6.9%
Institutional support	26.8	13.6%	26.1	14.7%	23.1	13.8%
Operations and maintenance of plant	20.0	10.1%	16.0	9.0%	14.1	8.4%
Scholarships and fellowships	27.4	13.9%	26.0	14.6%	26.4	15.8%
Auxiliary enterprises	3.4	1.7%	2.5	1.4%	1.6	1.0%
Depreciation	9.9	5.0%	7.3	4.1%	7.0	4.2%
Total	\$ 197.5	100.0%	\$ 177.8	100.0%	\$ 167.1	100.0%

**Operating Expenses by Function
Comparison - Fiscal years 2018, 2017 and 2016
(in millions)**

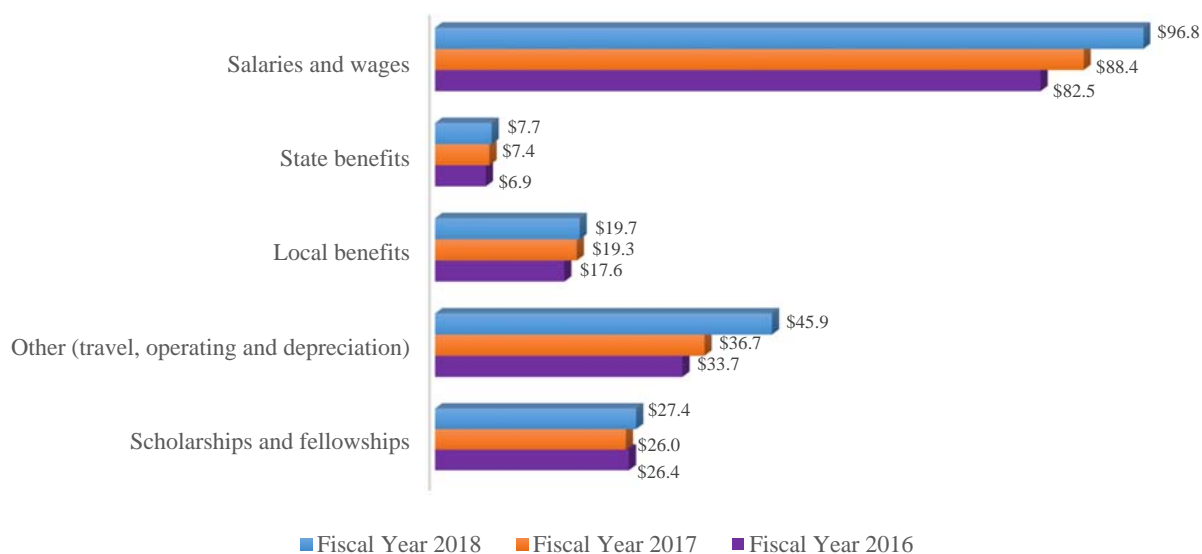


**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

**Operating Expenses by Classification
(in millions)**

	2018		2017		2016	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and wages	\$ 96.8	49.0%	\$ 88.4	49.7%	\$ 82.5	49.4%
State benefits	7.7	3.9%	7.4	4.2%	6.9	4.1%
Local benefits	19.7	10.0%	19.3	10.9%	17.6	10.5%
Other (travel, operating and depreciation)	45.9	23.2%	36.7	20.6%	33.7	20.2%
Scholarships and fellowships	27.4	13.9%	26.0	14.6%	26.4	15.8%
Total	\$ 197.5	100.0%	\$ 177.8	100.0%	\$ 167.1	100.0%

**Operating Expenses by Classification
Comparison - Fiscal years 2018, 2017 and 2016
(in millions)**



Net non-operating revenues and expenses increased by \$0.4 million or 0.2% to \$161.0 million in 2018 and \$5.7 million or 3.7% to \$160.6 million in 2017. The primary drivers of the increase in non-operating revenue during 2018 was \$2.6 million or 5.8% in state allocations, \$4.6 million 8.3% in Federal non-operating revenue resulting from the change in the Federal Pell Grant program and \$1.1 million or 41.6% increase in investment income.

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

Of the \$5.7 million increase in 2017, \$2.7 million or 4.2% was due to an increase in ad-valorem tax collections. The ad-valorem tax collection increase is primarily due to a tax base increase caused by an increase in personal property tax values. The Board of Trustees approved the same property tax rate as levied in 2016. In addition to the tax collections, the District had an increase of \$1.6 million or 152.6% in investment income.

Excluding the impact of GASB 75 restatement to net position, the Statements of Revenues, Expenses, and Changes in Net Position reflect a positive year with an increase in the position at the end of the year.

Non-operating revenues consisted of the following:

(in millions)

	2018		2017		2016	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State allocations	\$ 47.9	27.1%	\$ 45.3	26.8%	\$ 46.0	28.0%
Ad-valorem taxes - maintenance and operations	48.9	27.7%	48.8	28.9%	46.8	28.5%
Ad-valorem taxes - debt service	15.6	8.8%	15.7	9.3%	15.0	9.1%
Federal revenue, non-operating	60.3	34.1%	55.7	33.0%	54.9	33.5%
Gifts	0.3	0.2%	0.3	0.2%	0.3	0.2%
Investment income (net of investment expenses)	3.7	2.1%	2.6	1.5%	1.0	0.6%
Other non-operating revenues	-	0.0%	0.4	0.2%	-	0.0%
Total	\$ 176.7	100.0%	\$ 168.8	100.0%	\$ 164.0	100.0%

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

Non-operating expenses consisted of the following:

(in millions)						
	2018		2017		2016	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Interest on capital related debt	\$ 3.5	22.3%	\$ 4.2	51.2%	\$ 6.6	72.5%
Loss on sale/disposal/return of capital assets	0.8	5.1%	-	0.0%	-	0.0%
Non-capital construction costs	11.1	70.7%	3.5	42.7%	1.9	20.9%
Bond costs amortization	0.3	1.9%	0.3	3.7%	0.3	3.3%
Other non-operating expenses	-	0.0%	0.2	2.4%	0.3	3.3%
Total	\$ 15.7	100.0%	\$ 8.2	100.0%	\$ 9.1	100.0%
Net non-operating revenues (expenses)	<u>\$ 161.0</u>		<u>\$ 160.6</u>		<u>\$ 154.9</u>	

Statements of Cash Flows

Another important factor to consider when evaluating financial viability is the District's ability to meet financial obligations as they mature and the impact of external financing. The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing and investing activities.

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

The following summary is prepared from the District's Statements of Cash Flows for the fiscal years ended August 31:

**Condensed Statements of Cash Flows
(in millions)**

	2018	2017	2016
Cash provided (used) by:			
Operating activities	\$ (153.2)	\$ (123.9)	\$ (119.6)
Non-capital financing activities	155.5	144.4	142.9
Capital and related financing activities	(67.4)	(86.0)	(15.5)
Investing activities	26.8	43.9	(171.9)
Net change in cash and cash equivalents	(38.3)	(21.6)	(164.1)
Cash and cash equivalents-Sept 1,	176.1	197.7	361.8
Cash and cash equivalents-August 31,	\$ 137.8	\$ 176.1	\$ 197.7

The Statements of Cash Flows indicates an overall decrease in cash and cash equivalents of \$38.3 million at August 31, 2018 and \$21.6 million at August 31, 2017.

Net cash used for operating activities increased by \$29.3 million or 23.6% during 2018 and increased by \$4.3 million or 3.6% during 2017. In 2018, the primary use of cash in operations was in payment of salaries and benefits, which increased by \$10.5 million or 9.7% during 2018 to \$119.3 million. Payments for non-operating construction cost increased by \$8.2 million or 334.3% to \$10.6 million during 2018 and payments to suppliers for goods or services increased \$6.7 million to \$35.7 million during 2018. Receipts from students and other customers decreased \$3.4 million to \$21.8 million and payments for scholarships and fellowships increased by \$1.5 million. In 2017, the primary use of cash in operations was in payment of salaries and benefits, which increased by \$6.8 million or 6.6% during 2017 to \$108.8 million. The increase in salaries and benefits was offset by an increase in receipts from grants and contracts of \$2.2 million or 14.6% to \$16.9 million.

Net cash provided by non-capital financing activities increased by \$11.1 million or 7.7% during 2017 and \$1.5 million or 1.0% during 2017. Sources of cash from non-capital financing activities are primarily from non-operating federal revenue, state allocations and ad-valorem taxes for maintenance and operations. In 2018, receipts from non-operating federal revenue increased 4.6 million or 8.3% to \$60.3 million and receipts from ad-valorem taxes increased by \$3.3 million or 6.8% to \$51.9 million. Furthermore, state allocations increased by 2.9 million or 7.3% to \$42.9 million. In 2017, receipts from ad-valorem taxes increased by \$2.1 million or 4.6% to \$48.6 million and receipts from non-operating federal revenue increased 0.8 million to \$55.7 million. These increases were offset by a decrease in state allocations by \$1.4 million or 3.4% to \$40.0 million. The reason for the decrease is primarily due to a \$0.9 million reduction in Education and general state support due to an audit finding in 2016 of Continuing Education formula funding which resulted in a reduction in contact hour state allocation in fiscal year 2017. Furthermore, state

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

retirement matching decreased \$0.6 million due to a reduction in the non-employer contributing entity on-behalf payments from Texas Retirement System's allocation.

Net cash used for capital and related financing activities decreased \$18.6 million or 21.6% during 2018 and increased \$70.5 million or 455.1% during 2017. Capital and related financing activities include proceeds on issuance of capital debt and ad-valorem taxes for debt service and payment of capital debt, both principal and interest, as well as capital asset acquisitions. The primary reasons in 2018 for the decrease are due to \$16.0 million decrease in purchases of capital assets including payments for construction costs of \$68.5 million and an increase in receipts from ad-valorem taxes-debt services of \$1.1 million or 6.7% to \$16.7 million. The main reason in 2017 for the increase is due to \$69.9 million increase in purchases of capital assets including payments for construction costs, which is attributed by several projects of new facilities on all campuses for the District Limited Tax Bonds Series 2014 and 2015.

Net cash provided by investing activities decreased \$17.1 million or 39.0% during 2018 and increased \$215.8 million or 125.6% during 2017. Investing activities include purchase of investments, proceeds from sale and maturity of investments, and receipts from interest on investments. Proceeds from sale of maturity of investments decreased \$64.2 million or 41.6% during 2018 and a reduction in purchase of investments increased the cash flow by \$46.0 million. Proceeds from sale of maturity of investments increased \$146.2 million or 1,790.2% during 2017 and a reduction in purchase of investments increased the cash flow by \$68.0 million.

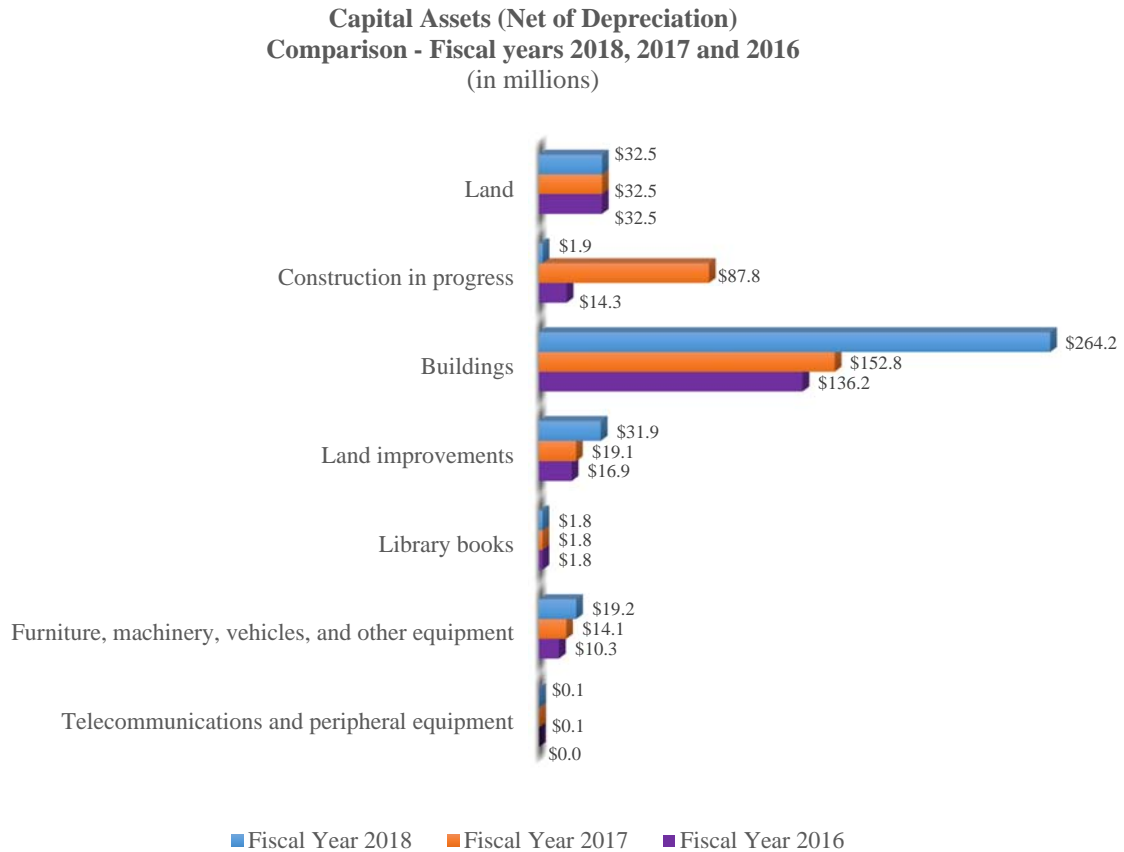
Capital Assets and Long-Term Debt Administration

The District had \$441.8 million in capital assets and \$90.2 million in accumulated depreciation at August 31, 2018.

	Capital Assets (Net of Depreciation) (in millions)		
	2018	2017	2016
Land	\$ 32.5	\$ 32.5	\$ 32.5
Construction in progress	1.9	87.8	14.3
Buildings	264.2	152.8	136.2
Land improvements	31.9	19.1	16.9
Library books	1.8	1.8	1.8
Furniture, machinery, vehicles, and other equipment	19.2	14.1	10.3
Telecommunications and peripheral equipment	0.1	0.1	-
Net capital assets	\$ 351.6	\$ 308.2	\$ 212.0

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

Below is a graphic illustration of capital assets, net of depreciation at August 31, 2018, 2017 and 2016.



In 2018, the increase in net capital assets of \$43.4 million or 14.1% was due to a \$111.4 million increase in buildings, and \$12.8 million increase in land improvements, offset by a net decrease in construction in progress of \$85.9 million. The new facilities are funded by the District Limited Tax Bonds Series 2014 and 2015. In 2017, the increase in net capital assets of \$96.2 million or 45.37% was due to the \$73.5 million increase in construction in progress and \$19.9 million in buildings which is attributed to several construction projects on all campuses for the District Limited Tax Bonds Series 2014 and 2015.

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

The bonds payable liability balances at August 31, 2018, 2017, and 2016 are as follows:

Outstanding Debt - Bonds			
(in millions)			
	2018	2017	2016
South Texas College District Tax Bonds, Series 2007 MTR	\$ 0.4	\$ 0.7	\$ 1.1
South Texas College District Tax Bonds, Series 2007 LTR	-	6.4	11.4
South Texas College District Tax Bonds, Series 2010 LTR	0.4	2.4	4.3
South Texas College District Tax Bonds, Series 2013 LTR	-	-	1.6
South Texas College District Tax Bonds, Series 2014 LT	53.7	53.8	53.8
South Texas College District Tax Bonds, Series 2015 LT	88.6	89.2	89.7
Total Bonds Payable	\$ 143.1	\$ 152.5	\$ 161.9

The District is authorized to issue negotiable coupon bonds for the construction and equipment of school buildings and purchase of necessary site, per Education Code Section 130.122, provided that the annual bond tax should never exceed \$0.50 per \$100 valuation of taxable property. The District's debt tax rate in fiscal year 2018 was \$0.0450 per \$100 valuation of taxable property.

The District's bond ratings on the outstanding bonds are AA by Standard & Poor's Ratings Services and Aa2 by Moody's Investors Service.

The bonds were issued to address the facility requirements of the District due to the enrollment increase over the years since the District's inception. Over the last five years, the unduplicated annual headcount enrollment has increased by 6.9%, from 40,458 in fiscal year 2014 to 43,251 in fiscal year 2018. During the same period, the total contact hour generation has increased 7.4%, from 12,073,392 contact hours in 2014 to 12,966,960 contact hours in 2018.

For additional information concerning capital assets and long term debt, see Notes No. 5, No. 6, No. 7, and No. 8 in the Notes to the Financial Statements.

**South Texas College District
Management's Discussion and Analysis
August 31, 2018 and 2017**

Economic Outlook

The certified net taxable assessed value increased for fiscal year 2019 by 4.8%. For fiscal year 2019 the Board approved the same maintenance and operations tax rate as fiscal year 2018 of \$0.014 per \$100 valuation. The Board approved fiscal year 2019 debt service tax rate was decreased by \$0.007 to \$0.0380 per \$100 valuation.

The level of state appropriations Texas community colleges historically received enabled the low tuition rates community colleges provided. The District will continue to receive the majority of state funding based on contact hours, however a portion of the funding is tied to a success-points system in which colleges earn funding for students' academic milestones. In the future, the District and all Texas community colleges, will continue to face a challenge to fund increasing demand for state education services. The District will continue to focus on increased enrollment and student success, as well as meeting the workforce needs while maintaining its sound financial position. Although some uncertainty on how the pension and OPEB liabilities will impact the district in the future, the outlook of the District for the foreseeable future remains positive as a result of its strategic direction, fiscal management and stable local economy.

Request for Information

This financial report is intended to provide a general overview of the District's finances. Requests for additional financial information may be addressed to South Texas College, Office of the President, 3201 W Pecan Boulevard, McAllen, Texas 78502-9701.

South Texas College District
Statements of Net Position
August 31, 2018 and 2017

Exhibit 1

	FY 2018	FY 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 130,648,246	\$ 122,962,475
Restricted cash and cash equivalents	7,083,238	13,861,890
Short-term investments	5,049,348	837
Restricted short-term investments	3,027,158	-
Accounts receivable (net of allowance for doubtful accounts of \$4,576,249 in 2018 and \$4,401,951 in 2017)	4,908,956	4,496,955
Taxes receivable (net of allowance for doubtful accounts of \$6,434,600 in 2018 and \$2,334,060 in 2017)	6,561,500	10,385,787
Deposits in escrow	126,801	126,801
Prepaid expenses	1,288,362	1,148,493
Total Current Assets	158,693,609	152,983,238
Noncurrent Assets:		
Restricted cash and cash equivalents	20,957	39,301,620
Endowment investments	5,590	5,590
Long-term investments	93,783,136	100,339,245
Restricted short-term investments	331,900	26,473,424
Restricted long-term investments	6,565,106	5,032,641
Deferred bond issuance costs (net of related amortization of \$644 in 2018 and \$6,858 in 2017)	644	7,503
Capital assets, net (Note 5)	351,560,687	308,190,124
Total Noncurrent Assets	452,268,020	479,350,147
Total Assets	610,961,629	632,333,385
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refundings	165,629	427,574
Deferred outflows related to pensions	10,387,775	9,978,653
Deferred outflows related to OPEB	423,629	-
Total Deferred Outflows of Resources	10,977,033	10,406,227
Total Assets & Deferred Outflows of Resources	621,938,662	642,739,612
LIABILITIES		
Current Liabilities:		
Accounts payable	5,429,785	22,170,666
Accrued liabilities	2,852,826	2,676,124
Lease liabilities - current portion	68,527	-
Accrued compensable absences - current portion	720,674	786,773
Funds held for others	301,482	264,314
Unearned revenue	15,696,748	16,649,627
Bonds payable - current portion	8,020,028	10,699,486
Total Current Liabilities	33,090,070	53,246,990
Noncurrent Liabilities:		
Accrued compensable absences	153,131	126,393
Lease liability	1,302,005	-
Bonds payable, net	148,812,889	156,832,917
Net pension liability	26,614,054	29,641,935
Net OPEB liability	13,234,872	-
Total Noncurrent Liabilities	190,116,951	186,601,245
Total Liabilities	\$ 223,207,021	\$ 239,848,235

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

**South Texas College District
Statements of Net Position
August 31, 2018 and 2017**

(Continued)

Exhibit 1

	FY 2018	FY 2017
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions	\$ 9,424,699	\$ 6,495,488
Deferred inflows related to OPEB	2,926,295	-
Total Deferred Inflows of Resources	12,350,994	6,495,488
NET POSITION		
Net investment in capital assets	205,569,611	198,658,153
Restricted for:		
Expendable		
Student aid	3,104,327	3,189,024
Instructional programs	89,936	224,262
Institutional activities	113,636	117,319
Loans	1,423,070	1,284,796
Debt service	14,017,689	14,329,738
Other purposes	-	-
Non-expendable		
Endowment	339,472	339,455
Unrestricted	161,722,906	178,253,142
Total Net Position (Schedule D)	386,380,647	396,395,889
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 621,938,662	\$ 642,739,612

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

South Texas College District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2018 and 2017

Exhibit 2

	FY 2018	FY 2017 *
OPERATING REVENUES		
Tuition and fees (net of discounts of \$76,016,388 in 2018 and \$69,375,108 in 2017)	\$ 21,657,866	\$ 23,129,705
Federal grants and contracts	4,304,540	4,490,675
State grants and contracts	4,108,972	4,076,652
Local grants and contracts	6,660,734	6,102,604
Non-governmental grants and contracts	2,538,696	2,061,438
Auxiliary enterprises	1,890,180	1,833,407
General operating revenues	704,996	603,343
Total Operating Revenues (Schedule A)	41,865,984	42,297,824
OPERATING EXPENSES		
Educational and general		
Instruction	77,741,287	70,879,518
Public service	2,276,663	709,252
Academic support	18,306,332	17,101,883
Student services	11,722,551	11,228,508
Institutional support	26,803,724	26,074,788
Operations and maintenance of plant	20,048,333	15,977,257
Scholarships and fellowships	27,412,188	26,028,594
Auxiliary enterprises	3,355,013	2,529,295
Depreciation	9,917,643	7,262,313
Total Operating Expenses (Schedule B)	197,583,734	177,791,408
OPERATING LOSS	(155,717,750)	(135,493,584)
NON-OPERATING REVENUES (EXPENSES)		
State allocations	47,940,649	45,315,830
Ad-valorem taxes		
Taxes for maintenance and operations	48,931,234	48,822,561
Taxes for debt service	15,656,580	15,652,143
Federal revenue, non-operating	60,276,808	55,666,373
Gifts	353,250	252,614
Investment income (net of investment expenses)	3,698,483	2,612,017
Insurance proceeds	14,959	149,634
Interest on capital related debt	(3,513,058)	(4,150,374)
Gain (loss) on disposal of capital assets	(831,484)	(311)
Non-capital construction costs	(11,107,175)	(3,548,465)
Bond costs amortization	(268,803)	(295,436)
Other non-operating revenues (expenses)	(65,224)	87,483
Net Non-Operating Revenues (Expenses) (Schedule C)	161,086,219	160,564,069
Income Before Contributions and Extraordinary Item	5,368,469	25,070,485
Capital contributions	65,259	47,629
Increase In Net Position	5,433,728	25,118,114
NET POSITION		
Net Position-Beginning of Year	396,395,889	371,277,775
Cumulative Effect of Change in Accounting Principle (Note 2)	(15,448,970)	N/A
Net Position-Beginning of Year, as restated	380,946,919	N/A
Net Position-End of Year	\$ 386,380,647	\$ 396,395,889

* Due to the effects of implementing GASB Statement No. 75, certain FY 2017 balances are not comparable with FY 2018 balances (see Note 2).

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

South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

Exhibit 3

	FY 2018	FY 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 21,832,188	\$ 25,204,618
Receipts from grants and contracts	17,619,514	16,944,534
Payments to suppliers for goods or services	(35,713,067)	(29,011,971)
Payments to or on behalf of employees	(119,268,371)	(108,775,083)
Payments for scholarships and fellowships	(27,472,526)	(26,000,515)
Payments for loans issued to students	(1,076,123)	(1,168,148)
Receipts from collection of loans to students	1,015,165	1,095,800
Other receipts	520,178	462,266
Payments for non-operating construction costs	(10,642,236)	(2,450,733)
Payments for non-operating transactions	(33,469)	(238,178)
Net cash used by operating activities	(153,218,747)	(123,937,410)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state allocations	42,916,439	40,009,325
Receipts from ad-valorem taxes-maintenance and operation	51,943,499	48,645,890
Receipts from non-operating federal revenue	60,276,808	55,666,374
Payments for collection of taxes for maintenance and operation	(196,201)	(121,578)
Receipts from gifts or grants for other than capital purposes	326,271	174,672
Receipts from student organizations and other agency transactions	3,496,897	3,289,610
Payments to student organizations and other agency transactions	(3,281,767)	(3,340,958)
Receipts from endowment interest	5,024	2,272
Proceeds from insurance claims	14,959	149,634
Net cash provided by non-capital financing activities	155,501,929	144,475,241
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts from ad-valorem taxes-debt services	16,719,644	15,669,186
Payments for collection of taxes for debt service	(60,201)	(63,198)
Contribution received in aid of construction	1,066,173	-
Proceeds from sale/return of capital assets	6,547	5,575
Purchases of capital assets including payments for construction costs	(68,511,131)	(84,531,384)
Payments on capital debt-principal	(9,430,000)	(9,410,000)
Payments on capital debt-interest and fees	(7,239,606)	(7,658,156)
Expense incurred in disposal of capital asset	-	(5,886)
Net cash used by capital and related financing activities	(67,448,574)	(85,993,863)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturity of investments	90,089,499	154,321,641
Receipts from interest on investments	3,702,349	2,598,897
Purchase of investments	(67,000,000)	(113,000,000)
Net cash provided by investing activities	26,791,848	43,920,538
Decrease in cash and cash equivalents	(38,373,544)	(21,535,494)
Cash and cash equivalents-September 1,	176,125,985	197,661,479
Cash and cash equivalents-August 31,	\$ 137,752,441	\$ 176,125,985

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

South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

Exhibit 3

	FY 2018	FY 2017
Reconciliation of net operating loss to net cash used		
by operating activities:		
Operating loss	\$ (155,717,750)	\$ (135,493,584)
Adjustments to reconcile net operating loss to net cash used		
by operating activities:		
Depreciation expense	9,917,643	7,262,313
Health insurance and benefits paid by the state	-	332,753
Payments made directly by state for benefits	5,740,268	4,973,752
Payments for non-operating construction costs	(10,642,236)	(3,523,164)
Payments for non-operating transactions	(33,469)	(238,178)
Changes in assets and liabilities:		
Receivables, net	(491,807)	(313,721)
Prepaid expenses	(139,868)	792,306
Deferred outflow related to pension	(409,122)	735,890
Deferred outflow related to OPEB	(59,741)	-
Accounts payable	143,550	498,049
Accrued liabilities	197,044	322,211
Compensable absences	(39,361)	129,409
Unearned revenues	(1,217,478)	768,392
Pension NECE	(716,058)	-
Net pension liability	(3,027,882)	2,463,475
Net OPEB liability	(2,577,986)	-
Deferred inflow related to pensions	2,929,211	(2,647,313)
Deferred inflow related to OPEB	2,926,295	-
Net cash used by operating activities	\$ (153,218,747)	\$ (123,937,410)

Non-cash investing, capital, and financing activities for fiscal year 2018:

Library books donated to the District during the fiscal year amounted to \$1,685.

During the fiscal year, General Electric Aviation donated to the Institute of Advanced Manufacturing Department, a Fanuc Robot 1000iA/100F valued at \$29,500 and a ACME Robotic Gridding Cell valued at \$26,000, totaling \$55,500.

The Library Art Gallery Department received several work of art donations amounting to a net value of \$8,074. Nine pieces of art work individually valued at \$111 and entitled "Excision", "Sewn Shut", "Stitched Up", "Held Down", "Infibulation", "Pharanoic Circum", "Screaming in Agony", "Clitoridectomy", and "Cut with a Knife". Twelve paintings entitled "A Surgical Performance", "An Unanticipated Complication", "Such a Tender Age", "The Examination", "The First Step", "An Invasive Procedure", "An Unseemly Growth", "The Excision", "The Incision", "The Practitioner's Method", "The Tumor", and "The Validation", each valued at \$400. In addition, six more paintings valued at \$100, \$125, \$250, \$350, \$400, \$450, and \$600 donated and entitled respectively as follows: "Gestures From My Sketchbook", "Retro Pop Plates", "Lucre", "Hello From Civilization", "Ecology of Mind", "Si La Tierra Pudiera Hablar", and "Red Shirt Red".

In-kind contributions provided by vendors for the Valley Scholars Program during the fiscal year amounted to \$36,227.

Bond discount and premiums are amortized over the debt repayment period for the following bond series.

Premium - MTR Bond Series 2007	\$ 1,666
Premium - LTR Bond Series 2007	204,458
Premium - LTR Bond Series 2010	248,625
Premium - LT Bond Series 2014	332,905
Premium - LT Bond Series 2015	481,832

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

South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

Exhibit 3

The deferred loss ending balance as of August 31, 2018 is \$7,878 and \$157,751 for MTR Bond Series 2007 and LTR Bond Series 2010, respectively, which will be amortized over the debt repayment period.

The bond issuance costs are amortized over the debt repayment period for the following bond series.

MTR Bond Series 2007	\$	644
LTR Bond Series 2007		6,214

Pledge contributions as of August 31, 2018, consisted of \$31,355 non-cash and \$10,500 cash.

Payments made directly by the state for benefits as of August 31, 2018, consisted of \$5,740,268

Non-cash investing, capital, and financing activities for fiscal year 2017:

Library books donated to the District during the fiscal year amounted to \$1,191.

During the fiscal year, General Motors donated the following vehicles to the Automotive Technology Department for a total of \$39,68: 2012 Chevy Cruze \$5,583, 2016 GMC Sierra \$8,120, 2011 Silver Chevrolet Suburban \$15,000, 2017 Chevy Malibu \$5,583, and 2012 Chevy Cruze \$5,582.

The Art Department received several work of art donations amounting to a net value of \$6,570. A painting entitled "Guadalupe, Guadalupe" for \$4,500, another painting entitled and valued as "Pan Dulce Azul" for \$1,300, "Rainy Day, 2016e" for \$120, "Peaceful Easy Feeling" for \$50, and four more pieces of art work of which two valued at \$200 and the other two at \$100 respectively entitled "This Place" and "La Doña en Madero, and "White" and "Black & White & Red All Over".

In-kind contributions provided by vendors for the Valley Scholars Program during the fiscal year amounted to \$26,339.

Bond discount and premiums are amortized over the debt repayment period for the following bond series.

Premium - MTR Bond Series 2007	\$	1,666
Premium - LTR Bond Series 2007		204,459
Premium - LTR Bond Series 2010		248,624
Premium - LTR Bond Series 2013		85,164
Premium - LT Bond Series 2014		332,906
Premium - LT Bond Series 2015		481,832

The deferred loss ending balance as of August 31, 2017 is \$15,757, \$63,315, and \$315,305 for MTR Bond Series 2007, LTR Bond Series 2007, and LTR Bond Series 2010, respectively, which will be amortized over the debt repayment period.

The bond issuance costs are amortized over the debt repayment period for the following bond series.

MTR Bond Series 2007	\$	644
LTR Bond Series 2007		6,214

Pledge contributions as of August 31, 2017, consisted of \$34,203 non-cash and \$16,900 cash.

Payments made directly by the state for benefits as of August 31, 2017, consisted of \$4,973,753.

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 1 – Reporting Entity

South Texas College District was established on June 1, 1993, in accordance with the laws of the State of Texas, to serve the educational needs of Hidalgo and Starr Counties and the surrounding communities. South Texas College District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District 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.

Note 2 – Summary of Significant Accounting Policies

A. Reporting Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Annual Financial Reporting Requirements for Texas Public Community Colleges established by the Texas Higher Education Coordinating Board (THECB)*. The accompanying financial statements of the District are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as established by the Governmental Accounting Standards Board (GASB). The District applies all applicable GASB pronouncements. The District is reported as a special-purpose government engaged in business-type activities (BTA).

B. Nature of Operations

South Texas College District is a political subdivision of the State of Texas located in Hidalgo and Starr Counties, Texas. The District offers academic, general occupational, developmental and continuing adult education programs through a network of locations. The District is governed by a seven member Board of Trustees who serve staggered six-year terms with elections held in May of each even-numbered year.

C. 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 TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Section 56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program (HEA) Funds

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Tuition Discounting (Continued)

Other Tuition Discounts

The District 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 tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

D. Basis of Accounting

The District's financial statements 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

E. Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees, net of discounts. The District also recognizes as operating revenue federal, state and local grants, non-governmental grants and contracts, auxiliary enterprises and other operating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Non-operating revenues include activities that have the characteristic of non-exchange transactions, such as property tax, state appropriations, gifts and contributions and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and investment income. Non-exchange transactions are recognized in accordance with the standards in GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* and GASB 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. The major non-operating revenues are allocations from the state, including restricted revenues such as state insurance and benefit allocations, property tax collections and Title IV funds. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as non-operating revenues or non-operating expenses. The operation of the bookstore is not performed by the District.

F. 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 District's Board of Trustees adopts the budget, for internal management use at the individual fund and account group level on which the books of the District are maintained, and it 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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Budgetary Data (Continued)

Board, the Legislative Budget Board, the Legislative Reference Library and the Governor’s Office of Budget and Planning by December 1.

G. Elimination of Internal Activity

The internal activity and balances reflected in the internal use only fund financial statements are eliminated in the preparation of the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, to avoid the inappropriate “grossing-up” effects that internal activity would otherwise have on aggregated amounts.

H. Cash and Cash Equivalents

The District’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.

I. Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments reserved for payment of restricted current liabilities are included as current assets. Cash and cash equivalents and investments that are externally restricted as to their use are classified as noncurrent assets in the Statements of Net Position. This category includes cash and investment balances restricted to make debt service payments, maintain sinking or reserve funds, or purchase or construct capital or other noncurrent assets, or that are restricted by donors.

J. Investments

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

K. Inventories

Inventories consist of consumable office supplies, physical plant supplies and food service supplies. Inventories are valued at cost under the “first-in, first-out” method and are charged to expenses as consumed.

L. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at their acquisition cost at the date of donation. South Texas College District capitalization policy includes real and personal property with a unit cost equal to or greater than \$5,000 and an estimated useful life in excess of one year. Renovations of \$100,000 or more to buildings and infrastructure and land improvements that

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Capital Assets (Continued)

significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following useful lives are used:

Buildings	50 years
Facilities and land improvements	20 years
Library books and materials	15 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years
Land and work of art/collections	Not Depreciated

Residual values of 10% are maintained for buildings, facilities and land improvements.

M. Deferred Outflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources, which represents a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources (expensed) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. The District recorded deferred outflows of resources for deferred charges on refunding of debt, and deferred outflows of resources for its proportionate share of collective deferred outflows of the Teacher Retirement System of Texas (TRS) pension plan required by the implementation of GASB Statement 68, Accounting and Financial Reporting for Pensions and for contributions made to the TRS plan subsequent to the measurement date of the respective net pension liability. In addition, the District recorded deferred outflows of resources for its proportionate share of collective deferred outflows of the Employees Retirement System of Texas (ERS) other post-employment benefits (OPEB) plan required by the implementation of GASB Statement 75, Accounting and Financial Reporting for OPEB and for contributions made to the ERS plan subsequent to the measurement date of the respective net OPEB liability. For additional information, see Notes 9 and 12.

N. Unearned Revenues

Tuition and fees of \$14,018,909 and \$15,070,719 and federal, state, local, and private grants of \$1,677,839 and \$1,578,908 have been reported as unearned revenues at August 31, 2018, and 2017, respectively. Total unearned revenues were \$15,696,748 and \$16,649,627 at August 31, 2018, and 2017, respectively.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Noncurrent Liabilities

Noncurrent liabilities include (1) principal amount of bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year, (2) other liabilities that will not be paid within the next fiscal year and (3) other liabilities that, although payable within a year, are to be paid from funds that are classified as noncurrent assets.

P. 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.

Q. Pensions

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the TRS has been determined by using the flow of economic resource 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' 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.

R. Deferred Inflows of Resources

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to future periods and thus, will not be recognized as an inflow of resources (revenue) until then. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. The District records deferred inflows of resources for its proportionate share of collective deferred inflows of the TRS pension plan and the ERS OPEB plan. For additional information, see Notes 9 and 12.

S. Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017**

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Net Position

The District's net position is classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of outstanding debt obligations and accumulated depreciation related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position—expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net position—non-expendable: Restricted non-expendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments and auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff.

These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources.

U. Capitalization of Interest

Interest cost during the construction period is capitalized in accordance with GASB Statement 62. The District's policy is to capitalize interest cost as a component of construction in progress upon completion of capital assets. As of August 31, 2018, the District incurred \$7,219,264 in interest cost expense and \$4,204,818 was capitalized. As of August 31, 2017, the District incurred \$7,639,958 in interest cost expense and \$722,505 was capitalized.

V. Bond Discounts/Premiums

Bond discounts/premiums and issuance costs are deferred and amortized over the term of the bond. Bond discounts/premiums are presented as a reduction/addition of the face amount of bonds payable, whereas issuance costs for insurance premiums are recorded as deferred charges.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

W. Gain or Loss on Retirement of Debt

The gain or loss on the early retirement of debt is deferred and amortized over the shorter of (1) the remaining amortization period that was used in the original refunding or (2) the life of the newly issued debt. This deferred amount is reported as a deduction from the new debt liability on the statement of net position.

X. Characterization of Title IV Grant Revenues

In response to guidance provided by the Government Accounting Standards Board (GASB) as question/answer 7.72.10 in the Implementation Guide, beginning fiscal year 2009, the Texas Higher Education Coordinating Board required colleges to reclassify the revenue received for federal Title IV grant programs (i.e. Pell grants) from operating revenue to non-operating revenue.

Y. Prior-Year Restatement

Effective for fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the deferred outflow of resources for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability. GASB 75, paragraph 244 states that “if restatement of all prior periods presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated and the reason for not restating prior periods presented should be explained”.

The District does not have all of the audited beginning balances for the deferred inflows of resources and deferred outflows of resources related to pensions required to properly restate fiscal year 2017 financial statements, the restatement will be made directly to the beginning net position in fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

Beginning net position	\$ 396,395,889
Net OPEB liability (measurement date as of August 31, 2016)	(15,812,858)
Deferred outflow for District contributions made during FY17	363,888
Beginning net position, as restated	<u>\$ 380,946,919</u>

Note 3 – Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 3 – Authorized Investments (Continued)

Texas, or its agencies and instrumentalities, (3) obligations of political subdivisions rated not less than A or its equivalent by a nationally recognized investment rating firm, (4) financial institution deposits issued by a depository institution, (5) no-load government money market mutual funds registered with and regulated by the Securities and Exchange Commission, (6) eligible investment pools organized and operating in compliance with the Public Funds Investment Act and continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service, and (7) other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States.

Note 4 – Cash, Cash Equivalents and Investments

The Public Funds Investment Act allows funds belonging to South Texas College District to be invested. District policy delegates this authority to three investment officers. It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objectives of the policy are preservation of capital, safety of District funds, and maintenance of sufficient liquidity, maximization of return within acceptable risk constraints and diversification of investments.

At August 31, 2018, and 2017, the carrying amount of South Texas College’s District bank deposits were \$125,775,741 and \$146,320,196, respectively, and total bank balances equaled \$129,713,082 and \$152,060,116, respectively. Federal Deposit Insurance Corporation (FDIC) deposit insurance of \$250,000 served as collateral for demand deposit accounts, money market accounts, money market insured cash sweep accounts and time deposit accounts, respectively, at each financial institution. Deposits in excess of FDIC deposit insurance are collateralized at a minimum level of 102%, or 100% for Letters of Credit issued by a Federal Home Loan Bank, of the principal amount plus accrued interest of the deposit. Monthly collateral reports reporting the pledged securities and their fair values are required from each financial institution. The District is subject to collateral credit risk in the event of the bank’s nonperformance of collateral requirements under the collateral agreement.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 4 – Cash, Cash Equivalents and Investments (Continued)

Cash and cash equivalents and restricted cash and cash equivalents reported on Exhibit 1, Statements of Net Position, consist of the items reported below:

	August 31, 2018	August 31, 2017
Bank Deposits		
Demand deposits	\$ 65,527,465	\$ 56,264,618
Money market deposits	60,248,276	90,055,578
Time deposits	-	-
Total bank deposits	125,775,741	146,320,196
Cash and Cash Equivalents		
Change funds on hand	11,825	8,600
Investment pools (TexPool)	11,964,875	29,797,189
Total Cash and Cash Equivalents	\$ 137,752,441	\$ 176,125,985

Total deposits and investments at August 31, 2018, and 2017, are as follows:

Reconciliation of Cash and Cash Equivalents and Investments to Statements of Net Position

<u>Type of Security</u>	Fair Value August 31, 2018	Fair Value August 31, 2017
Certificates of deposit	\$ 108,756,648	\$ 131,846,147
Endowment investment	5,590	5,590
Total Investments	108,762,238	131,851,737
Total Cash and Cash Equivalents	137,752,441	176,125,985
Total Cash and Cash Equivalents and Investments	\$ 246,514,679	\$ 307,977,722

Exhibit 1

Cash and cash equivalents	\$ 130,648,246	\$ 122,962,475
Restricted cash and cash equivalents-current	7,083,238	13,861,890
Short-term investments-current	5,049,348	837
Restricted short-term investments-current	3,027,158	-
Restricted cash and cash equivalents-noncurrent	20,957	39,301,620
Endowment investment*	5,590	5,590
Long-term investments	93,783,136	100,339,245
Restricted short-term investments	331,900	26,473,424
Restricted long-term investments	6,565,106	5,032,641
Total Reconciliation to Exhibit 1	\$ 246,514,679	\$ 307,977,722

*Endowment investment consists of a donated coin collection.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 4 – Cash, Cash Equivalents and Investments (Continued)

As of August 31, 2018, the District had the following investments and maturities:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Credit Exposure	Exposure Permitted by Investment Policy
Investments pools (TexPool)	\$ 11,964,875	0.00	4.77%	50.00%
Certificates of deposit	108,756,648	0.82	39.95%	100.00%
Total Fair Value	\$ 120,721,523			

Portfolio weighted average maturity 0.37

As of August 31, 2017, the District had the following investments and maturities:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Credit Exposure	Exposure Permitted by Investment Policy
Investments pools (TexPool)	\$ 29,797,189	0.00	9.50%	50.00%
Certificates of deposit	131,846,147	0.71	42.03%	100.00%
Total Fair Value	\$ 161,643,336			

Portfolio weighted average maturity 0.30

Interest Rate Risk - In accordance with its Investment Policy, the District limits its exposure to interest rate risk by investing in securities whose maturities will not exceed the anticipated cash flow requirements for the funds and limits the weighted average maturity of its investment portfolio to 270 days or less with a maximum allowable maturity of two years for any one investment. The investment maturities of Unexpended Plant Funds and of Funds for Retirement of Indebtedness are generally limited to the anticipated cash flow requirements of the funds.

Credit Risk - In accordance with State law and the District's Investment Policy, investments in eligible investment pools must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service and obligations of states, agencies, counties, cities and other political subdivisions of any State rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent. Financial institution deposits must be guaranteed or insured by the FDIC or its successors or the National Credit Union Share Insurance Fund or its successor, secured by obligations described by the Public Funds Collateral Act, or secured in any other manner and amount provided by law and governed by a depository agreement. At August 31, 2018, the District's certificates of deposit were collateralized by letters of credit or pledged securities and were FDIC insured. The District's investments pools had a Standard and Poor's rating of AAAM. At August 31, 2017, the District's certificates of deposit were collateralized by a letter of credit and were FDIC insured. The District's investments pools had a Standard and Poor's rating of AAAM.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 4 – Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk - The District's Investment Policy seeks to minimize its concentration of credit risk by establishing the following maximum percentages of investment types for the total District investment portfolio: U.S. Treasury Bills/Notes/Bonds 100%; U.S. Agencies and Instrumentalities 100%; States, Counties, Cities, and Other 25%; Financial Institution Deposits 100%; Money Market Mutual Funds 25%; and Eligible Investment Pools 50%. At August 31, 2018, the District's cash and investments were in TexPool (4.77%) and certificates of deposit (39.95%). At August 31, 2017, the District's cash and investments were in TexPool (9.50%) and certificates of deposit (42.03%).

The Texas Local Government Investment Pools (the "TexPool Portfolios") have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight responsibility is demonstrated by financial interdependency, ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in the TexPool portfolios and other persons who do not have a business relationship with TexPool. The Advisory Board members review the TexPool's investments policy and management fee structure.

TexPool investments are stated at amortized cost, which in most cases approximates the market value of the securities. TexPool seeks to maintain a \$1.00 net asset value per share as required by the Texas Public Funds Investment Act; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas. Accordingly, the fair value of the District's position in TexPool is the same value as the value of TexPool shares. The District reports investments in TexPool as cash and cash equivalents.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2018, was as follows:

	Balance September 1, 2017	Increases	Decreases	Balance August 31, 2018
<u>Not Depreciated:</u>				
Land	\$ 32,487,642	\$ -	\$ -	\$ 32,487,642
Collections	56,515	8,074	-	64,589
Construction in progress	87,766,957	45,404,788	131,253,375	1,918,370
Subtotal	<u>120,311,114</u>	<u>45,412,862</u>	<u>131,253,375</u>	<u>34,470,601</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	192,668,030	116,803,612	994,324	308,477,318
Land improvements	<u>30,911,336</u>	<u>14,421,763</u>	<u>-</u>	<u>45,333,099</u>
Total Buildings and Other Land Improvements	223,579,366	131,225,375	994,324	353,810,417
Library books	5,892,361	225,004	34,673	6,082,692
Furniture, machinery, vehicles, and other equipment	33,569,089	8,441,858	647,751	41,363,196
Telecommunications and peripheral equipment	<u>6,254,579</u>	<u>-</u>	<u>172,409</u>	<u>6,082,170</u>
Total Buildings and Other Capital	<u>269,295,395</u>	<u>139,892,237</u>	<u>1,849,157</u>	<u>407,338,475</u>
<u>Accumulated Depreciation:</u>				
Buildings	39,850,186	4,673,197	227,649	44,295,734
Land improvements	11,796,760	1,635,663	-	13,432,423
Library books	4,072,724	217,642	34,673	4,255,693
Furniture, machinery, vehicles, and other equipment	19,453,287	3,375,918	639,752	22,189,453
Telecommunications and peripheral equipment	<u>6,243,428</u>	<u>4,067</u>	<u>172,409</u>	<u>6,075,086</u>
Total Accumulated Depreciation	<u>81,416,385</u>	<u>9,906,487</u>	<u>1,074,483</u>	<u>90,248,389</u>
Net Buildings and Other Capital Assets	<u>187,879,010</u>	<u>129,985,750</u>	<u>774,674</u>	<u>317,090,086</u>
Total Capital Assets, Net	<u>\$ 308,190,124</u>	<u>\$ 175,398,612</u>	<u>\$ 132,028,049</u>	<u>\$ 351,560,687</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
Buildings	\$ 152,817,844	\$ 112,130,415	\$ 766,675	\$ 264,181,584
Land improvements	19,114,576	12,786,100	-	31,900,676
Library books	1,819,637	7,362	-	1,826,999
Furniture, machinery, vehicles, and other equipment	14,115,802	5,065,940	7,999	19,173,743
Telecommunications and peripheral equipment	11,151	(4,067)	-	7,084
Total Net Buildings and Other Capital Assets	<u>\$ 187,879,010</u>	<u>\$ 129,985,750</u>	<u>\$ 774,674</u>	<u>\$ 317,090,086</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 5 – Capital Assets (Continued)

Construction in progress as of August 31, 2018, including capitalized interest of \$2,436,721 consists of the following:

Project	Balance September 1, 2017	Additions/ Deductions	Completed/ Reclassifications	Balance August 31, 2018
Pecan Athletic Field Fence Enclosure	\$ -	\$ 1,500	\$ -	\$ 1,500
Pecan Plaza Emergency Generator & Wiring Improvements	48,231	191,060	-	239,291
Pecan Plaza Area for Police Vehicles	-	220	220	-
Pecan Plaza Building C Test Site Renovation	-	1,000	-	1,000
Nursing Allied Health Thermal Plant	1,994,061	(1,961,615)	32,446	-
Nursing Allied Health Thermal Plant Parking & Sitework	40,153	(7,706)	32,447	-
Nursing Allied Health Parking and Site Improvements	-	721,996	721,996	-
Nursing Allied Health Student Success Center Renovation	-	1,260	-	1,260
Mid Valley Thermal Plant Alternate	367,170	(367,170)	-	-
Mid Valley Library Repurpose	436,843	839,032	1,275,875	-
Starr Crisis Management Center	28,200	258,645	-	286,845
Starr Thermal Alternate	295,253	(295,253)	-	-
Regional Center for Public Safety Excellence Parking	173,491	(173,240)	251	-
Regional Center for Public Safety Excellence (PSJA ISD)	-	657,728	625,843	31,885
La Joya Jimmy Carter Teaching Site	11,857	(11,857)	-	-
New Construction Accrual	10,545	949,417	-	959,962
Bond 2014 Pecan Campus	33,794,218	8,727,932	42,522,150	-
Bond 2014 Nursing Allied Health Campus	15,245,199	5,370,339	20,615,538	-
Bond 2014 Nursing Allied Health Campus Additional Thermal Plant	188,118	3,213,527	3,401,645	-
Bond 2014 Nursing Allied Health Campus Addtl Thermal Parking	-	270,007	270,007	-
Bond 2014 Technology Campus	506,665	314,149	820,814	-
Bond 2014 Mid Valley Campus	16,876,448	10,879,509	27,641,981	113,976
Bond 2014 Starr Campus	15,932,359	9,844,128	25,776,487	-
Bond 2014 Regional Center for Public Safety Excellence	621,435	5,741,753	6,084,599	278,589
Bond 2014 La Joya Jimmy Carter Teaching Site	1,003,114	427,962	1,431,076	-
Bond Accrual	193,597	(193,597)	-	-
Tech Building B Domestic/Fire Sprinkler Lines	-	4,062	-	4,062
Total	\$ 87,766,957	\$ 45,404,788	\$ 131,253,375	\$ 1,918,370

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 5 – Capital Assets (Continued)

For comparison purposes, capital assets activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Increases	Decreases	Balance August 31, 2017
<u>Not Depreciated:</u>				
Land	\$ 32,487,562	\$ 80	\$ -	\$ 32,487,642
Collections	48,590	7,925	-	56,515
Construction in progress	14,293,506	96,847,299	23,373,848	87,766,957
Subtotal	<u>46,829,658</u>	<u>96,855,304</u>	<u>23,373,848</u>	<u>120,311,114</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	172,762,332	19,905,698	-	192,668,030
Land improvements	<u>27,443,185</u>	<u>3,468,151</u>	<u>-</u>	<u>30,911,336</u>
Total Buildings and Other Land				
Improvements	200,205,517	23,373,849	-	223,579,366
Library books	5,648,565	243,796	-	5,892,361
Furniture, machinery, vehicles, and other equipment	27,920,840	6,348,563	700,314	33,569,089
Telecommunications and peripheral equipment	<u>6,576,422</u>	<u>9,445</u>	<u>331,288</u>	<u>6,254,579</u>
Total Buildings and Other Capital	<u>240,351,344</u>	<u>29,975,653</u>	<u>1,031,602</u>	<u>269,295,395</u>
<u>Accumulated Depreciation:</u>				
Buildings	36,596,458	3,253,728	-	39,850,186
Land improvements	10,502,297	1,294,463	-	11,796,760
Library books	3,857,574	215,150	-	4,072,724
Furniture, machinery, vehicles, and other equipment	17,656,113	2,491,601	694,427	19,453,287
Telecommunications and peripheral equipment	<u>6,567,868</u>	<u>6,847</u>	<u>331,287</u>	<u>6,243,428</u>
Total Accumulated Depreciation	<u>75,180,310</u>	<u>7,261,789</u>	<u>1,025,714</u>	<u>81,416,385</u>
Net Buildings and Other Capital Assets	<u>165,171,034</u>	<u>22,713,864</u>	<u>5,888</u>	<u>187,879,010</u>
Total Capital Assets, Net	<u>\$ 212,000,692</u>	<u>\$ 119,569,168</u>	<u>\$ 23,379,736</u>	<u>\$ 308,190,124</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
Buildings	\$ 136,165,874	\$ 16,651,970	\$ -	\$ 152,817,844
Land improvements	16,940,888	2,173,688	-	19,114,576
Library books	1,790,991	28,646	-	1,819,637
Furniture, machinery, vehicles, and other equipment	10,264,727	3,856,962	5,887	14,115,802
Telecommunications and peripheral equipment	<u>8,554</u>	<u>2,598</u>	<u>1</u>	<u>11,151</u>
Total Net Buildings and Other Capital Assets	<u>\$ 165,171,034</u>	<u>\$ 22,713,864</u>	<u>\$ 5,888</u>	<u>\$ 187,879,010</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 5 – Capital Assets (Continued)

Construction in progress as of August 31, 2017, including capitalized interest of \$2,134,934, consists of the following:

Project	Balance September 1, 2016	Additions/ Deductions	Completed/ Reclassifications	Balance August 31, 2017
Pecan AECHS Portable Infrastructure	\$ -	\$ 25,355	\$ 25,355	\$ -
Pecan Enrollment Center Improvements	30,724	443,335	474,059	-
Pecan Plaza Emergency Generator & Wiring Improvements	23,031	25,200	-	48,231
Pecan Plaza Parking Area for Police Vehicles	10,748	229,134	239,882	-
Pecan Fume Hoods	-	293,669	293,669	-
Pecan Relocation of Portable Buildings Infrastructure	-	45,420	45,420	-
Nursing Allied Health Thermal Plant	61,948	1,932,113	-	1,994,061
Nursing Allied Health Thermal Plant Parking & Sitework	13,708	26,445	-	40,153
Technology GM Car Storage Area Improvements	31,199	272,391	303,590	-
Mid Valley Thermal Plant Alternate	-	367,170	-	367,170
Mid Valley Library Repurpose	-	436,843	-	436,843
Starr Crisis Management Center	3,000	25,200	-	28,200
Starr Thermal Alternate	-	295,253	-	295,253
District Wide ADA Compliance	22,194	(22,194)	-	-
Regional Center for Public Safety Excellence Parking	-	204,014	30,523	173,491
RCPSE Parking and Site work _ DPS	-	1,146,500	1,146,500	-
La Joya Jimmy Carter Teaching Site	-	11,857	-	11,857
New Construction Accrual	-	10,545	-	10,545
Bond 2014 Pecan Campus	6,721,087	32,018,209	4,945,078	33,794,218
Bond 2014 Nursing Allied Health Campus	2,192,907	13,052,292	-	15,245,199
Bond 2014 Nursing Allied Health Campus Additional Thermal Plant	-	188,118	-	188,118
Bond 2014 Technology Campus	1,343,950	10,642,204	11,479,489	506,665
Bond 2014 Mid Valley Campus	2,303,939	18,962,792	4,390,283	16,876,448
Bond 2014 Starr Campus	1,472,588	14,459,771	-	15,932,359
Bond 2014 Regional Center for Public Safety Excellence	38,133	583,302	-	621,435
Bond 2014 La Joya Jimmy Carter Teaching Site	19,432	983,682	-	1,003,114
Bond Accrual	-	193,597	-	193,597
Nursing Allied Health Resurface Parking Lot #2	4,918	(4,918)	-	-
Total	\$ 14,293,506	\$ 96,847,299	\$ 23,373,848	\$ 87,766,957

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 6 – Long Term Liabilities

Long-term liabilities activity for the year ended August 31, 2018, was as follows:

	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Bonds					
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 745,000	\$ -	\$ 365,000	\$ 380,000	\$ 380,000
South Texas College District Limited Tax Refunding Bonds, Series 2007	6,380,000	-	6,380,000	-	-
South Texas College District Limited Tax Refunding Bonds, Series 2010	2,445,000	-	2,075,000	370,000	370,000
South Texas College District Limited Tax Bonds, Series 2014	53,750,000	-	-	53,750,000	2,275,000
South Texas College District Limited Tax Bonds, Series 2015	89,175,000	-	610,000	88,565,000	3,930,000
General Obligation Bonds Subtotal	152,495,000	-	9,430,000	143,065,000	6,955,000
Net Pension Liability	29,641,935	5,265	3,033,146	26,614,054	-
Other Post Employment Benefits	-	17,184,130	3,949,258	13,234,872	-
Lease Liability	-	1,370,532	-	1,370,532	68,527
Accrued Compensable Absences	913,166	35,800	75,161	873,805	720,674
Total Liabilities	\$ 183,050,101	\$ 18,595,727	\$ 16,487,565	\$ 185,158,263	\$ 7,744,201
Bonds Detail					
Total Bonds Payable	\$ 152,495,000	\$ -	\$ 9,430,000	\$ 143,065,000	\$ 6,955,000
Premium on Bonds Payable	15,037,403	-	1,269,486	13,767,917	1,065,028
Total Bonds Payable, Net	\$ 167,532,403	\$ -	\$ 10,699,486	\$ 156,832,917	\$ 8,020,028
Less Bonds Payable - Current Portion				(8,020,028)	
Total Noncurrent Bonds Payable, Net				\$ 148,812,889	

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 6 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2018, on the above bond issues are as follows:

	<u>Deferred Bond Issuance Cost</u>	<u>Bond Premium</u>	<u>Deferred Loss</u>
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 644	\$ 1,666	\$ 7,878
South Texas College District Limited Tax Refunding Bonds, Series 2007	-	-	-
South Texas College District Limited Tax Refunding Bonds, Series 2010	-	248,625	157,751
South Texas College District Limited Tax Bonds, Series 2014	-	5,326,486	-
South Texas College District Limited Tax Bonds, Series 2015	-	8,191,140	-
Total	<u><u>\$ 644</u></u>	<u><u>\$ 13,767,917</u></u>	<u><u>\$ 165,629</u></u>

Arbitrage

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2018, the District did not have a liability.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 6 – Long Term Liabilities (Continued)

For comparison purposes, the long-term liabilities activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
Bonds					
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 1,095,000	\$ -	\$ 350,000	\$ 745,000	\$ 365,000
South Texas College District Limited Tax Refunding Bonds, Series 2007	11,360,000	-	4,980,000	6,380,000	6,380,000
South Texas College District Limited Tax Refunding Bonds, Series 2010	4,365,000	-	1,920,000	2,445,000	2,075,000
South Texas College District Limited Tax Refunding Bonds, Series 2013	1,635,000	-	1,635,000	-	-
South Texas College District Limited Tax Bonds, Series 2014	53,750,000	-	-	53,750,000	-
South Texas College District Limited Tax Bonds, Series 2015	89,700,000	-	525,000	89,175,000	610,000
General Obligation Bonds Subtotal	161,905,000	-	9,410,000	152,495,000	9,430,000
Net Pension Liability	27,178,460	4,960,722	2,497,247	29,641,935	-
Accrued Compensable Absences	783,758	193,428	64,020	913,166	786,773
Total Liabilities	\$ 189,867,218	\$ 5,154,150	\$ 11,971,267	\$ 183,050,101	\$ 10,216,773
Bonds Detail					
Total Bonds Payable	\$ 161,905,000	\$ -	\$ 9,410,000	\$ 152,495,000	\$ 9,430,000
Premium on Bonds Payable	16,392,054	-	1,354,651	15,037,403	1,269,486
Total Bonds Payable, Net	\$ 178,297,054	\$ -	\$ 10,764,651	\$ 167,532,403	\$ 10,699,486
Less Bonds Payable - Current Portion				(10,699,486)	
Total Noncurrent Bonds Payable, Net				\$ 156,832,917	

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 6 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2017, on the above bond issues are as follows:

	<u>Deferred Bond Issuance Cost</u>	<u>Bond Premium</u>	<u>Deferred Loss</u>
South Texas College District Maintenance Tax Refunding Bonds, Bonds, Series 2007	\$ 1,288	\$ 3,332	\$ 15,757
South Texas College District Limited Tax Refunding Bonds, Series 2007	6,215	204,458	96,315
South Texas College District Limited Tax Refunding Bonds, Series 2010	-	497,250	315,502
South Texas College District Limited Tax Refunding Bonds, Series 2013	-	-	-
South Texas College District Limited Tax Bonds, Series 2014	-	5,659,391	-
South Texas College District Limited Tax Bonds, Series 2015	-	8,672,972	-
Total	<u><u>\$ 7,503</u></u>	<u><u>\$ 15,037,403</u></u>	<u><u>\$ 427,574</u></u>

Arbitrage

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2017, the District did not have a liability.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 7 – Debt and Lease Obligations and Rental Agreements

As of August 31, 2018, bonds payable are due in annual installments varying from \$370,000 to \$6,455,000 with interest rates from 3.0% to 5.0% and the final installment due in 2035. The principal and interest expense requirements for the next five years and beyond are summarized below for bonds issued:

Fiscal Year	<u>General Obligation Bond</u>		
	Principal	Interest	Total
2019	\$ 6,955,000	\$ 6,771,756	\$ 13,726,756
2020	7,295,000	6,433,356	13,728,356
2021	7,660,000	6,068,606	13,728,606
2022	7,940,000	5,788,706	13,728,706
2023	8,225,000	5,497,906	13,722,906
2024-2028	39,470,000	22,047,531	61,517,531
2029-2033	47,985,000	11,756,456	59,741,456
2034-2035	17,535,000	1,199,500	18,734,500
Total	\$ 143,065,000	\$ 65,563,817	\$ 208,628,817

For comparison purposes, as of August 31, 2017, bonds payable were due in annual installments varying from \$365,000 to \$6,455,000 with interest rates from 2.0% to 5.0% and the final installment due in 2035. The principal and interest expense requirements for the next five years and beyond are summarized below for bonds issued:

Fiscal Year	<u>General Obligation Bond</u>		
	Principal	Interest	Total
2018	\$ 9,430,000	\$ 7,239,606	\$ 16,669,606
2019	6,955,000	6,771,756	13,726,756
2020	7,295,000	6,433,356	13,728,356
2021	7,660,000	6,068,606	13,728,606
2022	7,940,000	5,788,706	13,728,706
2023-2027	39,385,000	23,907,481	63,292,481
2028-2032	45,750,000	13,990,413	59,740,413
2033-2035	28,080,000	2,603,500	30,683,500
Total	\$ 152,495,000	\$ 72,803,424	\$ 225,298,424

Included in current expenditures are the following amounts of facility rental paid or due:

<u>Fund Group</u>	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Unrestricted Current Funds	\$ 482,740	\$ 381,440

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 7 – Debt and Lease Obligations and Rental Agreements (Continued)

The District leases postage and copier equipment under non-cancelable operating leases. The future minimum lease rental payments under these leases having an initial term in excess of one year are as follows:

Year Ended	August 31, 2018 Minimum Future Lease Payments	August 31, 2017 Minimum Future Lease Payments
2018	\$ -	\$ 275,443
2019	280,246	176,155
2020	199,683	91,914
2021	72,540	666
2022	24,850	-
Total	\$ 577,319	\$ 544,178

During fiscal year 2018, the District did not enter into any lease agreements. No future receipts are expected for fiscal years 2019 and 2020.

Note 8 – Bonds Payable

General information related to bonds payable and balances at August 31, are summarized below:

	2018	2017
\$2,985,000 South Texas College District Maintenance Tax Refunding Bonds, Series 2007 due in varying installments through 2019, interest at 4.0%.		
Purpose: To advance refund a portion of the District's Bonds Series 1999, in order to lower the overall annual debt service requirements of the District, and to pay for the costs of issuance of the bonds.		
Issued: March 29, 2007		
Authorized: \$5,200,000; \$2,940,000 Current Interest Bonds and \$2,985,000		
Source of revenue for debt service: Ad-valorem taxes	\$ 380,000	\$ 745,000

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 8 – Bonds Payable (Continued)

	<u>2018</u>	<u>2017</u>
<p>\$23,589,991 South Texas College District Limited Tax Refunding Bonds, Series 2007 due in varying installments through 2018, interest at 4.0% - 5.0%.</p> <p>Purpose: To advance refund a portion of the District's Bonds Series 2002, in order to lower the overall annual debt service requirements of the District, and to pay for the costs of issuance of the bonds.</p> <p>Issued: March 29, 2007</p> <p>Authorized: \$71,230,000; \$47,640,000 Current Interest Bonds and \$23,589,991</p> <p>Source of revenue for debt service: Ad-valorem taxes</p>	-	6,380,000
<p>\$19,550,011 South Texas Junior College District Limited Tax Refunding Bonds, Series 2010 due in varying installments through 2019, interest at 3.0% - 5.6%.</p> <p>Purpose: To advance refund a portion of the District's Bonds, Series 2002 and 2003 in order to lower the overall annual debt service requirements of the District, and to pay for the cost of issuance of the bonds.</p> <p>Issued: November 18, 2010</p> <p>Authorized: \$71,230,000 for Series 2002; \$37,620,000 Current Interest Bonds \$23,589,991 and \$9,726,028 refunded</p> <p>Authorized: \$22,845,000 for Series 2003; \$13,305,000 Current Interest Bonds and \$9,823,983 refunded</p> <p>Source of revenue for debt service: Ad-valorem taxes</p>	370,000	2,445,000
<p>\$53,750,000 South Texas College District Limited Tax Bonds, Series 2014 due in varying installments through 2034, interest at 5.0%.</p> <p>Purpose: Construction and equipping of College buildings to accommodate increased student enrollment and to pay for the cost of issuance of the bonds.</p> <p>Issued: February 26, 2014</p> <p>Authorized Date: November 5, 2013</p> <p>Authorized: \$159,028,940; \$53,750,000 issued</p> <p>Source of revenue for debt service: Ad-valorem taxes</p>	53,750,000	53,750,000

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 8 – Bonds Payable (Continued)

	<u>2018</u>	<u>2017</u>
\$90,220,000 South Texas College District Limited Tax Bonds, Series 2015 due in varying installments through 2035, interest at 2.0% - 5.0%.		
Purpose: Construction and equipping of College buildings to accommodate increased student enrollment and to pay for the cost of issuance of the bonds.		
Issued: July 21, 2015		
Authorized Date: November 5, 2013		
Authorized: \$159,028,940; \$90,220,000 issued		
Source of revenue for debt service: Ad-valorem taxes	88,565,000	89,175,000
Total Bonds Payable	<u>\$ 143,065,000</u>	<u>\$ 152,495,000</u>

Note 9 – Employees’ Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas - Defined Benefit Plan

A. Plan Description

South Texas College District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS’ 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 work load 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

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017**

Note 9 – Employees’ Retirement Plan (Continued)

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% (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, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (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 above.

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. 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA), established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>FY 2018</u>	<u>FY 2017</u>
Member	7.7%	7.7%
District/Non-Employer Contributing Entity (State)	6.8%	6.8%
FY 2017 Member contributions		\$ 5,328,871
FY 2017 District contributions		\$ 2,727,956
FY 2017 State contributions		\$ 2,017,870

The District’s contribution to the TRS pension plan in fiscal year ended 2018 were \$3,146,914 as reported in the Schedule of District Contribution in the Required Supplementary Information section of these financial statements. Estimated State of Texas on behalf contributions for fiscal year ended 2018 were \$2,220,817.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 9 – Employees’ Retirement Plan (Continued)

- 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 colleges are required to pay the employer contribution rate in the following instances:

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

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.5%
Payroll Growth Rate	2.5%
Salary increases including inflation	3.5% to 9.5%
Benefit changes during the year	
Ad hoc post-employment benefit changes	None

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e., the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield*

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 9 – Employees’ Retirement Plan (Continued)

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”.

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

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

F. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. 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 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 9 – Employees’ Retirement Plan (Continued)

Best estimates of geometric real rates of return for each major asset class included in the system’s target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation *	Long Term Expected Geometric Real Rate of Return	Expected Contribution to Long Term Portfolio Returns **
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked	3.0%	0.9%	0.0%
Bonds			
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

*Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

**The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 9 – Employees’ Retirement Plan (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 (8%) in measuring the fiscal year 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District’s proportionate share of the net pension liability:	\$ 44,866,036	\$ 26,614,054	\$ 11,416,316

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

At August 31, 2018, and 2017, the District reported a liability of \$26,614,054 and \$29,641,935, respectively, for its proportionate share of the TRS’ net pension liability. This liability reflects a reduction for state pension support provided to the District. The amount recognized by the District 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 District at August 31, 2018 and 2017 are as follows:

	FY2018	FY2017
The District’s proportionate share of the collective net pension liability	\$ 26,614,054	\$ 29,641,935
State’s proportionate share that is associated with the District	19,727,818	22,641,257
Total	\$ 46,341,872	\$ 52,283,192

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017, the District’s proportion of the collective net pension liability was 0.0832349524%, which was an increase of 0.0047933% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the District recognized pension expense of \$1,504,759 and revenue of \$1,504,759 for support provided by the State.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 9 – Employees’ Retirement Plan (Continued)

At August 31, 2018 and 2017, the District reported its proportionate share of the TRS’ deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FY 2018		FY 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 389,376	\$ 1,435,261	\$ 464,780	\$ 885,091
Changes in actuarial assumption	1,212,312	694,021	903,433	821,635
Difference between projected and actual	4,092,932	6,032,507	5,712,041	3,202,023
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	1,546,241	1,262,910	153,709	1,586,739
Contributions paid to TRS subsequent to the measurement date	3,146,914	-	2,744,690	-
Total	\$ 10,387,775	\$ 9,424,699	\$ 9,978,653	\$ 6,495,488

The net amounts of the District’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ended August 31:	Increase (Reduction) of Pension Expense
2019	\$ (919,946)
2020	778,898
2021	(1,050,456)
2022	(1,422,191)
2023	269,698
Thereafter	160,159

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 9 – Employees’ Retirement Plan (Continued)

Optional Retirement Plan-Defined Contribution Plan

A. Plan Description

Participation in the Optional Retirement Program (ORP) is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

B. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state are 6.6% for fiscal years 2018, 2017, and 2016. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2018, 2017, and 2016 respectively. The District contributes 1.9% for fiscal years 2018, 2017, and 2016, for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

Payroll for Retirement Plans

Total payroll for the District and for employees covered by each retirement plan, associated District contributions for ORP, State contributions made on behalf of the District for ORP and member contributions for ORP were as follows:

	August 31, 2018	August 31, 2017	August 31, 2016
Payroll for all district employees	<u>\$ 96,842,453</u>	<u>\$ 88,389,546</u>	<u>\$ 82,473,840</u>
Total payroll for TRS	<u>77,726,679</u>	<u>69,206,093</u>	<u>63,586,601</u>
Total payroll for ORP	<u>12,524,692</u>	<u>12,378,137</u>	<u>12,521,213</u>
State contributions	<u>401,452</u>	<u>398,078</u>	<u>403,073</u>
District contributions	<u>438,006</u>	<u>436,098</u>	<u>441,081</u>
Total Contributions	<u>\$ 839,458</u>	<u>\$ 834,176</u>	<u>\$ 844,154</u>
Member contributions	<u>\$ 832,893</u>	<u>\$ 832,147</u>	<u>\$ 832,661</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 10 – Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Texas Government Code 609.001.

As of August 31, 2018, the District has 100 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 96 participated in 2017. A total of \$547,458 and \$532,426 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2018 and 2017, respectively.

As of August 31, 2018, the District has 75 employees participating in Section 457 Deferred Compensation Plan (DCP) and 77 participated in 2017. A total of \$246,822 and \$198,855 in payroll deductions have been invested in Section 457 Deferred Compensation Plan during the fiscal years 2018 and 2017, respectively.

The deferred compensation program is not included in the basic financial statements because the program assets are assets of the plan participants and not of the District.

Note 11 – Compensable Absences

With the exception of faculty members who have appointments of less than 12 months, all full-time benefit eligible employees accrue vacation leave time at the rate of 8 hours per month. Less than full-time employees accrue vacation on a pro-rated basis.

All hours of unused accumulated vacation leave, except as authorized by the Board of Trustees, must be used by March 1, following the fiscal year in which it was accumulated. Any vacation leave not used by that date is forfeited. A time extension may be requested from the District's President for extenuating circumstances. The Board has made an exception to these guidelines and the associated cost is included in the long-term portion. Full-time benefit eligible employees are expected to utilize accrued vacation leave prior to their separation from the District. However, the employee will be compensated for accrued vacation leave if the leave is not taken prior to separation.

	August 31, 2018	August 31, 2017
Compensable absences-beginning	\$ 913,166	\$ 783,758
Net additions and reductions	(39,361)	129,408
Total Compensable Absences	\$ 873,805	\$ 913,166
Current portion	\$ 720,674	\$ 786,773

Sick leave, which can be accumulated up to 720 hours, is earned at the rate of 8 hours per month. It is paid to an employee who misses work under the criteria of board-approved guidelines for sick leave. Sick leave does not vest, therefore no liability is recorded. Employees retiring under the Texas Retirement System (TRS) after September 1, 2001, may have the option to use accrued sick leave towards years of service credit under TRS rules.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 12 – Other Post-Employment Benefits (OPEB)

(In accordance with GASB Statement 75)

A. Plan Description

South Texas College District 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 postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

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 on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium Fiscal Year 2017	
Retiree Only	\$ 617.30
Retiree and Spouse	970.98
Retiree and Children	854.10
Retiree and Family	1,207.78

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

Premium Contributions by Source Group Benefits Program Plan Fiscal Year 2018	
Employers	\$ 364,049
Members (Employees)	3,821,722
Nonemployer Contributing Entity (State of Texas)	313,508

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 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, 2017
Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	Not Applicable
Discount rate	3.51%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	8.50% for 2019, decreasing 0.5% per year to 4.50% for 2027 and later years
Inflation assumption rate	2.50%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014.
Disability retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2014 for higher education members.

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

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 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of 0.67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

H. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
District's proportionate share of the net OPEB liability:	\$ 15,798,569	\$ 13,234,872	\$ 11,249,058

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

I. Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the District's 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 (4.5%) in measuring the net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)	1% Increase in Healthcare Cost Trend Rates (9.5% decreasing to 5.5%)
District's proportionate share of the net OPEB liability:	\$ 11,126,159	\$ 13,234,872	\$ 15,971,046

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

At August 31, 2018, the District's reported a liability of \$13,234,872 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability associated with the District were as follows:

The District's proportionate share of the collective OPEB liability	\$ 13,234,872
State's proportionate share that is associated with the District	11,397,449
Total	<u>\$ 24,632,321</u>

The net OPEB liability was measured as of August 31, 2017, 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, 2016, thru August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.03884268%, which was the same proportion measured as of August 31, 2016

For the year ended August 31, 2018, the District recognized OPEB expense of \$609,947 and revenue of \$609,947 for support provided by the State.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

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:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

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 cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

At August 31, 2018, the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 159,041
Changes in actuarial assumption	-	2,767,254
Difference between projected and actual investment earnings	3,918	-
Contributions paid to ERS subsequent to the measurement date	419,711	-
Total	\$ 423,629	\$ 2,926,295

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

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

Year Ended August 31:	OPEB Expense Amount
2019	\$ (658,095)
2020	(658,095)
2021	(658,095)
2022	(658,095)
2023	(289,995)
Thereafter	-

The District is dependent upon information provided by the ERS Plan for recognizing the OPEB liability, deferred inflows and deferred outflows of resources, and expenses. The ERS Plan information provided to the District used retiree data for the restatement in fiscal year 2018. Contributions made subsequent to the measurement date by the District for retirees have been recorded as deferred outflows of resources as of August 31, 2018 and contributions made subsequent to the measurement date by the District for active employees have been recorded as an expense for the year ended August 31, 2018. Future changes, if any, to the current methodology or actuarial assumptions being utilized, could result in significant changes in accounting and financial reporting in future periods.

Note 13 – Pending Lawsuits and Claims

A. Litigation

On August 31, 2018, various lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District 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 District.

B. Federal and State Assisted Grant Programs

The District participates in several federal and state assisted grant programs. Although the District's grant programs have been audited in accordance with the provisions of the Uniform Guidance and the State of Texas Single Audit Circular through August 31, 2018, these programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 14 – Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2018, and 2017 were as follows:

	August 31, 2018	August 31, 2017
Student receivables	\$ 5,701,796	\$ 5,466,957
Federal receivables	1,983,881	1,570,829
Interest receivables	134,084	142,973
Accounts receivables		
Bookstore and auxiliary	48,660	47,453
State, local and private	667,267	865,282
Pledges receivable	41,855	51,103
Contractors	290,800	352,500
Other receivables	616,862	401,809
Subtotal	9,485,205	8,898,906
Allowance for doubtful accounts-student	(4,576,249)	(4,401,951)
Total Accounts Receivable, Net	\$ 4,908,956	\$ 4,496,955

	August 31, 2018	August 31, 2017
Taxes receivables	\$ 12,996,100	\$ 12,719,847
Allowance for doubtful accounts-taxes	(6,434,600)	(2,334,060)
Total Taxes Receivable, Net	\$ 6,561,500	\$ 10,385,787

Student and taxes receivables may not all be collected within one year.

Payables

Payables at August 31, 2018, and 2017 were as follows:

	August 31, 2018		August 31, 2017	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor payable				
Vendors	\$ 3,243,292	\$ -	\$ 4,790,985	\$ -
Construction	1,660,905	-	12,824,250	-
Construction retainage	450,535	-	4,414,102	-
Salaries & benefits	-	2,558,402	-	2,361,358
Students payable	52,684	-	113,022	-
Accrued interest	-	294,424	-	314,766
Other Payables	22,369	-	28,307	-
Total Payables	\$ 5,429,785	\$ 2,852,826	\$ 22,170,666	\$ 2,676,124

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 15 – Funds Held for Others

At August 31, 2018, and 2017, the District held, in trust funds, amounts of \$301,482 and \$264,314, respectively that pertain primarily to student organizations. These funds are not available to support the District's programs.

Note 16 – Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). All contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivables 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 award funds already committed (e.g. multi-year awards) or funds awarded during fiscal years ended 2018 and 2017, for which monies have not been received nor funds expended totaled \$5,033,669 and \$3,681,529, respectively.

These amounts are comprised of the following:

	August 31, 2018	August 31, 2017
Federal contracts and grant awards	\$ 2,141,903	\$ 1,429,167
State contracts and grant awards	1,661,335	1,711,788
Local contracts and grant awards	216,440	53,855
Private contracts and grant awards	1,013,991	486,719
Total	\$ 5,033,669	\$ 3,681,529

Note 17 – Health Care and Life Insurance Benefits

Certain health care and life insurance 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. The state's contribution per full-time employee was \$619.68 per month for the year ended August 31, 2018 and \$617.30 per month for the year ended August 31, 2017 for United Health Select of Texas. The state's contribution totaled \$5,481,778 for the year ended August 31, 2018 and \$4,973,753 for the year ended August 31, 2017.

The cost of providing those benefits for eighty-nine retirees in the year ended August 31, 2018, was \$351,457 and for eighty-four retirees in the year ended August 31, 2017, was \$283,293. For 1,487 United Health Select of Texas active employees, the cost of providing benefits was \$5,130,321 for the year ended August 31, 2018. Active employee benefits for 1,382 United Health Select of Texas active employees cost \$4,690,460 for the year ended August 31, 2017. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 17 – Health Care and Life Insurance Benefits (Continued)

The number of employees and retirees and associated District contributions and state contributions made on behalf of the District were as follows:

	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Full time employees	1,487	1,382
Number of retirees	89	84
Active employee-state	\$ 5,130,321	\$ 4,690,460
Retiree-state	351,457	283,293
Total State Contributions	<u>5,481,778</u>	<u>4,973,753</u>
District contributions	<u>8,799,017</u>	<u>8,105,478</u>
Total Health Insurance Cost	<u>\$ 14,280,795</u>	<u>\$ 13,079,231</u>

Note 18 – Ad Valorem Tax

The District's ad valorem property taxes are levied each October 1, on the assessed value listed as of the lien date, which is the prior January 1, for all real and business personal property located in the District.

	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Assessed valuation of the District	\$ 48,331,824,331	\$ 46,095,416,000
Less: Exemptions	(11,105,231,537)	(10,777,687,569)
Less: Abatements	(630,444,975)	(415,511,091)
Net Assessed Valuation of the District	<u>\$ 36,596,147,819</u>	<u>\$ 34,902,217,340</u>

	<u>Fiscal Year 2018</u>			<u>Fiscal Year 2017</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation (maximum per enabling legislation)	\$ 0.1400	\$ 0.5000	\$ 0.6400	\$ 0.1400	\$ 0.5000	\$ 0.6400
Assessed tax rate per \$100 valuation	\$ 0.1400	\$ 0.0450	\$ 0.1850	\$ 0.1400	\$ 0.0450	\$ 0.1850

Taxes levied for the year ended August 31, 2018, and 2017 amounted to \$68,485,532 and \$65,021,929, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

The Hidalgo County Tax Assessor-Collector and the Starr County Tax Assessor-Collector are the collecting agencies for the tax levy and remit the collections to the District, net of a collection fee.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 18 – Ad Valorem Tax (Continued)

	August 31, 2018			August 31, 2017		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$48,174,149	\$15,484,568	\$63,658,717	\$45,121,592	\$14,503,383	\$59,624,975
Delinquent taxes collected	2,291,718	759,826	3,051,544	2,090,900	702,390	2,793,290
Penalties & interest collected	1,443,249	483,697	1,926,946	1,365,682	460,934	1,826,616
Total gross collections	51,909,116	16,728,091	68,637,207	48,578,174	15,666,707	64,244,881
Tax appraisal & collection fees	(877,276)	(56,990)	(934,266)	(772,969)	(63,604)	(836,573)
Bad debt expense	(3,048,680)	(1,051,859)	(4,100,539)	(130,256)	(51,060)	(181,316)
Total Net Collections	<u>\$47,983,160</u>	<u>\$15,619,242</u>	<u>\$63,602,402</u>	<u>\$47,674,949</u>	<u>\$15,552,043</u>	<u>\$63,226,992</u>

Tax collections for the year ended August 31, 2018, and 2017, were 95.64% and 94.35%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon 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.

Note 19 – Property Tax Abatement

The District entered into a property tax abatement agreement with Duke Energy Renewables Wind, LLC, formerly known as DEGS Wind I, LLC under the Property Tax Abatement Act (Chapter 312 of Texas Tax Code). The abatement was granted for the construction of a wind farm that will provide clean power to customers, with little or no emissions impacting the environment. Duke Energy Renewables Wind, LLC project will contribute to the expansion of employment, attract major investment to Starr County, benefit the property on which it is constructed, and contribute to the economic development of Starr County. The project consists of a renewable energy wind powered electric generating facility with an estimated value of \$740,000,000 upon completion of the project. The operation and maintenance of this project will create four to five new fulltime jobs with full benefits. Salaries of Wind turbine technicians will exceed the minimum living wage requirements for Starr County.

For the fiscal year ended August 31, 2018, the District abated property tax revenue totaling \$882,623 due to the reduction of the county's taxable assessed value. The property tax abatement was granted for a period of ten years at a rate of eighty-five percent (85%) of the assessed maintenance and operations property tax value. Under this program, the abatement is comprised of a partial exemption from ad valorem taxes of certain added value to real and personal property in a zone designated for economic development purposes pursuant to the Act by the County of Starr.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 19 – Property Tax Abatement (Continued)

Per Texas Tax Code 312.205, if Duke Energy Renewables Wind, LLC fails to make the improvement as provided for by this agreement, the College is entitled to cancel the agreement and recover the property tax revenue abated under this agreement through the cancellation date. Duke Energy Renewables Wind, LLC has agreed to make annual payments, in lieu of taxes in the amount of \$65,000 for each year of the tax abatement.

Note 20 – Income Taxes

The District 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 District had no unrelated business income tax liability for the year ended August 31, 2018 and 2017.

Note 21 – Related Parties

One member of the Board of Trustees is employed at the District's depository bank. Another member of the Board of Trustees provided professional services to the District's depository bank and other entities that conducted business with the District during fiscal year 2018.

Note 22 – Auxiliary Operations

The Dr. Ramiro R. Casso Nursing Allied Health campus cafeteria and the Mid-Valley campus cafeteria operations were outsourced to Domine Catering, LLP for part of the fiscal year. The Starr County campus cafeteria operations are outsourced to Cactus Restaurant.

The District currently outsources its auxiliary bookstore operations to Barnes and Noble College Booksellers, LLC. On March 30, 2015, an agreement was signed between South Texas College District and Barnes & Noble College Booksellers, LLC for bookstore services. Barnes and Noble College Booksellers, LLC shall be the buyer and seller of all required, recommended or suggested course materials and supplies, including books, course packs, computer software, textbook rentals, and materials published or distributed electronically and/or through learning management systems, or sold over the internet. The District believes that Barnes and Noble can be more effective and efficient in providing these services to the students and faculty since they are leaders in the industry. The agreement is effective for the period of November 1, 2014 through October 31, 2019, unless terminated earlier for express cause. A one-time signing bonus was paid to the District in the amount of \$575,000. Barnes and Noble will amortize the one-time payment on a straight line basis over the five year period of the agreement. Should the agreement terminate early without cause the District shall reimburse Barnes and Noble for any amount of the investment not yet amortized.

Barnes and Noble will spend \$30,000 to provide state-of-the art bookstore facilities and will depreciate on a straight-line basis over the five year period of the agreement. If the agreement ends for other than cause

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 22 – Auxiliary Operations (Continued)

prior to the capital investment being fully depreciated then the District will reimburse Barnes and Noble for the undepreciated portion of the capital investment and the fixed asset becomes property of the District. If the agreement ends for cause, the fixed asset becomes property of the District and no reimbursement is made for undepreciated basis. Barnes and Noble will provide annual scholarships of \$15,000 to be awarded at the discretion of the District over the course of the agreement. On an annualized basis, Barnes and Noble will pay the District the greater of a guaranteed amount (\$550,000) or a calculated commission percentage ranging between 13.5% and 16% of commissionable sales. Different percentages apply for sales between \$0 and \$3,000,000, which become cumulative.

Note 23 – Risk Management

The District controls risk through participation in a governmental risk management pool, the purchase of insurance from commercial insurance providers, or a combination of both. Each year, the district solicits competitive proposals from insurance providers to cover various risks such as injuries to employees; natural disasters; theft, damage or destruction of assets; errors and omissions; and injuries to persons and property. Both governmental risk pools and commercial insurance companies may respond to the solicitation. The District evaluates responses for each type of insurance and awards to the respondent who affords the best value. There has been no reduction in insurance coverage from prior year.

The more significant coverage's include \$1,000,000 and \$1,000,000 of general liability insurance for fiscal years 2018 and 2017, respectively, property insurance covering the District's buildings and properties including commercial inland marine in an aggregate amount of \$324,709,682 and \$324,160,202 for fiscal years 2018 and 2017, respectively, business income with extra expense coverage of \$39,239,402 and \$34,100,000 for fiscal years 2018 and 2017, respectively, and \$1,000,000 and \$1,000,000 in education legal and employment practices liability for fiscal years 2018 and 2017, respectively. The District's employees were covered by workers' compensation insurance in the event of work related injury or occupational disease. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The District did not maintain or operate a self-insured insurance plan for fiscal years 2018 and 2017.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 24 – Construction and Improvement Commitments

Construction and improvement commitments for August 31, 2018, were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 36,598,566	\$ 36,598,566	\$ -
Nursing Allied Campus	21,374,479	21,374,479	-
Technology Campus	10,847,659	10,249,343	598,316
Mid Valley Campus	28,958,764	28,868,505	90,259
Starr Campus	22,358,267	22,354,267	4,000
District Wide	1,522,622	1,522,622	-
Regional Center for Public Safety Excellence	6,492,788	6,209,479	283,309
Total	\$ 128,153,145	\$ 127,177,261	\$ 975,884

At August 31, 2018, the District had \$975,884 of remaining contractual commitments in construction and improvement projects.

Construction and improvement commitments for August 31, 2017, were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 42,959,794	\$ 34,904,282	\$ 8,055,512
Nursing Allied Campus	22,412,825	14,937,449	7,475,376
Technology Campus	11,239,405	10,510,707	728,698
Mid Valley Campus	28,879,870	18,597,622	10,282,248
Starr Campus	24,106,752	13,793,796	10,312,956
District Wide	1,983,670	1,531,753	451,917
Regional Center for Public Safety Excellence	7,522,292	1,523,978	5,998,314
Total	\$ 139,104,608	\$ 95,799,587	\$ 43,305,021

At August 31, 2017, the District had \$43,305,021 of remaining contractual commitments in construction and improvement projects.

Note 25 – Deposits in Escrow

South Texas College District entered into the following infrastructure improvement escrow agreements with the City of McAllen. In fiscal year 2010, \$126,801 was deposited into an escrow account for the thirty foot portion of the Quince Avenue roadway dedication at the District's West 15 acre parking lot. As a result, the District has deposited \$126,801 into an escrow account as of August 31, 2018.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 26 – Endowments

The District is the recipient of six endowments. By District policy, the net appreciation is earmarked for student scholarships. The amount of net appreciation on investments that was available for spending was \$5,007 and \$2,266 in fiscal years 2018 and 2017, respectively.

The endowments are presented in Restricted Non-Expendable Net Position.

The fund balances of the endowments were as follows:

Endowment	August 31, 2018	August 31, 2017
Alfredo De Los Santos Endowment	\$ 15,100	\$ 15,100
Futuro Brillante Endowment	200,100	200,100
Glen & Rita K. Roney Endowment	116,700	116,700
Martin Harvey Endowment	1,065	1,056
Roberto Gutierrez Sr. Endowment	917	909
Edwynne G. Cooper Endowment*	5,590	5,590
Total Endowments	\$ 339,472	\$ 339,455

*Endowment investment consists of a donated coin collection.

In fiscal year 2012, the District's Board of Trustees accepted the Mission Economic Development Authority (MEDA) Scholarship Fund Endowment. The MEDA deposited \$3,151,875 into the MEDA Scholarship Fund Trust for the purpose of awarding and distributing scholarships to students of South Texas College District who reside in the City of Mission, Texas, and/or to establish educational facility(ies) within the City of Mission, Texas. Edward Jones Trust Company will serve as the initial sole trustee. South Texas College District, as the Trust's initial sole beneficiary, will receive, each fiscal year of the Trust, distributions not to exceed an amount equal to the greater of the following: 1) the net income of the Trust; and 2) 5% of the fair market value of the undistributed income and corpus of the Trust as of the last day of the Trust's previous fiscal year. At August 31, 2018, the market value of the Trust was \$3,794,720. The Trust made a distribution to the District in the amount of \$193,928 in fiscal year 2018. At August 31, 2017, the market value of the Trust was \$3,707,223. The Trust made a distribution to the District in the amount of \$180,512 in fiscal year 2017. The funds are presented in Restricted Expendable Net Position.

Note 27 – Pledges of Gifts

The District records pledges of gifts when an unconditional promise to pay is received. At August 31, 2018, pledges receivable totaled \$41,855, which consisted of non-cash gifts of \$31,355 and \$10,500 in cash gifts. At August 31, 2017, pledges receivable totaled \$51,103, which consisted of non-cash gifts of \$34,203 and \$16,900 in cash gifts. All the pledges are expected to be received within the next fiscal year. Pledges receivable are recorded on the statement of financial position as assets net of allowance for uncollectible accounts.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 28 – Recent Accounting Pronouncements – Governmental Accounting Standards Board

New Pronouncements

In June 2015, GASB issued Statement No. 75 *Accounting for Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflow of resources and expenses. The District implemented the provisions of this Statement for the year ended August 31, 2018. For more information, see Note 12 and RSI Schedules related to OPEB.

In March 2016, GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administrated by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resource become applicable to the reporting period. This Statement was determined to have no effect on the District's financial statements.

In March 2016, GASB issued Statement No. 82 *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with the respect to Statements No. 67, *Financial Reporting for Pensions Plans*, No. 68 *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District implemented the provisions of this Statement for the year ended August 31, 2017. For more detailed information, see Note 9 and RSI Schedules related to pension.

In March 2017, GASB issued Statement No. 85 *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending components units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

Note 28 – Recent Accounting Pronouncements – Governmental Accounting Standards Board (Continued)

- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefits OPEB plans

This Statement was determined to have no effect on the District's financial statements.

In May 2017, GASB issued Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement was determined to have no effect on the District's financial statements.

Pending Pronouncements

The following GASB pronouncements have been issued but not yet implemented by the District:

In November 2016, GASB issued Statement No. 83 *Certain Asset Retirement Obligation*. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's ARO to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement is effective for periods beginning after June 15, 2018.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2018 and 2017

**Note 28 – Recent Accounting Pronouncements – Governmental Accounting Standards Board
(Continued)**

In January 2017, GASB issued Statement No. 84 *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides a for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for a lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistence of information about governments' leasing activities. This Statement is effective for periods beginning after December 15, 2019.

The District has not yet completed the process of evaluating the impact of GASB Statements Nos. 83, 84, and 87 on its financial statements.

South Texas College District
Schedule of District's Proportionate Share of Net Pension Liability
Last Four Fiscal Years**

<u>Fiscal Year ending August 31st*</u>	<u>2018**</u>	<u>2017**</u>
District's proportionate share of collective net pension liability (%)	0.0832350%	0.0784417%
District's proportionate share of collective net pension liability (\$)	\$ 26,614,054	\$ 29,641,935
State's proportionate share of net pension liability associated with District	19,727,818	22,641,257
Total	<u>\$ 46,341,872</u>	<u>\$ 52,283,192</u>
District's covered payroll	\$ 69,206,093	\$ 63,586,601
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	38.46%	46.62%
Plan fiduciary net position as percentage of total pension liability	82.17%	78.00%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

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

2016**		2015**	
	0.0768868%		0.0900000%
\$	27,178,460	\$	22,763,681
	20,886,258		17,659,066
\$	48,064,718	\$	40,422,747
\$	58,805,553	\$	55,705,206
	46.22%		40.86%
	78.43%		83.25%

South Texas College District
Schedule of District's Contributions for Pensions
Last Four Fiscal Years**

<u>Fiscal Year ending August 31st*</u>	<u>2018**</u>	<u>2017**</u>
Legally required contributions	\$ 3,146,914	\$ 2,744,690
Annual contributions	3,146,914	2,744,690
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 77,726,679	\$ 69,206,093
Contributions as a percentage of covered-employee payroll	4.05%	3.97%

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

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

2016**	2015**
\$ 2,497,718	\$ 2,281,121
2,497,718	2,281,121
<u>\$ -</u>	<u>\$ -</u>
\$ 63,586,601 3.93%	\$ 58,805,553 3.88%

**South Texas College District
Notes to Required Supplementary Information
For the Year Ended August 31, 2018**

Changes of Benefit Term:

There were no material changes for the year ended August 31, 2018.

Changes of Assumptions:

There were no material changes of assumption for the year ended August 31, 2018.

For details regarding actuarial assumption, please review TRS's Comprehensive Annual Financial Report for the year ended August 31, 2017, which can be accessed at https://www.trs.texas.gov/TRS Documents/cafr_2017.pdf.

South Texas College District
Schedule of District's Proportionate Share of Net OPEB Liability
Employee Retirement System of Texas
State Retiree Health Plan
Last One Fiscal Year **

<u>Fiscal Year ending August 31st*</u>	<u>2018**</u>
District's proportionate share of collective net OPEB liability (%)	0.03884268%
District's proportionate share of collective net OPEB liability (\$)	\$ 13,234,872
State's proportionate share of net OPEB liability associated with District	11,397,449
Total	<u>\$ 24,632,321</u>
District's covered employee payroll	\$ 66,981,577
District's proportionate share of the collective net OPEB liability as a percentage of covered payroll	19.76%
Plan fiduciary net position as percentage of total OPEB liability	2.04%

* The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

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

**South Texas College District
Schedule of District's Contributions for OPEB
Employee Retirement System of Texas
State Retiree Health Plan
Last Two Fiscal Years ****

<u>Fiscal Year ending August 31st*</u>	<u>2018**</u>	<u>2017**</u>
Legally required contributions	\$ 419,711	\$ 399,721
Actual contributions	419,711	399,721
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 73,825,253	\$ 66,981,577
Contributions as a percentage of covered employee payroll	0.57%	0.60%

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

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

South Texas College District
Notes to Required Supplementary Information for OPEB
For the Year Ended August 31, 2018

Changes of Benefit Term:

Under Q/A #4.107 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 September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- Elimination of the copayment for virtual visits;
- A reduction in the copayment for Airrosti; and
- For out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes of Assumptions:

Demographic Assumptions:

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

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

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

South Texas College District
Notes to Required Supplementary Information for OPEB
For the Year Ended August 31, 2018

Economic Assumptions:

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees.

Assumption for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost. Retiree Contribution and Expense trends have been updated since the previous evaluation to reflect recent health plan experience and its effect on our short-term expectations and the revised assumed rate of general inflation.

The discount rate was lowered 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.

Minor benefit changes have been reflected in the FY 2018 Assumed Per Capita Benefit Costs.

For details regarding actuarial assumption, please review ERS's Comprehensive Annual Financial Report for the year ended August 31, 2017, which can be accessed at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2017-CAFR>.

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2018 (With Totals for the Year Ended August 31, 2017)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2018 Total	FY 2017 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 43,686,928	\$ -	\$ 43,686,928	\$ -	\$ 43,686,928	\$ 43,588,949
Out-of-district resident tuition	1,400,661	-	1,400,661	-	1,400,661	1,237,779
Non-resident tuition	4,668,300	-	4,668,300	-	4,668,300	4,534,282
TPEG state (set aside) *	1,892,733	-	1,892,733	-	1,892,733	1,833,192
State funded continuing education	760,922	-	760,922	-	760,922	918,034
TPEG non-credit (set aside) *	48,570	-	48,570	-	48,570	58,598
State funded workforce development	259,703	-	259,703	-	259,703	242,324
TPEG non-credit (set aside) *	16,578	-	16,578	-	16,578	15,468
Non-state funded continuing education	346,089	-	346,089	-	346,089	480,750
TPEG non-credit (set aside) *	22,092	-	22,092	-	22,092	30,687
Non-state funded workforce development	193,184	-	193,184	-	193,184	77,503
TPEG non-credit (set aside) *	12,330	-	12,330	-	12,330	4,947
Total Tuition	53,308,090	-	53,308,090	-	53,308,090	53,022,513
Fees:						
Student registration fee	9,678,607	-	9,678,607	-	9,678,607	9,336,012
Laboratory fees	1,329,969	-	1,329,969	-	1,329,969	1,345,109
Incidental fees	30,816,378	-	30,816,378	2,541,210	33,357,588	28,801,179
Total Fees	41,824,954	-	41,824,954	2,541,210	44,366,164	39,482,300
Scholarship Allowances and Discounts:						
Bad debt allowance	(1,304,281)	-	(1,304,281)	-	(1,304,281)	(1,365,190)
Remissions and exemptions	(32,140,489)	-	(32,140,489)	(847,171)	(32,987,660)	(30,356,570)
TPEG allowances	(1,908,458)	-	(1,908,458)	-	(1,908,458)	(1,652,634)
Local grants to students	(918,802)	-	(918,802)	-	(918,802)	(526,675)
Private grants to students	(1,163,827)	-	(1,163,827)	-	(1,163,827)	(957,339)
State grants to students	(1,784,756)	-	(1,784,756)	-	(1,784,756)	(1,589,381)
Federal grants to students	(35,948,604)	-	(35,948,604)	-	(35,948,604)	(32,927,319)
Total Scholarship Allowances and Discounts	(75,169,217)	-	(75,169,217)	(847,171)	(76,016,388)	(69,375,108)
Total Net Tuition and Fees	19,963,827	-	19,963,827	1,694,039	21,657,866	23,129,705
Additional Operating Revenues:						
Federal grants and contracts	304,868	3,999,672	4,304,540	-	4,304,540	4,490,675
State grants and contracts	64,889	4,044,083	4,108,972	-	4,108,972	4,076,652
Local grants and contracts	5,041,294	1,619,440	6,660,734	-	6,660,734	6,102,604
Non-governmental grants and contracts	76,226	2,462,470	2,538,696	-	2,538,696	2,061,438
General operating revenues	508,068	196,928	704,996	-	704,996	603,343
Total Additional Operating Revenues	5,995,345	12,322,593	18,317,938	-	18,317,938	17,334,712
Auxiliary Enterprises:						
Bookstore	-	-	-	611,451	611,451	607,104
Food service	-	-	-	606,290	606,290	566,558
Vending commissions	-	-	-	159,393	159,393	137,572
Other commissions	-	-	-	27,245	27,245	28,682
Child care center	-	-	-	328,343	328,343	327,156
General conferences	-	-	-	70,308	70,308	123,685
Other	-	-	-	87,150	87,150	42,650
Total Auxiliary Enterprises	-	-	-	1,890,180	1,890,180	1,833,407
Total Operating Revenues	\$ 25,959,172	\$ 12,322,593	\$ 38,281,765	\$ 3,584,219	\$ 41,865,984	\$ 42,297,824
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$1,992,303 and \$1,942,892 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2018 and 2017, respectively.

South Texas College District
Schedule of Operating Expenses by Object
Year Ended August 31, 2018 (With Totals for the Year Ended August 31, 2017)

Schedule B

	Operating Expenses				FY 2018 Total	FY 2017 Total
	Salaries and Wages	Benefits State	Local	Other Expenses		
Unrestricted-Educational Activities						
Instruction	\$ 54,346,498	\$ -	\$ 9,258,622	\$ 8,480,216	\$ 72,085,336	\$ 65,058,847
Public service	835,083	-	225,485	570,308	1,630,876	412,392
Academic support	9,526,192	-	1,812,545	3,732,394	15,071,131	14,386,736
Student services	7,309,817	-	1,533,887	1,447,445	10,291,149	9,928,387
Institutional support	12,738,587	-	2,835,463	9,124,728	24,698,778	23,904,832
Operation and maintenance of plant	8,325,217	-	3,053,722	8,657,706	20,036,645	15,964,926
Total Unrestricted Educational Activities	93,081,394	-	18,719,724	32,012,797	143,813,915	129,656,120
Restricted-Educational Activities						
Instruction	476,320	4,647,702	89,825	442,104	5,655,951	5,820,671
Public service	313,625	-	61,333	270,829	645,787	296,860
Academic support	939,674	898,226	246,094	1,151,207	3,235,201	2,715,147
Student services	401,252	789,218	1,033	239,899	1,431,402	1,300,121
Institutional support	270,517	1,311,333	38,832	484,264	2,104,946	2,169,956
Operation and maintenance of plant	11,688	-	-	-	11,688	12,331
Scholarships and fellowships	-	-	-	27,412,188	27,412,188	26,028,594
Total Restricted Educational Activities	2,413,076	7,646,479	437,117	30,000,491	40,497,163	38,343,680
Total Educational Activities	95,494,470	7,646,479	19,156,841	62,013,288	184,311,078	167,999,800
Auxiliary Enterprises	1,347,984	-	585,265	1,421,764	3,355,013	2,529,295
Depreciation expense-buildings and other real estate improvements	-	-	-	6,308,860	6,308,860	5,575,634
Depreciation expense-books	-	-	-	182,970	182,970	215,150
Depreciation expense-equipment and furniture	-	-	-	3,425,813	3,425,813	1,471,529
Total Operating Expenses	\$ 96,842,454	\$ 7,646,479	\$ 19,742,106	\$ 73,352,695	\$ 197,583,734 (Exhibit 2)	\$ 177,791,408 (Exhibit 2)

South Texas College District
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2018 (With Totals for the Year Ended August 31, 2017)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2018 Total	FY 2017 Total
NON-OPERATING REVENUES:					
State allocations:					
Education and general state support	\$ 39,167,689	\$ -	\$ -	\$ 39,167,689	\$ 36,728,883
Education and general state support BAT	1,071,990	-	-	1,071,990	805,107
State group insurance	-	5,740,268	-	5,740,268	4,973,753
State retirement matching	-	1,906,211	-	1,906,211	2,747,701
Hazlewood reimbursement	54,491	-	-	54,491	60,386
Total State Allocations	40,294,170	7,646,479	-	47,940,649	45,315,830
Ad-valorem taxes-maintenance and operations	48,931,234	-	-	48,931,234	48,822,561
Ad-valorem taxes-debt service	-	15,656,580	-	15,656,580	15,652,143
Federal revenue, non operating	-	60,276,808	-	60,276,808	55,666,373
Gifts	-	353,250	-	353,250	252,614
Investment income (net of investment expenses)	2,984,816	669,458	44,209	3,698,483	2,612,017
Gain on disposal of capital assets	6,547	-	-	6,547	5,575
Insurance proceeds	14,959	-	-	14,959	149,634
Other non-operating revenue	19,732	-	-	19,732	352,500
Total Non-Operating Revenues	92,251,458	84,602,575	44,209	176,898,242	168,829,247
NON-OPERATING EXPENSES:					
Interest on capital related debt	3,513,058	-	-	3,513,058	4,150,374
Loss on disposal of capital assets	838,031	-	-	838,031	5,886
Non-capital construction costs	11,107,175	-	-	11,107,175	3,548,465
Bond costs amortization	268,803	-	-	268,803	295,436
Other non-operating expenses	39,723	45,233	-	84,956	265,017
Total Non-Operating Expenses	15,766,790	45,233	-	15,812,023	8,265,178
Net Non-Operating Revenues	\$ 76,484,668	\$ 84,557,342	\$ 44,209	\$ 161,086,219	\$ 160,564,069
				(Exhibit 2)	(Exhibit 2)

South Texas College District
Schedule of Net Position by Source and Availability
Year Ended August 31, 2018 (With Totals for the Year Ended August 31, 2017)

	Detail by Source					
	Restricted			Net Investment in Capital Assets	FY 2018 Total	
	Unrestricted	Expendable	Non-Expendable			
Current:						
Unrestricted	\$ 75,850,909	\$ -	\$ -	\$ -	\$ 75,850,909	
Board designated	34,500,000	-	-	-	34,500,000	
Restricted						
Student Aid	-	3,104,327	-	-	3,104,327	
Instructional Programs	-	89,936	-	-	89,936	
Institutional Activities	-	113,636	-	-	113,636	
Auxiliary enterprises	4,610,048	-	-	-	4,610,048	
Loan	-	1,423,070	-	-	1,423,070	
Endowment:						
True	-	-	339,472	-	339,472	
Plant:						
Unexpended	22,800,387	-	-	-	22,800,387	
Renewals & replacements	23,961,562	-	-	-	23,961,562	
Debt service	-	14,017,689	-	-	14,017,689	
Investment in plant	-	-	-	205,569,611	205,569,611	
Total Net Position, August 31, 2018	161,722,906	18,748,658	339,472	205,569,611	386,380,647	
					(Exhibit 1)	
Total Net Position, August 31, 2017	178,253,142	19,145,139	339,455	198,658,153	396,395,889	
					(Exhibit 1)	
Cumulative Effect of Change in Accounting Principle (Note 2)	(15,448,970)	-	-	-	(15,448,970)	
Total Net Position, August 31, 2017, as restated (Note 2)	162,804,172	19,145,139	339,455	198,658,153	380,946,919	
					(Exhibit 2)	
Net Increase (Decrease) in Net Position	\$ (1,081,266)	\$ (396,481)	\$ 17	\$ 6,911,458	\$ 5,433,728	
					(Exhibit 2)	

Note: The Unexpended Plant Fund is earmarked in the fiscal year 2018 board approved budget for construction projects.
The Renewals & Replacements Plant Fund is earmarked in the fiscal year 2017 board approved budget for deferred maintenance projects.

Schedule D

Available for Current Operations			
Yes		No	
\$	75,850,909	\$	-
	-		34,500,000
	-		3,104,327
	-		89,936
	-		113,636
	4,610,048		-
	-		1,423,070
	-		339,472
	-		22,800,387
	-		23,961,562
	-		14,017,689
	-		205,569,611
	80,460,957		305,919,690
	95,472,341		300,923,548
	(15,448,970)		-
	80,023,371		300,923,548
\$	437,586	\$	4,996,142

South Texas College
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Expenditures			Subrecipient Expenditures
		Direct Awards	Pass Through Awards	Total	
U.S. Department of Education					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007	\$ 710,404	\$ -	\$ 710,404	\$ -
Federal Work-Study Program	84.033	742,181	-	742,181	-
Federal Pell Grant Program	84.063	58,824,223	-	58,824,223	-
Total Student Financial Assistance Cluster		60,276,808	-	60,276,808	-
Higher Education Institutional Aid	84.031S	680,273	-	680,273	-
Childcare Access Means Parents In School	84.335	237,887	-	237,887	-
Pass-Through From:					
Texas Workforce Commission					
Adult Education - Basic Grants to States 2916AEL013	84.002A	-	98,403	98,403	-
Texas Higher Education Coordinating Board					
Career and Technical Education-Basic Grants to States 19210	84.048	-	1,820,687	1,820,687	-
University of Texas at Austin					
Mathematics and Science Partnerships UTA17-001520	84.366B	-	93,381	93,381	-
Total U.S. Department of Education		61,194,968	2,012,471	63,207,439	-
U.S Department of Agriculture					
Pass-Through From:					
University of Texas Rio Grande Valley					
Hispanic Servicing Institutions Education Grants 2015-38422-24061 (02)	10.223	-	23,433	23,433	-
Texas Department of Agriculture					
Child and Adult Care Food Program 03264	10.558	-	47,655	47,655	-
Total U.S. Department of Agriculture		-	71,088	71,088	-
U.S. Department of Defense					
Military Spouse Career Advancement	12.000	7,470	-	7,470	-
Total U.S. Department of Defense		7,470	-	7,470	-
National Science Foundation					
Pass-Through From:					
University of Texas Rio Grande Valley					
Education and Human Resources 1317661 (2)	47.076	-	28,530	28,530	-
Total National Science Foundation		-	28,530	28,530	-
U.S Department of Health and Human Services					
TANF Cluster					
Pass-Through From:					
Texas Workforce Commission					
Temporary Assistance for Needy Families 2318SMP000	93.558	-	47,662	47,662	-
Total TANF Cluster		-	47,662	47,662	-
Pass-Through From:					
University of Texas Rio Grande Valley					
Substance Abuse and Mental Health Services Projects of Regional and National Significance 5H79SP021371 (04)	93.243	-	16,187	16,187	-
Total U.S. Department of Health and Human Services		-	63,849	63,849	-
Total Federal Financial Assistance		\$ 61,202,438	\$ 2,175,938	\$ 63,378,376	\$ -

See Accompanying Notes to Schedule of Expenditures of Federal Awards

South Texas College
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018

(Continued)

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Expenditures			Subrecipient Expenditures
		Direct Awards	Pass Through Awards	Total	
Note 1: Federal Assistance Reconciliation					
Federal Grants and Contracts Revenue - per Schedule A				\$ 3,999,672	
Add: Indirect/Administrative Cost Recoveries - per Schedule A				304,868	
Add: Non Operating Federal Revenue from Schedule C				60,276,808	
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets				64,581,348	
Reconciling Item:					
Less: Programs Not Subject to Federal Single Audit				(1,202,972)	
Total Federal Revenues per Schedule of Expenditures of Federal Awards				\$ 63,378,376	

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District 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 District has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the District has agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Expenditures not subject to federal single audit.

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

CFDA 64.027 Post 9/11 Veterans Education Assistance	\$ 958,312
CFDA 64.125 Vocational and Educational Counseling for Servicemembers and Veterans	\$ 244,658

These funds were not subject to a federal single audit as indicated in the Catalog of Federal Domestic Assistance distributed by the Office of Management and Budget.

South Texas College
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2018

Schedule F

Grantor Agency/Program Title	Contract Number	Expenditures			Subrecipient Expenditures
		Direct Awards	Through Awards	Total	
Texas Higher Education Coordinating Board					
Nursing Shortage Regular Program		\$ -	\$ 134,326	\$ 134,326	\$ -
Accelerate Texas-Adult Basic Education Innovation	19062	-	68,142	68,142	-
Accelerate Texas-Mentor College	19063	-	31,493	31,493	-
Comprehensive College Readiness and Success Models for 60x30TX	20276	-	87,721	87,721	-
Nursing Innovation Grant Program	19556	-	152,433	152,433	-
Texas College Workstudy Program		-	161,866	161,866	-
Texas Educational Opportunity Grant - Initial Year		-	1,481,763	1,481,763	-
Texas Educational Opportunity Grant - Renewal Year		-	1,103,641	1,103,641	-
Work-Study Mentorship Program	11843, 15565	-	33,937	33,937	-
T-STEM Scholarship	15149	-	141,935	141,935	-
State Cert Educational Aide SchP		-	6,823	6,823	-
Grad-Tx Program	19108	-	14,344	14,344	-
Total Texas Higher Education Coordinating Board		-	3,418,424	3,418,424	-
Texas National Guard Tuition Assistance Program		1,026	-	1,026	-
Texas Workforce Commission					
Pre-Employment Transition Services - Explore	3018VRS214	-	6,964	6,964	-
Jobs and Education for Texans - Nursing	2317JET000	-	23,731	23,731	-
Skills for Small Business Program	2317SSD000	-	169,939	169,939	-
Skills Development Fund #22	2316SDF000	-	158,149	158,149	-
Skills Development Fund #23	2316SDF001	-	295,015	295,015	-
Skills Development Fund #24	2317SDF000	-	145,145	145,145	-
Skills Development Fund #25	2318SDF000	-	24,905	24,905	-
Total Texas Workforce Commission		-	823,848	823,848	-
Total State Financial Assistance		\$ 1,026	\$ 4,242,272	\$ 4,243,298	\$ -
Note 1: State Assistance Reconciliation					
State Revenues - per Schedule A				\$ 4,044,083	
Add: Indirect/Administrative Cost Recoveries - per Schedule A				64,889	
Total State Revenues per Statement of Revenues, Expenses and Changes in Net Assets				4,108,972	
Reconciling Item:					
Add: Professional Nursing Shortage Reduction				134,326	
Total State Revenues per Schedule of Expenditures of State Awards				\$ 4,243,298	

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District 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 District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

STATISTICAL SECTION

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2018 and 2017**

Statistical Information

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

Table of Contents	<u>Page No.</u>
Financial Trends	
<i>Statistical Supplement 1</i> Net Position by Component -----	116-117
<i>Statistical Supplement 2</i> Revenue by Source -----	118-121
<i>Statistical Supplement 3</i> Program Expenses by Function -----	122-125
<i>Statistical Supplement 19</i> Changes In Net Position -----	152-156
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	
<i>Statistical Supplement 4</i> Tuition and Fees -----	126-127
<i>Statistical Supplement 5</i> Assessed Value and Taxable Assessed Value of Property -----	128-130
<i>Statistical Supplement 6</i> State Appropriation per FTSE and Contact Hour -----	131
<i>Statistical Supplement 7</i> Principal Taxpayers -----	132-135
<i>Statistical Supplement 8</i> Property Tax Levies and Collections -----	136-137
<i>Statistical Supplement 20</i> Ad Valorem Tax Rates Authorized -----	157

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2018 and 2017**

Statistical Supplement 21

Property Tax Rates – All Direct and Overlapping Governments	158-161
-------------------------------------------------------------------	---------

These schedules contain information to help the reader assess the District's most significant local revenue sources, including the property tax.

Debt Capacity

Statistical Supplement 9

Ratios of Outstanding Debt	138-139
----------------------------------	---------

Statistical Supplement 10

Legal Debt Margin Information	140
-------------------------------------	-----

Statistical Supplement 11

Pledged Revenue Coverage	141
--------------------------------	-----

Statistical Supplement 22

Computation of Direct and Overlapping Debt	162-164
--------------------------------------------------	---------

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

Demographic and Economic Information

Statistical Supplement 12

Demographic and Economic Statistics – Taxing District	142-143
-------------------------------------------------------------	---------

Statistical Supplement 13

Principal Employers	144
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating and Other Information

Statistical Supplement 14

Faculty, Staff, and Administrators Statistics	145
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**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2018 and 2017**

<i>Statistical Supplement 15</i>	
Enrollment Details -----	146-147
 <i>Statistical Supplement 16</i>	
Student Profile -----	148-149
 <i>Statistical Supplement 17</i>	
Transfers to Senior Institutions -----	150
 <i>Statistical Supplement 18</i>	
Capital Asset Information -----	151

These schedules contain service, infrastructure and other data to help the reader understand how the information in the District's financial report relates to the services the government 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.

Statistical Supplement 1
Net Position by Component
Last Ten Fiscal Years
(unaudited)

		For the Fiscal Year Ended August 31,			
		2018	2017	2016	2015
Net Position					
Net investment in capital assets	\$	205,569,611	\$ 198,658,153	\$ 181,421,943	\$ 170,833,415
Restricted expendable		18,748,658	19,145,139	19,790,037	21,990,626
Restricted non-expendable		339,472	339,455	339,449	339,446
Unrestricted		161,722,906	178,253,142	169,726,346	147,038,865
Total Net Position	\$	386,380,647	\$ 396,395,889	\$ 371,277,775	\$ 340,202,352

For the Fiscal Year Ended August 31,

2014	2013	2012	2011	2010	2009
\$ 169,028,494	\$ 162,064,429	\$ 156,914,256	\$ 147,207,945	\$ 136,773,512	\$ 113,996,844
21,972,306	20,325,155	17,978,771	17,161,889	16,906,861	14,027,153
339,445	339,444	340,664	346,360	346,050	346,041
146,201,266	133,119,225	117,854,250	92,402,854	75,665,289	74,119,953
\$ 337,541,511	\$ 315,848,253	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712	\$ 202,489,991

Statistical Supplement 2
Revenues by Source
Last Ten Fiscal Years
(unaudited)

		For the Fiscal Year Ended August 31,			
		2018	2017	2016	2015
Operating Revenues					
Tuition and fees (net of discounts)	\$	21,657,866	\$ 23,129,705	\$ 21,452,743	\$ 21,373,162
Federal grants and contracts		4,304,540	4,490,675	3,889,497	4,368,574
State grants and contracts		4,108,972	4,076,652	3,266,315	4,068,944
Local grants and contracts		6,660,734	6,102,604	5,063,983	1,099,573
Non-governmental grants and contracts		2,538,696	2,061,438	2,487,482	5,235,358
Auxiliary enterprises		1,890,180	1,833,407	1,893,838	1,773,325
General operating revenues		704,996	603,343	729,855	1,308,903
Total Operating Revenues		41,865,984	42,297,824	38,783,713	39,227,839
Non-Operating Revenues					
State allocations		47,940,649	45,315,830	46,077,235	42,858,200
Ad-valorem taxes - maintenance & operations		48,931,234	48,822,561	46,781,602	43,951,580
Ad-valorem taxes - debt service		15,656,580	15,652,143	15,016,847	14,105,277
Federal revenue, non-operating		60,276,808	55,666,373	54,858,852	54,881,496
Gifts		353,250	252,614	251,022	305,146
Investment income (net of investment expenses)		3,698,483	2,612,017	1,034,010	144,206
Gain on disposal of capital assets		6,547	5,575	12,350	-
Insurance proceeds		14,959	149,634	-	24,282
Other non-operating revenues		19,732	352,500	-	-
Total Non-Operating Revenues		176,898,242	168,829,247	164,031,918	156,270,187
Total Revenues	\$	218,764,226	\$ 211,127,071	\$ 202,815,631	\$ 195,498,026

For the Fiscal Year Ended August 31,

2014	2013	2012	2011	2010	2009
\$ 20,488,244	\$ 21,051,377	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311
3,445,293	4,630,302	4,748,007	6,172,207	8,979,526	7,015,595
4,246,315	5,160,704	6,794,060	6,335,567	6,711,706	5,412,226
1,118,054	1,270,376	1,293,135	1,380,691	1,255,944	1,129,509
4,949,832	3,113,960	2,740,134	2,796,686	2,200,618	1,594,568
1,835,353	1,810,240	1,872,734	1,877,501	1,666,738	1,403,045
645,811	621,264	439,642	545,846	1,988,232	2,280,483
36,728,902	37,658,223	37,471,221	37,390,206	39,956,379	35,396,737
42,766,020	38,977,829	37,017,673	36,676,953	37,514,938	33,173,275
33,983,319	32,403,363	33,244,142	33,798,861	34,314,946	33,731,408
12,291,870	12,030,232	12,276,741	12,187,090	12,197,541	12,212,764
55,351,962	57,151,307	61,950,136	66,972,554	59,089,947	34,498,524
323,100	351,843	418,605	309,868	663,193	775,113
214,915	389,519	417,075	327,497	388,426	1,335,180
-	-	2,793	-	-	-
-	-	-	-	-	-
35,840	-	-	-	-	-
144,967,026	141,304,093	145,327,165	150,272,823	144,168,991	115,726,264
\$ 181,695,928	\$ 178,962,316	\$ 182,798,386	\$ 187,663,029	\$ 184,125,370	\$ 151,123,001

(Continued)

Statistical Supplement 2
Revenues by Source
Last Ten Fiscal Years
(unaudited)

For the Fiscal Year Ended August 31,				
	2018	2017	2016	2015
Operating Revenues				
Tuition and fees (net of discounts)	9.91%	10.95%	10.58%	10.93%
Federal grants and contracts	1.97%	2.13%	1.92%	2.24%
State grants and contracts	1.88%	1.93%	1.61%	2.08%
Local grants and contracts	3.04%	2.89%	2.50%	0.56%
Non-governmental grants and contracts	1.16%	0.98%	1.22%	2.68%
Auxiliary enterprises	0.86%	0.87%	0.93%	0.91%
General operating revenues	0.32%	0.29%	0.36%	0.67%
Total Operating Revenues	19.14%	20.04%	19.12%	20.07%
Non-Operating Revenues				
State allocations	21.91%	21.46%	22.72%	21.92%
Ad-valorem taxes - maintenance & operations	22.37%	23.12%	23.07%	22.48%
Ad-valorem taxes - debt service	7.16%	7.41%	7.40%	7.22%
Federal revenue, non-operating	27.55%	26.37%	27.05%	28.07%
Gifts	0.16%	0.12%	0.12%	0.16%
Investment income (net of investment expenses)	1.69%	1.24%	0.51%	0.07%
Gain on disposal of capital assets	-	-	0.01%	-
Insurance proceeds	0.01%	0.07%	-	0.01%
Other non-operating revenues	0.01%	0.17%	-	-
Total Non-Operating Revenues	80.86%	79.96%	80.88%	79.93%
Total Revenues	100.00%	100.00%	100.00%	100.00%

Notes:

Change in Net position reflected on Statistical Supplement 19.

(Continued)

For the Fiscal Year Ended August 31,					
2014	2013	2012	2011	2010	2009
11.28%	11.76%	10.71%	9.74%	9.31%	10.96%
1.90%	2.59%	2.60%	3.29%	4.88%	4.64%
2.34%	2.88%	3.72%	3.38%	3.64%	3.58%
0.61%	0.71%	0.71%	0.74%	0.68%	0.75%
2.72%	1.74%	1.50%	1.49%	1.20%	1.06%
1.01%	1.01%	1.02%	1.00%	0.91%	0.93%
0.35%	0.35%	0.24%	0.28%	1.08%	1.51%
20.21%	21.04%	20.50%	19.92%	21.70%	23.43%
23.54%	21.78%	20.25%	19.55%	20.37%	21.95%
18.70%	18.11%	18.19%	18.01%	18.65%	22.32%
6.77%	6.72%	6.71%	6.49%	6.62%	8.08%
30.46%	31.93%	33.89%	35.69%	32.09%	22.83%
0.18%	0.20%	0.23%	0.17%	0.36%	0.51%
0.12%	0.22%	0.23%	0.17%	0.21%	0.88%
-	-	-	-	-	-
-	-	-	-	-	-
0.02%	-	-	-	-	-
79.79%	78.96%	79.50%	80.08%	78.30%	76.57%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

		For the Fiscal Year Ended August 31,			
		2018	2017	2016	2015
Operating Expenses					
Instruction	\$	77,741,287	\$ 70,879,518	\$ 66,249,496	\$ 60,820,171
Research		-	-	-	-
Public service		2,276,663	709,252	912,507	1,205,480
Academic support		18,306,332	17,101,883	16,333,241	15,281,478
Student services		11,722,551	11,228,508	11,477,740	10,969,940
Institutional support		26,803,724	26,074,788	23,138,061	21,790,954
Operations and maintenance of plant		20,048,333	15,977,257	14,064,638	13,675,484
Scholarships and fellowships		27,412,188	26,028,594	26,432,169	27,815,696
Auxiliary enterprises		3,355,013	2,529,295	1,562,463	1,403,408
Depreciation		9,917,643	7,262,313	6,966,274	6,759,801
Total Operating Expenses		197,583,734	177,791,408	167,136,589	159,722,412
Non-Operating Expenses					
Interest on capital related debt		3,513,058	4,150,374	6,602,765	5,964,767
Loss on sale/disposal/return on capital assets		838,031	5,886	-	240,389
Non-capital construction costs		11,107,175	3,548,465	1,911,123	1,731,576
Bond costs amortization		268,803	295,436	284,829	1,166,614
Other non-operating expenses		84,956	265,017	320,767	274,655
Total Non-Operating Expenses		15,812,023	8,265,178	9,119,484	9,378,001
Total Expenses		\$ 213,395,757	\$ 186,056,587	\$ 176,256,073	\$ 169,100,413

Notes:

Other non-operating expenses were segregated into separate categories for FY 2009 - FY 2018.

The segregation is not reflected in the previous years.

For the Fiscal Year Ended August 31,

2014	2013	2012	2011	2010	2009
\$ 59,447,106	\$ 57,766,578	\$ 53,899,805	\$ 57,359,050	\$ 55,454,200	\$ 48,698,353
-	4,516	67,273	6,303	-	-
829,711	903,735	736,507	640,673	2,460,617	2,637,239
13,980,994	12,775,912	11,551,178	12,035,474	9,565,508	9,271,172
10,403,814	10,090,241	9,681,946	9,939,104	10,264,591	9,070,935
19,813,087	21,108,957	19,494,885	20,293,881	19,044,676	17,197,508
12,563,250	9,486,934	9,459,757	10,270,614	10,437,077	10,356,102
27,692,817	28,724,249	31,873,082	39,320,494	37,212,122	23,176,417
1,388,716	1,383,521	1,418,145	1,421,243	1,524,084	1,498,378
6,731,486	6,589,876	6,414,932	6,265,826	5,923,105	5,848,873
152,850,981	148,834,519	144,597,510	157,552,662	151,885,980	127,754,977
1,340,664	1,513,884	1,821,871	2,054,633	2,986,702	3,186,226
10,154	217	-	3,500	4,698	77,747
1,715,994	849,455	1,400,934	464,503	2,268,529	1,038,216
873,317	566,261	536,677	496,724	353,037	353,037
208,684	290,477	500,835	396,032	673,262	706,561
4,148,813	3,220,294	4,260,317	3,415,392	6,286,228	5,361,787
\$ 156,999,794	\$ 152,054,813	\$ 148,857,827	\$ 160,968,054	\$ 158,172,208	\$ 133,116,764

(Continued)

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

For the Fiscal Year Ended August 31,				
	2018	2017	2016	2015
Operating Expenses				
Instruction	36.43%	38.10%	37.59%	35.97%
Research	-	-	-	-
Public service	1.07%	0.38%	0.52%	0.71%
Academic support	8.58%	9.19%	9.27%	9.03%
Student services	5.49%	6.04%	6.51%	6.49%
Institutional support	12.56%	14.01%	13.13%	12.88%
Operations and maintenance of plant	9.39%	8.59%	7.98%	8.09%
Scholarships and fellowships	12.85%	13.99%	15.00%	16.45%
Auxiliary enterprises	1.57%	1.36%	0.88%	0.83%
Depreciation	4.65%	3.90%	3.95%	4.00%
Total Operating Expenses	92.59%	95.56%	94.83%	94.45%
Non-Operating Expenses				
Interest on capital related debt	1.65%	2.23%	3.75%	3.53%
Loss on sale/disposal/return on capital assets	0.39%	-	-	0.14%
Non-capital construction costs	5.20%	1.91%	1.08%	1.03%
Bond costs amortization	0.13%	0.16%	0.16%	0.69%
Other non-operating expenses	0.04%	0.14%	0.18%	0.16%
Total Non-Operating Expenses	7.41%	4.44%	5.17%	5.55%
Total Expenses	100.00%	100.00%	100.00%	100.00%

Notes:

Change in Net Position reflected on Statistical Supplement 19.

Other non-operating expenses were segregated into separate categories for FY 2009 - FY 2018.

The segregation is not reflected in the previous years.

(Continued)

For the Fiscal Year Ended August 31,

2014	2013	2012	2011	2010	2009
37.86%	37.99%	36.22%	35.63%	35.13%	36.58%
-	-	0.05%	-	-	-
0.53%	0.59%	0.49%	0.40%	1.56%	1.98%
8.91%	8.40%	7.76%	7.48%	6.06%	6.96%
6.63%	6.64%	6.50%	6.17%	6.50%	6.82%
12.62%	13.88%	13.10%	12.61%	12.06%	12.92%
8.00%	6.24%	6.35%	6.38%	6.61%	7.78%
17.64%	18.89%	21.41%	24.43%	23.57%	17.41%
0.88%	0.91%	0.95%	0.88%	0.97%	1.13%
4.29%	4.34%	4.31%	3.89%	3.75%	4.39%
97.36%	97.88%	97.14%	97.87%	96.21%	95.97%
0.85%	1.00%	1.22%	1.28%	1.70%	2.39%
0.01%	-	-	-	-	0.06%
1.09%	0.56%	0.94%	0.29%	1.44%	0.78%
0.56%	0.37%	0.36%	0.31%	0.22%	0.27%
0.13%	0.19%	0.34%	0.25%	0.43%	0.53%
2.64%	2.12%	2.86%	2.13%	3.79%	4.03%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)

Resident Fees per Semester Credit Hour (SCH)						
Academic Year (Fall)	Registration Fee (per student)	In-District Tuition (a)	Out-of-District Tuition (a)	Technology Fee	Learning Support Fee	Student Activity Fee
2017	\$ 100/160	\$ 70	\$ 80	\$ 24	\$ 16	\$ 4
2016	100/160	67	76	24	16	2
2015	90/150	67	76	22	15	2
2014	90/150	67	76	20	13	-
2013	90/150	67	76	18	13	-
2012	90/150	67	76	16	12	-
2011	90/150	67	76	16	12	-
2010	90/150	63	76	16	12	-
2009	90/150	63	76	12	7	-
2008	90/150	59	76	10	5	-

Non - Resident Fees per Semester Credit Hour (SCH)						
Academic Year (Fall)	Registration Fee (per student)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Technology Fee	Learning Support Fee	Student Activity Fee
2017	\$ 100/160	\$ 200	\$ 200	\$ 24	\$ 16	\$ 4
2016	100/160	192	192	24	16	2
2015	90/150	100	100	22	15	2
2014	90/150	105	105	20	13	-
2013	90/150	202	202	18	13	-
2012	90/150	202	202	16	12	-
2011	90/150	202	202	16	12	-
2010	90/125	202	202	16	12	-
2009	90/125	202	202	12	7	-
2008	90/125	202	202	10	5	-

Sources:
South Texas College District Student Guide

Notes:
Includes basic enrollment tuition and fees, but excludes course based fees such as laboratory fees, testing fees and certification fees.
(a) Tuition rate at 12 credit hours.

	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase From Prior Year In-District	Increase From Prior Year Out-of-District
\$	1,468/1,528	\$ 1,588/1,648	4.26%	4.68%
	1,408/1,468	1,517/1,577	3.38%	3.13%
	1,362/1,422	1,471/1,531	5.58%	5.22%
	1,290/1,350	1,398/1,458	1.90%	1.67%
	1,266/1,326	1,375/1,435	2.93%	2.69%
	1,230/1,290	1,339/1,399	0.00%	0.00%
	1,230/1,290	1,339/1,399	4.06%	0.00%
	1,182/1,217	1,339/1,374	10.06%	8.77%
	1,074/1,109	1,231/1,266	9.82%	4.15%
	978/1,013	1,182/1,217	11.52%	9.34%

	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase From Prior Year Out-of-State	Increase From Prior Year International
\$	3,028/3,088	\$ 3,028/3,088	4.13%	4.13%
	2,908/2,968	2,908/2,968	65.42%	65.42%
	1,758/1,818	1,758/1,818	0.69%	0.69%
	1,746/1,806	1,746/1,806	(39.50%)	(39.50%)
	2,886/2,946	2,886/2,946	1.26%	1.26%
	2,850/2,910	2,850/2,910	0.00%	0.00%
	2,850/2,910	2,850/2,910	0.00%	0.00%
	2,850/2,885	2,850/2,885	3.94%	3.94%
	2,742/2,777	2,742/2,777	1.78%	1.78%
	2,694/2,729	2,694/2,729	3.90%	3.90%

Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Assessed Valuation of Property	Less: Exempt Property	Less: Exemptions	Taxable Assessed Value (TAV)
2017-18	\$ 48,331,824,331	\$ 10,258,297,206	\$ 1,477,379,306	\$ 36,596,147,819
2016-17	46,095,416,000	10,006,121,217	1,187,077,443	34,902,217,340
2015-16	43,541,107,619	9,442,963,099	793,651,829	33,304,492,691
2014-15	40,017,479,312	8,339,328,628	712,991,259	30,965,159,425
2013-14	39,073,962,437	8,153,953,156	673,809,590	30,246,199,691
2012-13	38,329,106,121	8,122,084,714	561,487,336	29,645,534,071
2011-12	38,076,515,412	8,066,423,089	491,916,984	29,518,175,339
2010-11	38,564,676,317	8,008,313,427	466,703,913	30,089,658,977
2009-10	38,657,894,136	7,884,586,948	469,123,962	30,304,183,226
2008-09	36,065,859,928	6,466,957,338	665,408,883	28,933,493,707

Sources:
Hidalgo County and Starr County Tax Assessor & Collector

Notes:
Property is assessed at fair market value. Property in each county is reassessed annually. Exempt property includes exclusions.
(a) Tax rates are per \$100 of Taxable Assessed Value.

Direct Rate

Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
75.72%	0.1400	0.0450	0.1850
75.72%	0.1400	0.0450	0.1850
76.49%	0.1400	0.0450	0.1850
77.38%	0.1400	0.0450	0.1850
77.41%	0.1100	0.0400	0.1500
77.34%	0.1100	0.0407	0.1507
77.52%	0.1100	0.0407	0.1507
78.02%	0.1100	0.0397	0.1497
78.39%	0.1100	0.0391	0.1491
80.22%	0.1100	0.0398	0.1498



SOUTH TEXAS COLLEGE

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Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years
(unaudited)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		FTSE (a&b)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (a&b)	Total Contact Hours	State Appropriation per Contact Hour
2017-18	\$ 39,167,689	23,098	\$ 1,696	9,331,808	3,343,203	12,675,011	\$ 3.09
2016-17	36,728,883	22,646	1,622	9,118,640	3,552,731	12,671,371	2.90
2015-16	37,642,320	26,282	1,432	9,037,632	3,901,079	12,938,711	2.91
2014-15	35,334,195	25,498	1,386	8,283,144	4,199,556	12,482,700	2.83
2013-14	35,334,195	25,508	1,385	8,269,360	4,169,970	12,439,330	2.84
2012-13	33,527,444	23,007	1,457	8,276,552	3,696,382	11,972,934	2.80
2011-12	31,810,174	20,612	1,543	8,112,432	3,296,181	11,408,613	2.79
2010-11	27,944,746	20,282	1,378	8,185,840	3,076,852	11,262,692	2.48
2009-10	28,236,264	20,442	1,381	7,755,466	3,218,188	10,973,654	2.57
2008-09	25,271,072	15,956	1,584	6,123,504	2,639,854	8,763,358	2.88

Sources:

(a) Source CBM001

(b) Source CBM00A

Notes:

FTSE is calculated by summing total credit hours taken by academic students divided by 30 and contact hours taken by continuing education students divided by 120.

Data for BAT is not reflected in this supplement.

Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)

Taxpayer ⁽¹⁾	Type of Business	Taxable Assessed Value (TAV) by Tax Year			
		2018	2017	2016	2015
AEP Texas Inc.	Electric Utility	\$ 352,495,470	\$ -	\$ -	\$ -
Los Vientos Windpower IV, LLC	Electric Utility	308,100,000	-	-	-
Los Vientos Windpower III, LLC	Electric Utility	287,000,000	325,864,600	227,904,960	-
EDP Renewables NA-Los Mirasole	Electric Utility	234,782,400	-	-	-
Merit Energy Company	Electric Utility	230,641,575	-	-	-
Simon Property Group - McAllen No.2	Development	154,055,359	121,013,266	115,303,024	85,303,024
South Texas Elec Coop-Red Gate	Electric Utility	153,130,490	71,187,500	-	-
Los Vientos Windpower V, LLC	Electric Utility	146,599,970	86,150,000	-	-
H. E. Butt Grocery Company	Grocery Chain	114,446,193	106,142,740	105,032,930	104,974,764
Electric Transmission of Texas	Electric Utility	100,423,530	-	-	-
AEP Electric Transmission of Texas	Electric Utility	84,059,570	-	-	-
CPG Mercedes LP	Real Estate	79,979,184	71,900,000	71,900,000	71,900,000
Net Pipeline Partners LLC	Pipeline	68,130,000	61,062,170	-	-
McAllen Levcal LLC	Development	58,275,372	-	-	-
Frontera Generation LTD Ptnshp	Land & Improvements	57,631,060	61,378,270	60,508,140	67,964,220
AEP Texas Central Co.	Electric Utility	-	294,465,210	294,682,640	261,746,510
OXY USA Inc.	Oil & Gas	-	120,816,900	379,446,207	480,051,211
Walmart Stores	Retail Store	-	58,267,204	83,501,468	111,616,706
Rio Grande Regional Hospital	Hospital	-	54,728,656	54,415,269	54,415,269
Calpine Const Fin (Magic VY GN)	Electric Utility	-	54,720,720	61,014,790	65,093,830
Day Surgery at Renaissance LLC	Healthcare	-	49,580,969	94,283,759	96,644,921
Southwestern Bell Telephone	Utility	-	48,706,030	-	51,319,700
Sharyland Utilities LP	Electric Utility	-	-	64,409,510	67,452,860
Cantera Operating LLC	Real Estate	-	-	63,232,029	64,113,853
NET Mexico Pipeline	Pipeline	-	-	50,433,870	-
Universal Health Services	Healthcare	-	-	46,786,593	46,786,593
Palm Crossing Town Center LLC	Real Estate	-	-	-	41,915,932
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Legend Natural Gas LLP	Oil & Gas	-	-	-	-
Chevron U.S.A. Inc.	Oil & Gas	-	-	-	-
Kerr-McGee Oil & Gas Onshore	Oil & Gas	-	-	-	-
Shell Western E&G Inc.	Oil & Gas	-	-	-	-
Smith Production Inc.	Oil & Gas	-	-	-	-
Chesapeake Operating	Oil & Gas	-	-	-	-
Trenton Street Corporation	Real Estate	-	-	-	-
Shell Western E&P (Total E&P)	Oil & Gas	-	-	-	-
Totals		2,429,750,173	1,585,984,235	1,772,855,189	1,671,299,393
Total Taxable Assessed Value		\$ 36,596,147,819	\$ 34,902,217,340	\$ 33,304,492,691	\$ 30,965,159,425

Sources:

First Southwest Company: Table 5 - Fifteen Largest Taxpayers, p.4

South Texas College District CAFR (Fiscal Year Ended August 31, 2018): Note 18 - Ad Valorem Ta:

Notes:

1) Includes both Starr and Hidalgo Counties

Taxable Assessed Value (TAV) by Tax Year

2014	2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
61,802,878	51,503,892	50,708,897	50,944,799	50,944,799	-
-	-	-	-	-	-
-	-	-	-	-	-
99,587,906	97,514,949	100,817,846	114,289,734	114,289,734	117,156,504
-	-	-	-	-	-
-	-	-	-	-	-
59,259,989	59,589,853	59,589,853	60,625,220	60,625,220	-
-	-	-	-	-	-
-	-	-	-	-	-
63,178,400	69,157,000	70,561,190	82,100,300	82,100,300	82,417,210
240,344,300	193,373,940	186,023,180	174,591,370	174,591,370	173,471,710
417,907,900	379,637,700	570,009,910	-	-	-
110,650,697	87,206,008	85,068,298	104,810,618	104,810,618	107,262,492
56,328,437	56,871,910	52,965,623	66,677,559	66,677,559	67,737,830
64,184,330	73,089,400	69,200,480	87,490,000	87,490,000	97,713,920
87,177,604	88,878,995	-	-	-	-
53,302,090	54,950,030	70,080,780	93,005,380	93,005,380	98,438,720
56,941,250	51,663,190	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
52,246,584	53,599,944	54,844,645	83,905,804	83,905,804	86,464,634
-	-	-	-	-	-
86,226,095	110,119,062	123,772,278	233,251,590	233,251,590	310,057,070
62,055,660	78,265,270	66,012,120	-	-	-
-	-	52,344,210	194,500,240	194,500,240	456,481,610
-	-	48,146,650	107,433,880	107,433,880	-
-	-	-	697,953,120	697,953,120	598,628,940
-	-	-	153,359,110	153,359,110	166,694,640
-	-	-	-	-	91,207,190
-	-	-	-	-	58,908,315
-	-	-	-	-	56,191,760
1,571,194,120	1,505,421,143	1,660,145,960	2,304,938,724	2,304,938,724	2,568,832,545
\$ 30,246,199,691	\$ 29,645,534,071	\$ 29,518,175,339	\$ 30,089,658,977	\$ 30,304,183,226	\$ 28,933,493,707

(Continued)

Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)

Taxpayer ⁽¹⁾	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2018	2017	2016	2015
AEP Texas Inc.	Electric Utility	0.96%	-	-	-
Los Vientos Windpower IV, LLC	Electric Utility	0.84%	-	-	-
Los Vientos Windpower III, LLC	Electric Utility	0.78%	0.93%	0.68%	-
EDP Renewables NA-Los Mirasole	Electric Utility	0.64%	-	-	-
Merit Energy Company	Electric Utility	0.63%	-	-	-
Simon Property Group - McAllen No.2	Development	0.42%	0.35%	0.35%	0.28%
South Texas Elec Coop-Red Gate	Electric Utility	0.42%	0.20%	-	-
Los Vientos Windpower V, LLC	Electric Utility	0.40%	0.25%	-	-
H. E. Butt Grocery Company	Grocery Chain	0.31%	0.30%	0.32%	0.34%
Electric Transmission of Texas	Electric Utility	0.27%	-	-	-
AEP Electric Transmission of Texas	Electric Utility	0.23%	-	-	-
CPG Mercedes LP	Real Estate	0.22%	0.21%	0.22%	0.23%
Net Pipeline Partners LLC	Pipeline	0.19%	0.17%	-	-
McAllen Levcal LLC	Development	0.16%	-	-	-
Frontera Generation LTD Ptnshp	Land & Improvements	0.16%	0.18%	0.18%	0.22%
AEP Texas Central Co.	Electric Utility	-	0.84%	0.88%	0.85%
OXY USA Inc.	Oil & Gas	-	0.35%	1.14%	1.55%
Walmart Stores	Retail Store	-	0.17%	0.25%	0.36%
Rio Grande Regional Hospital	Hospital	-	0.16%	0.16%	0.18%
Calpine Const Fin (Magic VY GN)	Electric Utility	-	0.16%	0.18%	0.21%
Day Surgery at Renaissance LLC	Healthcare	-	0.14%	0.28%	0.31%
Southwestern Bell Telephone	Utility	-	0.14%	-	0.17%
Sharyland Utilities LP	Electric Utility	-	-	0.19%	0.22%
Cantera Operating LLC	Real Estate	-	-	0.19%	0.21%
NET Mexico Pipeline	Pipeline	-	-	0.15%	-
Universal Health Services	Healthcare	-	-	0.14%	0.15%
Palm Crossing Town Center LLC	Real Estate	-	-	-	0.14%
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Legend Natural Gas LLP	Oil & Gas	-	-	-	-
Chevron U.S.A. Inc.	Oil & Gas	-	-	-	-
Kerr-McGee Oil & Gas Onshore	Oil & Gas	-	-	-	-
Shell Western E&G Inc.	Oil & Gas	-	-	-	-
Smith Production Inc.	Oil & Gas	-	-	-	-
Chesapeake Operating	Oil & Gas	-	-	-	-
Trenton Street Corporation	Real Estate	-	-	-	-
Shell Western E&P (Total E&P)	Oil & Gas	-	-	-	-
Totals		6.63%	4.55%	5.31%	5.42%

Sources:

First Southwest Company: Table 5 - Fifteen Largest Taxpayers, pg.4

Notes:

1) Includes both Starr and Hidalgo Counties

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year					
2014	2013	2012	2011	2010	2009
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.20%	0.17%	0.17%	0.17%	0.17%	-
-	-	-	-	-	-
-	-	-	-	-	-
0.33%	0.33%	0.34%	0.38%	0.38%	0.40%
-	-	-	-	-	-
-	-	-	-	-	-
0.20%	0.20%	0.20%	0.20%	0.20%	-
-	-	-	-	-	-
-	-	-	-	-	-
0.21%	0.23%	0.24%	0.27%	0.27%	0.28%
0.79%	0.65%	0.63%	0.58%	0.58%	0.60%
1.38%	1.28%	1.93%	-	-	-
0.37%	0.29%	0.29%	0.35%	0.35%	0.37%
0.19%	0.19%	0.18%	0.22%	0.22%	0.23%
0.21%	0.25%	0.23%	0.29%	0.29%	0.34%
0.29%	0.30%	-	-	-	-
0.18%	0.19%	0.24%	0.31%	0.31%	0.34%
0.19%	0.17%	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.17%	0.18%	0.19%	0.28%	0.28%	0.30%
-	-	-	-	-	-
0.29%	0.37%	0.42%	0.77%	0.77%	1.07%
0.21%	0.26%	0.22%	-	-	-
-	-	0.18%	0.64%	0.64%	1.57%
-	-	0.16%	0.36%	0.36%	-
-	-	-	2.31%	2.31%	2.06%
-	-	-	0.51%	0.51%	0.57%
-	-	-	-	-	0.31%
-	-	-	-	-	0.20%
-	-	-	-	-	0.19%
5.21%	5.06%	5.62%	7.64%	7.64%	8.83%

Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)

Fiscal Year Ended August 31,	Original Levy (a)	Cumulative Levy Adjustment**	Adjusted Tax Levy (b)	Collections Year of Levy (c)	Percentage
2018	\$ 66,558,586	\$ 457,575	\$ 67,016,161	\$ 63,658,717	95.64%
2017	63,195,313	36,599	63,231,912	59,624,975	94.35%
2016	60,279,269	225,797	60,505,067	57,139,510	94.79%
2015	56,134,038	714,429	56,848,468	53,732,185	95.72%
2014	45,078,972	76,543	45,155,515	42,542,880	94.37%
2013	44,351,826	(125,769)	44,226,057	41,562,746	93.71%
2012	44,227,775	(134,844)	44,092,931	41,368,696	93.54%
2011	44,806,807	(69,198)	44,737,609	41,594,864	92.83%
2010	44,968,114	118,557	45,086,670	41,700,948	92.73%
2009	43,218,654	1,399,419	44,618,072	41,017,803	94.91%

Sources:

Hidalgo County and Starr County Tax Assessor/Collector and the District's records

(a) As reported in notes to the financial statements for the year of the levy, does not include Penalty & Interest

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

(c) Property tax only - does not include Penalty & Interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy

(e) Represents current year collections of prior years levies

Total Collections = c + d + e + f

Notes:

*Includes rollback total collections

**Modifications to Levy provided by Hidalgo and Starr County, and Beginning Balance Adjustments

Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Penalty & Interest Collections (f)	Total Collections (g = c + d + e + f)	Cumulative Collections of Adjusted Levy (h = g / b)
\$ -	\$ -	\$ 708,107	\$ 64,366,824	96.05%
-	1,728,678 *	366,641 *	61,720,294	97.61%
1,564,513 *	520,453	195,397	59,419,873	98.21%
1,891,351	257,411	124,033	56,004,980	98.52%
1,839,222	124,768	72,092	44,578,962	98.72%
2,047,000	85,970	57,890	43,753,606	98.93%
2,135,148	65,912	51,432	43,621,188	98.93%
2,545,510	52,066	46,026	44,238,467	98.88%
2,888,358	43,547	43,490	44,676,343	99.09%
3,171,590	34,549	38,289	44,262,232	99.20%

Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

	For the Year Ended August 31,			
	2018	2017	2016	2015
General Bonded Debt				
General obligation bonds	\$ 156,832,917	\$ 167,532,403	\$ 178,297,054	\$ 188,761,705
Notes	-	-	-	-
Less: Funds restricted for debt service	(14,017,689)	(14,329,738)	(15,223,843)	(17,161,084)
Net General Bonded Debt	142,815,228	153,202,665	163,073,211	171,600,621
Other Debt				
Revenue bonds	-	-	-	-
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Outstanding Debt	\$ 156,832,917	\$ 167,532,403	\$ 178,297,054	\$ 188,761,705

General Bonded Debt Ratios

Per Capita (a)	\$ 139.35	\$ 153.34	\$ 179.27	\$ 191.20
Per FTSE (b)	6,183	6,765	6,205	6,730
As a percentage of taxable assessed value (c)	0.39%	0.44%	0.49%	0.55%
As a percentage of personal income (d)	0.57%	0.62%	0.76%	0.87%

Total Outstanding Debt Ratios

Per Capita (a)	\$ 153.02	\$ 167.69	\$ 196.01	\$ 210.33
Per FTSE (b)	6,790	7,398	6,784	7,403
As a percentage of taxable assessed value (c)	0.43%	0.48%	0.54%	0.61%
As a percentage of personal income (d)	0.63%	0.68%	0.83%	0.96%

Notes:

- (a) Ratio calculated using current year district population from Statistical Supplement 12
- (b) Ratios calculated using the FTSE from Statistical Supplement 6
- (c) Ratios calculated using the current Taxable Assessed Value Statistical Supplement 5
- (d) Ratios calculated using District Personal Income from Statistical Supplement 12

For the Year Ended August 31,

2014	2013	2012	2011	2010	2009
\$ 97,817,879	\$ 47,249,685	\$ 56,569,741	\$ 65,994,008	\$ 73,749,384	\$ 81,837,974
-	-	-	-	-	-
(17,635,362)	(16,294,897)	(14,493,499)	(13,204,788)	(11,946,974)	(10,475,704)
80,182,517	30,954,788	42,076,242	52,789,220	61,802,410	71,362,270
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 97,817,879	\$ 47,249,685	\$ 56,569,741	\$ 65,994,008	\$ 73,749,384	\$ 81,837,974

\$ 90.61	\$ 35.43	\$ 48.87	\$ 62.23	\$ 73.95	\$ 83.42
3,143	1,345	2,041	2,603	3,023	4,472
0.27%	0.10%	0.14%	0.18%	0.20%	0.25%
0.43%	0.17%	0.35%	0.62%	0.75%	0.83%

\$ 110.54	\$ 54.08	\$ 65.70	\$ 77.80	\$ 88.24	\$ 95.66
3,835	2,054	2,745	3,254	3,608	5,129
0.32%	0.16%	0.19%	0.22%	0.24%	0.28%
0.52%	0.26%	0.47%	0.77%	0.90%	0.96%

Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

General Obligation Bonds

For the Year Ended August 31,	Taxable Assessed Value	Statutory Tax Levy Limit for Debt Service	Less: Funds Restricted for Repayment	Total Net Debt	Current Year Debt Service Requirements	Excess of Statutory Limit for Debt Service over Current Requirements	Net Current Requirements as a % of Statutory Limit
2018	\$ 36,596,147,819	\$ 182,980,739	\$ (14,017,689)	\$ 168,963,050	\$ (13,726,756)	\$ 155,236,294	(0.16%)
2017	34,902,217,340	174,511,087	(14,329,738)	160,181,349	(16,669,606)	143,511,743	1.34%
2016	33,304,492,691	166,522,463	(15,223,843)	151,298,621	(17,068,156)	134,230,465	1.11%
2015	30,965,159,425	154,825,797	(17,161,084)	137,664,713	(17,430,990)	120,233,723	0.17%
2014	30,246,199,691	151,230,998	(17,635,362)	133,595,636	(14,901,182)	118,694,454	(1.81%)
2013	29,645,534,071	148,227,670	(16,294,897)	131,932,774	(11,139,750)	120,793,024	(3.48%)
2012	29,518,175,339	147,590,877	(14,493,499)	133,097,378	(11,151,900)	121,945,478	(2.26%)
2011	30,089,658,977	150,448,295	(13,204,788)	137,243,507	(11,148,943)	126,094,565	(1.37%)
2010	30,304,183,226	151,520,916	(11,946,974)	139,573,942	(11,150,535)	128,423,407	(0.53%)
2009	28,933,493,707	144,667,469	(10,475,704)	134,191,765	(11,146,701)	123,045,064	0.46%

Sources:

Texas Education Code Section 130.122
Hidalgo County and Starr County Tax Assessor and Collector

Notes:

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

Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Statistical Supplement 11 required by THECB is not applicable to South Texas College District.

Statistical Supplement 12
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(unaudited)

Calendar Year	District Population (a)	Hidalgo County Median Household Money Income (b)	Starr County Median Household Money Income (c)	District Median Household Money Income (d = (b+c) / 2)	Hidalgo County Personal Income Per Capita (e)	Starr County Personal Income Per Capita (f)
2018	1,024,901 (7)	\$ 38,653 (5)	\$ 29,063 (5)	\$ 33,858	\$ 24,805 (1, 6)	\$ 24,140 (1, 6)
2017	999,080 (7)	38,795 (5)	29,456 (5)	34,126	24,579 (1, 6)	24,540 (1, 6)
2016	909,653 (7)	36,620 (5)	27,007 (5)	31,814	23,753 (1, 6)	23,215 (1, 6)
2015	897,472 (2)	35,036 (5)	25,696 (5)	30,366	23,073 (1, 6)	20,811 (1, 6)
2014	884,888 (2)	34,140 (5)	26,714 (5)	30,427	22,400 (1, 6)	19,866 (1, 6)
2013	873,715 (2)	33,839 (5)	26,017 (5)	29,928	21,620 (1)	19,235 (1)
2012	860,992 (2)	32,471 (5)	24,741 (5)	28,606	16,272 (1)	11,980 (1)
2011	848,228 (2)	33,558 (4)	19,931 (4)	26,745	12,056 (4)	8,099 (4)
2010	835,737 (2, 3)	30,593 (4)	19,536 (4)	25,065	11,769 (4)	7,908 (4)
2009	855,503 (7)	30,863 (4)	19,493 (4)	25,178	12,009 (4)	7,980 (4)

Sources:

- (1) Texas Labor Market Information (TWC)
- (2) Office of the State Demographer
- (3) U.S. Census Bureau
- (4) Economic Development Intelligence System
- (5) Zoom Prospector
- (6) FRED Economic Data & Research - Federal Reserve Bank of St. Louis
- (7) First Southwest Company

District Personal Income Per Capita (g = (e+f) / 2)	District Wide Personal Income (Thousands of Dollars) (h = (a*g) / 1000)	Hidalgo County Unemployment Rate (i)	Starr County Unemployment Rate (j)	District Unemployment Rate (k)	State Unemployment Rate (l)	National Unemployment Rate (1) (m)
\$ 24,473	\$ 25,082,402	6.60% (1)	9.10% (1)	7.85%	3.90% (1)	3.90%
24,560	24,537,405	8.00% (1)	11.10% (1)	9.55%	4.50% (1)	4.50%
23,484	21,362,291	8.40% (1, 7)	14.10% (1, 7)	11.25%	5.00% (1, 7)	5.00%
21,942	19,692,331	8.00% (1, 7)	13.20% (1, 7)	10.60%	4.50% (1, 7)	5.20%
21,133	18,700,338	9.15% (1, 7)	13.45% (1, 7)	11.30%	5.10% (1, 7)	5.70%
20,428	17,848,250	10.80% (1, 7)	15.00% (1, 7)	12.90%	6.35% (1, 7)	7.30%
14,126	12,162,373	11.70% (1, 7)	14.70% (1, 7)	13.20%	7.05% (1, 7)	8.20%
10,078	8,548,442	12.60% (1, 7)	16.80% (1, 7)	14.70%	8.50% (1, 7)	9.10%
9,839	8,222,816	12.10% (1, 7)	17.90% (1, 7)	15.00%	8.50% (1, 7)	9.60%
9,995	8,550,752	11.60% (1, 7)	17.80% (1, 7)	14.70%	8.30% (1, 7)	9.80%

Statistical Supplement 13
Principal Employers
(unaudited)

Employer	2018		Employer	2009	
	Number of Employees	Percentage of Total Employment		Number of Employees	Percentage of Total Employment
H-E-B ^{2*}	6,155	1.81%	Doctor's Hospital Renaissance	4,400	2.07%
Wal-Mart ^{1*}	5,855	1.72%	H-E-B	3,842	1.81%
University of Texas Rio Grande Valley	5,822	1.71%	McAllen Independent School District	3,723	1.75%
Edinburg Consolidated I.S.D.	4,878	1.44%	Edinburg Consolidated I.S.D.	3,700	1.74%
Doctor's Hospital at Renaissance	4,700	1.38%	University of Texas - Pan American	3,390	1.60%
La Joya ISD	4,368	1.29%	Wal-Mart	3,175	1.49%
Pharr-San Juan-Alamo I.S.D.	4,297	1.26%	La Joya I.S.D.	3,148	1.48%
Hidalgo County ³	4,122	1.21%	Edinburg Regional Medical Center	3,000	1.41%
McAllen Independent School District	3,382	1.00%	Hidalgo County	2,990	1.41%
Edinburg Regional Medical Center ⁴	3,000	0.88%	Mission Consolidated I.S.D.	2,287	1.08%
Totals	46,579	13.70%	Totals	33,655	15.84%

Sources:

Hidalgo County 2017 CAFR
Starr County Industrial Foundation
STC 2009 CAFR

Notes:

Total employment as of August 2018 for the district was 339,861. Based on latest economic indicators, provided by the Texas Workforce Commission for Texas Labor Market Information.

(1) Includes stores in Hidalgo and Starr County. Hidalgo County data not found for 2017, used 2015.

(2) Based on 20 stores with an average of 294 employees.

(3) Total number of employees includes Hidalgo County and County related agencies.

(4) Data not found for 2017, used 2016

(*) Starr County employee data presented in range; calculated average for each employer.

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Faculty										
Full-Time	664	618	598	586	420	530	526	552	446	437
Part-Time	447	426	397	135	177	146	192	197	194	170
Total	1,111	1,044	995	721	597	676	718	749	640	607
Percent										
Full-Time	59.8%	59.2%	60.1%	81.3%	70.4%	78.4%	73.3%	73.7%	69.7%	72.0%
Part-Time	40.2%	40.8%	39.9%	18.7%	29.6%	21.6%	26.7%	26.3%	30.3%	28.0%
Staff and Administrators										
Full-Time	967	913	846	808	794	698	710	720	718	675
Part-Time	451	467	415	522	547	446	426	408	428	428
Total	1,418	1,380	1,261	1,330	1,341	1,144	1,136	1,128	1,146	1,103
Percent										
Full-Time	68.2%	66.2%	67.1%	60.8%	59.2%	61.0%	62.5%	63.8%	62.7%	61.2%
Part-Time	31.8%	33.8%	32.9%	39.2%	40.8%	39.0%	37.5%	36.2%	37.3%	38.8%
FTSE per Full-time Faculty	34.8	36.6	43.9	43.5	60.7	43.4	39.2	36.7	45.8	36.5
FTSE per Full-Time Staff Member	23.9	24.8	31.1	31.6	32.1	33.0	29.0	28.2	28.5	23.6
FTSE*	23,098	22,646	26,282	25,498	25,508	23,007	20,612	20,282	20,442	15,956
Average Annual Faculty Salary**	\$ 43,721	\$ 43,844	\$ 43,234	\$ 55,811	\$ 66,383	\$ 56,701	\$ 52,051	\$ 52,435	\$ 56,880	\$ 52,830

Sources:
South Texas College District Office of Human Resources

Notes:

*FTSE was obtained from Statistical Supplement 6.

**Average annual faculty salary includes annualized salaries for faculty under nine month contract.

Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Student Classification	Academic									
	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	19,830	63.21%	22,276	67.41%	23,509	69.16%	20,911	67.79%	20,733	68.58%
31-60 hours	9,335	29.75%	8,884	26.89%	8,549	25.15%	7,996	25.92%	8,353	27.63%
> 60 hours	2,209	7.04%	1,884	5.70%	1,936	5.69%	1,942	6.29%	1,147	3.79%
Total	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%	30,233	100.00%

Semester Hour Load	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	129	0.41%	132	0.40%	83	0.24%	79	0.26%	85	0.28%
3-5 semester hours	7,168	22.85%	8,906	26.95%	9,918	29.18%	8,377	27.15%	8,226	27.21%
6-8 semester hours	8,079	25.75%	8,408	25.44%	8,376	24.64%	7,416	24.04%	7,016	23.21%
9-11 semester hours	6,812	21.71%	6,531	19.76%	6,465	19.02%	6,274	20.34%	5,829	19.28%
12-14 semester hours	7,914	25.22%	7,673	23.22%	7,686	22.61%	7,483	24.26%	7,545	24.96%
15-17 semester hours	1,151	3.67%	1,236	3.74%	1,300	3.82%	1,084	3.51%	1,347	4.46%
18 & over	121	0.39%	158	0.49%	166	0.49%	136	0.44%	185	0.60%
Total	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%	30,233	100.00%

Average course load	8.57	8.28	7.58	8.36	8.39
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Tuition Status	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	29,364	93.59%	30,925	93.59%	31,881	93.78%	29,057	94.19%	28,855	95.44%
Texas Resident (out-of-District)	756	2.41%	738	2.23%	682	2.01%	683	2.21%	597	1.97%
Non-Resident Tuition	1,254	4.00%	1,381	4.18%	1,431	4.21%	1,109	3.60%	781	2.59%
Total	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%	30,233	100.00%

Sources:
CBM001

Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Continuing Education

Student Classification (Contact Hours)	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Continuing Education (CE)	1,364	100.00%	1,124	100.00%	1,426	21.43%	5,798	98.98%	4,972	99.00%
CE Not State Funded	-	0.00%	-	0.00%	5,229	78.57%	60	1.02%	50	1.00%
Inter-Institutional	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%

Contact Hour Load	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	55	4.03%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
3-5 semester hours	-	0.00%	-	0.00%	1	0.01%	-	0.00%	-	0.00%
6-8 semester hours	129	9.46%	39	3.47%	67	1.01%	92	1.57%	169	3.37%
9-11 semester hours	49	3.59%	4	0.36%	39	0.59%	2	0.03%	3	0.06%
12-14 semester hours	124	9.09%	150	13.35%	238	3.58%	233	3.98%	192	3.82%
15-17 semester hours	66	4.84%	3	0.27%	27	0.40%	11	0.19%	9	0.18%
18 & over	941	68.99%	928	82.55%	6,283	94.41%	5,520	94.23%	4,649	92.57%
Total	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%

Average course load	44.71	55.69	66.05	66.55	73.87
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Tuition Status	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Both contact and non-contact courses	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Contact courses(s) only	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Non-contact course(s) only	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%
Total	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%

Sources:
CBM00A

Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

Gender	Academic									
	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	17,421	55.53%	18,304	55.39%	18,999	55.89%	17,476	56.65%	17,100	56.56%
Male	13,953	44.47%	14,740	44.61%	14,995	44.11%	13,373	43.35%	13,133	43.44%
Total	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%	30,233	100.00%

Ethnic Origin	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	756	2.41%	920	2.78%	979	2.88%	880	2.85%	825	2.73%
Hispanic	29,668	94.56%	31,130	94.21%	31,865	93.74%	28,829	93.45%	28,244	93.42%
African American	97	0.31%	84	0.25%	85	0.25%	90	0.29%	66	0.22%
Asian	282	0.90%	285	0.86%	265	0.78%	259	0.84%	247	0.82%
Foreign	107	0.34%	114	0.34%	100	0.29%	76	0.25%	67	0.22%
Native American	19	0.06%	16	0.05%	18	0.05%	16	0.05%	11	0.04%
Unknown	445	1.42%	495	1.51%	682	2.01%	699	2.27%	773	2.55%
Total	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%	30,233	100.00%

Age	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	11,456	36.51%	13,404	40.56%	14,501	42.66%	11,954	38.75%	11,693	38.68%
18 - 21	11,518	36.71%	11,258	34.07%	10,955	32.22%	10,508	34.06%	10,235	33.85%
22 - 24	3,209	10.23%	3,151	9.54%	3,164	9.31%	3,136	10.17%	3,079	10.18%
25 - 35	3,748	11.95%	3,827	11.58%	3,901	11.48%	3,775	12.24%	3,704	12.25%
36 - 50	1,298	4.14%	1,265	3.83%	1,309	3.85%	1,311	4.25%	1,343	4.44%
51 & over	145	0.46%	139	0.42%	164	0.48%	165	0.53%	179	0.60%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%	30,233	100.00%

Average Age	20.7	20.4	20.3	20.7	20.8
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Sources:
CBM001

Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

Gender	Continuing Education									
	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	842	61.73%	785	69.84%	3,613	54.29%	3,069	52.39%	2,418	48.15%
Male	522	38.27%	339	30.16%	3,042	45.71%	2,789	47.61%	2,604	51.85%
Total	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%

Ethnic Origin	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	17	1.25%	20	1.78%	148	2.22%	109	1.86%	91	1.81%
Hispanic	1,183	86.73%	752	66.90%	3,688	55.42%	3,755	64.10%	3,369	67.08%
African American	3	0.22%	-	0.00%	11	0.16%	6	0.10%	14	0.28%
Asian	6	0.44%	5	0.44%	10	0.15%	26	0.44%	15	0.30%
Foreign	1	0.07%	-	0.00%	-	0.00%	1	0.02%	-	0.00%
Native American	-	0.00%	-	0.00%	3	0.05%	5	0.09%	3	0.06%
Unknown	154	11.29%	347	30.88%	2,795	42.00%	1,956	33.39%	1,530	30.47%
Total	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%

Age	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	-	0.00%	2	0.18%	5,159	77.52%	4,275	72.98%	3,625	72.18%
18 - 21	107	7.84%	145	12.90%	447	6.72%	456	7.78%	485	9.66%
22 - 24	78	5.72%	86	7.65%	129	1.94%	124	2.12%	147	2.93%
25 - 35	409	29.99%	338	30.07%	323	4.85%	404	6.90%	306	6.09%
36 - 50	542	39.74%	431	38.35%	461	6.93%	480	8.19%	324	6.45%
51 & over	228	16.71%	122	10.85%	136	2.04%	119	2.03%	135	2.69%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%

Average Age	38.0	36.0	19.0	20.1	21.7
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Sources:
CBM00A

Statistical Supplement 17

Transfers to Senior Institutions

Students as of Fall 2017

(includes only public senior colleges in Texas)

(unaudited)

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of All Sample Transfer Students	% of All Sample Transfer Students
1 The University of Texas - Rio Grande Valley	2,643	557	-	3,200	52.39%
2 South Texas College	425	706	-	1,131	18.52%
3 Texas A&M University	268	35	-	303	4.96%
4 Texas A&M University - Kingsville	244	26	-	270	4.42%
5 The University of Texas at Austin	205	25	-	230	3.77%
6 The University of Texas at San Antonio	183	32	-	215	3.52%
7 Texas State University	163	52	-	215	3.52%
8 Texas A&M University - Corpus Christi	76	20	-	96	1.57%
9 University of Houston	50	8	-	58	0.95%
10 Texas State Technical College - Harlingen	46	41	-	87	1.42%
11 Texas A&M International University	42	11	-	53	0.87%
12 Sam Houston State University	38	1	-	39	0.64%
13 Texas Tech University	28	5	-	33	0.54%
14 University of North Texas	26	4	-	30	0.49%
15 Texas A&M University System Health Science Center	22	3	-	25	0.41%
16 The University of Texas at Arlington	20	11	-	31	0.51%
17 Austin Community College	16	2	-	18	0.30%
18 Blinn College District	14	2	-	16	0.26%
19 Texas A&M University - San Antonio	9	1	-	10	0.16%
20 Del Mar College	8	2	-	10	0.16%
21 ACCD - Northwest Vista College	7	1	-	8	0.13%
22 Laredo College	5	4	-	9	0.15%
23 Texas Southmost College	5	3	-	8	0.13%
24 Houston Community College System	5	2	-	7	0.11%
25 University of Houston-Victoria	5	1	-	6	0.10%
	4,553	1,555	-	6,108	100.00%

Sources:

Texas Higher Education Data: ASALFS Students Pursuing Additional Education

ASALFS South Texas College - <http://www.txhighereddata.org/reports/performance/ctcasalf/ctcaddl/>

*Information for Transfer Student Count Tech-Prep not available

Notes:

Student count for South Texas College represents graduates or completers who have returned to pursue additional education at same institution.

In addition to the 4,553 Academic Students, 98 transferred to 53 other Senior Institutions

In addition to the 1,555 Technical Students, 56 transferred to 25 other Senior Institutions

Statistical Supplement 18
Capital Asset Information
Last Five Fiscal Years
(unaudited)

	Fiscal Year				
	2018	2017	2016	2015	2014
Academic buildings	32	24	23	23	23
Square footage	1,366,431	963,682	949,435	949,435	949,435
Academic portable buildings	33	35	35	43	43
Square footage	50,278	53,446	53,446	71,305	71,305
Libraries	4	3	3	3	3
Square footage	135,152	105,507	105,507	105,507	105,507
Number of volumes	139,047	143,535	141,913	139,465	141,500
Administrative and support buildings	14	13	13	13	13
Square footage	339,298	294,733	305,970	305,970	305,970
Administrative and support portable buildings	16	14	14	12	12
Square footage	21,724	18,556	18,556	15,124	15,124
Dining facilities	5	5	5	5	5
Square footage	20,479	15,343	15,343	15,343	15,343
Average daily customers*	683	902	993	1,544	1,401
Fitness facilities	2	2	2	2	2
Square footage	37,432	37,432	37,432	37,432	37,432
Plant facilities	4	2	1	1	1
Square footage	26,592	18,747	11,754	11,754	11,754
Transportation					
Automobiles	2	2	-	-	-
Automobiles - Instructional	20	20	25	30	32
Light trucks/vans	63	56	41	41	35
Light trucks/vans - Instructional	19	19	23	29	29
Heavy trucks/backhoe	6	5	3	2	1
Heavy trucks/backhoe - Instructional	5	5	5	6	5
Golf and forklift	59	38	29	28	27
Trailer	3	3	1	1	1
Shuttle buses	7	6	6	3	3

Sources:
South Texas College District Office of Facilities Planning and Construction
South Texas College District Fixed Assets Department

Notes:

* Does not include customers from Starr County Campus Cafeteria due to services being outsourced to Cactus Restaurant

Statistical Supplement 19
Changes in Net Position
Last Ten Fiscal Years
(unaudited)

		For the Fiscal Year Ended August 31,			
		2018	2017	2016	2015
Operating Revenues					
Tuition and fees (net of discounts)	\$	21,657,866	\$ 23,129,705	\$ 21,452,743	\$ 21,373,162
Federal grants and contracts		4,304,540	4,490,675	3,889,497	4,368,574
State grants and contracts		4,108,972	4,076,652	3,266,315	4,068,944
Local grants and contracts		6,660,734	6,102,604	5,063,983	1,099,573
Non-governmental grants and contracts		2,538,696	2,061,438	2,487,482	5,235,358
Auxiliary enterprises		1,890,180	1,833,407	1,893,838	1,773,325
General operating revenues		704,996	603,343	729,855	1,308,903
Total Operating Revenues		41,865,984	42,297,824	38,783,713	39,227,839
Operating Expenses					
Instruction		77,741,287	70,879,518	66,249,496	60,820,171
Research		-	-	-	-
Public service		2,276,663	709,252	912,507	1,205,480
Academic support		18,306,332	17,101,883	16,333,241	15,281,478
Student services		11,722,551	11,228,508	11,477,740	10,969,940
Institutional support		26,803,724	26,074,788	23,138,061	21,790,954
Operations and maintenance of plant		20,048,333	15,977,257	14,064,638	13,675,484
Scholarships and fellowships		27,412,188	26,028,594	26,432,169	27,815,696
Auxiliary enterprises		3,355,013	2,529,295	1,562,463	1,403,408
Depreciation		9,917,643	7,262,313	6,966,274	6,759,801
Total Operating Expenses		197,583,734	177,791,408	167,136,589	159,722,412
Operating Loss	\$	(155,717,750)	\$ (135,493,584)	\$ (128,352,876)	\$ (120,494,573)

Notes:

Other non-operating expenses were segregated into separate categories for FY 2009 - FY 2018.

The segregation is not reflected in the previous years.

For the Fiscal Year Ended August 31,

2014	2013	2012	2011	2010	2009
\$ 20,488,244	\$ 21,051,377	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311
3,445,293	4,630,302	4,748,007	6,172,207	8,979,526	7,015,595
4,246,315	5,160,704	6,794,060	6,335,567	6,711,706	5,412,226
1,118,054	1,270,376	1,293,135	1,380,691	1,255,944	1,129,509
4,949,832	3,113,960	2,740,134	2,796,686	2,200,618	1,594,568
1,835,353	1,810,240	1,872,734	1,877,501	1,666,738	1,403,045
645,811	621,264	439,642	545,846	1,988,232	2,280,483
36,728,902	37,658,223	37,471,221	37,390,206	39,956,379	35,396,737
59,447,106	57,766,578	53,899,805	57,359,050	55,454,200	48,698,353
-	4,516	67,273	6,303	-	-
829,711	903,735	736,507	640,673	2,460,617	2,637,239
13,980,994	12,775,912	11,551,178	12,035,474	9,565,508	9,271,172
10,403,814	10,090,241	9,681,946	9,939,104	10,264,591	9,070,935
19,813,087	21,108,957	19,494,885	20,293,881	19,044,676	17,197,508
12,563,250	9,486,934	9,459,757	10,270,614	10,437,077	10,356,102
27,692,817	28,724,249	31,873,082	39,320,494	37,212,122	23,176,417
1,388,716	1,383,521	1,418,145	1,421,243	1,524,084	1,498,378
6,731,486	6,589,876	6,414,932	6,265,826	5,923,105	5,848,873
152,850,981	148,834,519	144,597,510	157,552,662	151,885,980	127,754,977
\$ (116,122,079)	\$ (111,176,296)	\$ (107,126,289)	\$ (120,162,456)	\$ (111,929,601)	\$ (92,358,240)

(Continued)

Statistical Supplement 19
Changes in Net Position
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	2018	2017	2016	2015
Non-Operating Revenues (Expenses)				
State allocations	\$ 47,940,649	\$ 45,315,830	\$ 46,077,235	\$ 42,858,200
Ad-valorem taxes				
Taxes for maintenance & operations	48,931,234	48,822,561	46,781,602	43,951,580
Taxes for debt service	15,656,580	15,652,143	15,016,847	14,105,277
Federal revenue, non-operating	60,276,808	55,666,373	54,858,852	54,881,496
Gifts	353,250	252,614	251,022	305,146
Investment income (net of investment expenses)	3,698,483	2,612,017	1,034,010	144,206
Insurance proceeds	14,959	149,634	-	24,282
Interest and capital related debt	(3,513,058)	(4,150,374)	(6,602,765)	(5,964,767)
Gain on disposal of capital assets	6,547	5,575	12,350	-
Loss on sale/disposal/return on capital assets	(838,031)	(5,886)	-	(240,389)
Non-capital construction costs	(11,107,175)	(3,548,465)	(1,911,123)	(1,731,576)
Bond costs amortization	(268,803)	(295,436)	(284,829)	(1,166,614)
Other non-operating revenues (expenses)	(65,224)	87,483	(320,767)	(274,655)
Net Non-Operating Revenues (Expenses)	161,086,219	160,564,069	154,912,434	146,892,186
Income before contributions, endowment and extraordinary item	5,368,469	25,070,485	26,559,559	26,397,613
Capital contributions	65,259	47,629	4,515,864	66,908
Additions (deductions) to permanent and term endowment	-	-	-	-
Special item	-	-	-	-
Extraordinary item	-	-	-	1,987,665
Increase in net position	5,433,728	25,118,114	31,075,423	28,452,186
Net position - beginning of year, as restated	396,395,889	371,277,775	340,202,352	337,541,511
Cumulative effect of change in accounting principle	(15,448,970)	-	-	(25,791,345)
Net Position - End of Year	\$ 386,380,647	\$ 396,395,889	\$ 371,277,775	\$ 340,202,352

(Continued)

For the Fiscal Year Ended August 31,					
2014	2013	2012	2011	2010	2009
\$ 42,766,020	\$ 38,977,829	\$ 37,017,673	\$ 36,676,953	\$ 37,514,938	\$ 33,173,275
33,983,319	32,403,363	33,244,142	33,798,861	34,314,946	33,731,408
12,291,870	12,030,232	12,276,741	12,187,090	12,197,541	12,212,764
55,351,962	57,151,307	61,950,136	66,972,554	59,089,947	34,498,524
323,100	351,843	418,605	309,868	663,193	775,113
214,915	389,519	417,075	327,497	388,426	1,335,180
-	-	-	-	-	-
(1,340,664)	(1,513,884)	(1,821,871)	(2,054,633)	(2,986,702)	(3,186,226)
-	-	2,793	-	-	-
(10,154)	(217)	-	(3,500)	(4,698)	(77,747)
(1,715,994)	(849,455)	(1,400,934)	(464,503)	(2,268,529)	(1,038,216)
(873,317)	(566,261)	(536,677)	(496,724)	(353,037)	(353,037)
(172,844)	(290,477)	(500,835)	(396,032)	(673,262)	(706,561)
140,818,213	138,083,799	141,066,848	146,857,431	137,882,763	110,364,477
24,696,134	26,907,503	33,940,559	26,694,975	25,953,162	18,006,237
105,190	83,298	22,740	732,061	1,248,559	2,407,855
-	-	(4,700)	300	-	9,690
-	-	-	-	-	374,140
(2,655,340)	(4,230,489)	2,010,294	-	-	-
22,145,984	22,760,312	35,968,893	27,427,336	27,201,721	20,797,922
315,848,253	293,087,941	257,119,048	229,691,712	202,489,991	181,692,069
(452,726)	-	-	-	-	-
\$ 337,541,511	\$ 315,848,253	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712	\$ 202,489,991

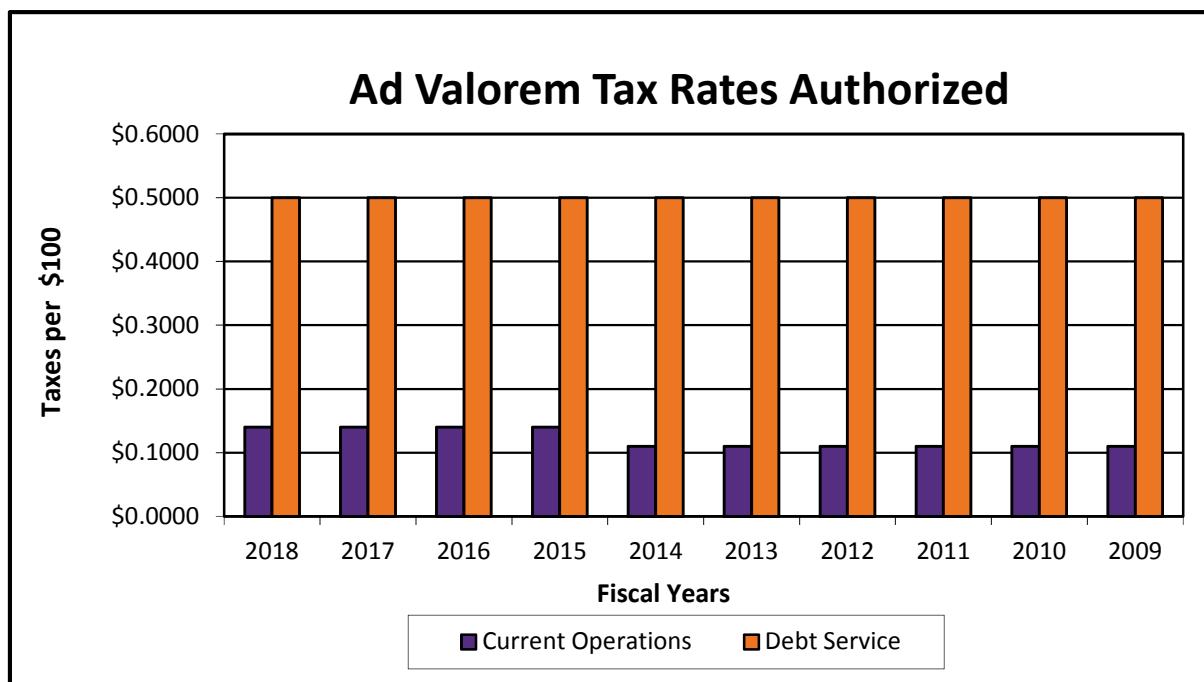


SOUTH TEXAS COLLEGE

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Statistical Supplement 20
Ad Valorem Tax Rates Authorized
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Current Operations	Debt Service	Total
2018	\$ 0.1400	\$ 0.5000	\$ 0.6400
2017	0.1400	0.5000	0.6400
2016	0.1400	0.5000	0.6400
2015	0.1400	0.5000	0.6400
2014	0.1100	0.5000	0.6100
2013	0.1100	0.5000	0.6100
2012	0.1100	0.5000	0.6100
2011	0.1100	0.5000	0.6100
2010	0.1100	0.5000	0.6100
2009	0.1100	0.5000	0.6100



Sources:
Texas Constitution and Statutes, Education Code (Debt Service)
South Texas College District Tax Order Resolution (Current Operations)

Statistical Supplement 21
Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years
(unaudited)

Governmental Subdivision	Percent Applicable*	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014
South Texas College	100.00%	\$0.185000	\$0.185000	\$0.185000	\$0.185000
HIDALGO COUNTY					
Cities:					
Alamo	100.00%	0.556500	0.581000	0.588100	0.598970
Alton	-	0.444000	0.449000	0.454000	0.459100
Donna	100.00%	0.798855	0.982828	0.982828	1.142421
Edcouch	-	0.915400	0.928600	0.928600	0.928600
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	-	0.901800	0.917700	0.856600	0.986700
Granjeno	-	0.446900	0.441900	0.425100	0.423000
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.525100	0.539400	0.543500	0.570000
La Villa	100.00%	0.783600	0.783600	0.783600	0.783600
McAllen	100.00%	0.476300	0.476300	0.476300	0.476300
Mercedes	100.00%	0.745000	0.745000	0.755000	0.760000
Mission	100.00%	0.486200	0.496200	0.498800	0.518800
Palmview	-	0.500100	0.475100	0.475100	0.479000
Penitas	100.00%	0.556200	0.506000	0.506000	0.459500
Pharr	100.00%	0.649000	0.654000	0.654000	0.680000
Progreso	100.00%	0.784000	0.796100	0.806100	0.793000
San Juan	100.00%	0.699300	0.699300	0.699300	0.699300
Sullivan City	-	0.500000	0.460600	0.466800	0.447800
Weslaco	100.00%	0.666700	0.666700	0.676700	0.676700
School Districts:					
Donna ISD	100.00%	1.258200	1.258200	1.258200	1.258200
Edcouch-Elsa ISD	100.00%	1.258000	1.258000	1.258000	1.258000
Edinburg CISD	100.00%	1.239800	1.239800	1.239800	1.239800
Hidalgo ISD	100.00%	1.470000	1.490000	1.530000	1.530000
La Joya ISD	100.00%	1.311000	1.311000	1.311000	1.311000
La Villa ISD	100.00%	1.303800	1.303800	1.303800	1.303800
Lyford CISD	2.20%	1.310000	1.280000	1.280000	1.280000
McAllen ISD	100.00%	1.155000	1.155000	1.155000	1.165000
Mercedes ISD	100.00%	1.380000	1.380000	1.380000	1.380000
Mission CISD	100.00%	1.350200	1.358200	1.367200	1.330000
Monte Alto ISD	100.00%	1.350000	1.350000	1.350000	1.350000
PSJA ISD	100.00%	1.389200	1.399200	1.399200	1.359200
Progreso ISD	100.00%	1.390000	1.390000	1.370000	1.370000
Sharyland ISD	100.00%	1.375500	1.375500	1.335500	1.335500
South Texas ISD	-	0.049200	0.049200	0.049200	0.049200
Valley View ISD	100.00%	1.277000	1.277000	1.277000	1.277000
Weslaco ISD	100.00%	1.159700	1.139700	1.139700	1.139700

Tax Year 2013	Tax Year 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008
\$0.150000	\$0.150700	\$0.150700	\$0.149700	\$0.149100	\$0.149800
0.598970	0.598970	0.585480	0.591910	0.591910	0.591910
0.462400	0.479900	0.482500	0.485000	0.049500	0.497400
1.252376	1.252300	1.252300	1.125979	1.038320	0.989999
0.970500	0.999900	0.884200	0.854200	0.854200	0.901200
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.991600	0.990000	0.990000	0.904200	0.904200	0.904220
0.425300	0.425300	0.425300	0.375700	0.037200	0.311100
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.567800	0.567800	0.545200	0.532300	0.517600	0.567800
0.783600	0.783600	0.622400	0.623400	0.623400	0.839600
0.431300	0.431300	0.431300	0.421300	0.421300	0.421300
0.775000	0.785000	0.785000	0.790000	0.790000	0.805000
0.528800	0.528800	0.538800	0.556600	0.556600	0.566600
0.466500	0.466500	0.460000	0.453400	0.443800	0.467964
0.434500	0.410000	0.362500	0.329600	0.308500	0.338900
0.680000	0.680000	0.680000	0.680000	0.680000	0.683120
0.812600	0.538900	0.499900	0.455300	0.455300	0.414700
0.738600	0.738600	0.738600	0.738600	0.738600	0.699300
0.416000	0.383800	0.353500	0.322000	0.323200	0.326000
0.686700	0.696700	0.696700	0.696700	0.696700	0.696700
1.258200	1.258200	1.258200	1.258200	1.177900	1.200000
1.258000	1.258000	1.258000	1.258000	1.258000	1.258000
1.239800	1.239800	1.239800	1.239800	1.219800	1.189800
1.556400	1.556400	1.586400	1.586400	1.436400	1.350000
1.311000	1.311000	1.311000	1.311000	1.311000	1.321600
1.303800	1.303800	1.303800	1.224800	1.224800	1.224800
1.220000	1.330000	1.330000	0.000000	0.000000	0.000000
1.165000	1.165000	1.165000	1.165000	1.165000	1.145000
1.290000	1.290000	1.290000	1.290000	1.290000	1.290000
1.300000	1.300000	1.300000	1.300000	1.280000	1.240000
1.350000	1.350000	1.350000	1.350000	1.220000	1.240000
1.359200	1.359200	1.359200	1.359200	1.301300	1.271000
1.327500	1.370000	1.430000	1.430000	1.310000	1.340000
1.285500	1.285500	1.200000	1.200000	1.200000	1.185000
0.049200	0.049200	0.049200	0.049200	0.049200	0.049200
1.277000	1.277000	1.317000	1.317000	1.317000	1.317000
1.139700	1.139700	1.139700	1.139700	1.139700	1.139700

(Continued)

Statistical Supplement 21
Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years
(unaudited)

Governmental Subdivision	Percent Applicable*	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014
HIDALGO COUNTY					
Special Districts:					
Hidalgo County	100.00%	0.580000	0.590000	0.590000	0.590000
Drainage District #1	100.00%	0.095100	0.095100	0.095100	0.095700
EMS District #1	-	0.017600	0.020000	0.185000	0.016500
EMS District #2	-	0.038000	0.038000	0.036100	0.036100
EMS District #3	-	0.028500	0.030000	0.030000	0.030000
EMS District #4	-	0.025400	0.027200	0.027200	0.272000
Donna Irrigation #1	-	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	-	0.555000	0.550000	0.550000	0.550000
Engleman Water District #6	-	0.000000	0.000000	0.000000	0.000000
Kennedy County GCD	-	0.015300	0.015300	0.015300	0.015300
Brush County GCD	-	0.024500	0.026020	0.026020	0.026020
Red Sands Groundwater CD	-	0.169000	0.169000	0.169000	0.169000
STARR COUNTY					
Cities:					
Escobares City	-	0.432025	0.403517	0.403517	0.403517
Rio Grande City	100.00%	0.497579	0.497579	0.514749	0.514749
Roma	100.00%	0.531372	0.523055	0.523055	0.523055
School Districts					
Rio Grande City CISD	100.00%	1.430900	1.451400	1.438400	1.447200
Roma ISD	100.00%	1.484000	1.569390	1.553660	1.459090
San Isidro ISD	-	1.290800	1.295000	1.271800	1.260000
Special Districts:					
Starr County	100.00%	0.545800	0.545800	0.561000	0.561700
F&M & FC	-	0.232600	0.232600	0.217400	0.217400
Starr County Memorial Hospital District	-	0.268163	0.277314	0.248092	0.262775

Sources:

Hidalgo County Appraisal District

Starr County Appraisal District

*Municipal Advisory Council of Texas

(Continued)

Tax Year 2013	Tax Year 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008
0.590000	0.590000	0.590000	0.590000	0.590000	0.590000
0.095700	0.075000	0.073300	0.072500	0.072500	0.070000
0.015400	0.014300	0.013400	0.013400	0.013200	0.013200
0.036100	0.036100	0.033600	0.031100	0.028400	0.029000
0.030000	0.030000	0.010000	0.008800	0.008000	0.007500
0.026700	0.026200	0.024500	0.024500	0.024000	0.021800
0.210000	0.210000	0.210000	0.210000	0.210000	0.210000
0.580000	0.580000	0.510000	0.510000	0.000000	0.480000
0.000000	0.230000	0.220000	0.220000	0.210000	0.280000
0.015300	0.015300	0.015300	0.012500	0.015000	0.020000
0.027000	0.029894	0.030000	0.000000	0.000000	0.000000
0.169000	0.169000	0.169000	0.000000	0.000000	0.000000
0.364809	0.340000	0.340000	0.322050	0.300000	0.300000
0.514080	0.514160	0.507459	0.506460	0.350000	0.292292
0.519030	0.516500	0.508710	0.508710	0.446330	0.444620
1.440600	1.442600	1.479500	1.489500	1.413000	1.418900
1.459090	1.459090	1.459920	1.464760	1.416680	1.437683
1.130000	1.130000	1.040000	1.030000	1.040000	1.040000
0.524600	0.551100	0.510100	0.460100	0.520400	0.514200
0.254600	0.228100	0.189100	0.239100	0.178800	0.185000
0.256915	0.251238	0.237531	0.204604	0.193676	0.200178

Statistical Supplement 22
Computation of Direct and Overlapping Debt
August 31, 2018
(unaudited)

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Alamo, City of	\$ 9,475,000	*	08/31/2018	100.00%	\$ 9,475,000
Donna ISD	71,625,000	*	08/31/2018	100.00%	71,625,000
Donna, City of	54,000,000	*	08/31/2018	100.00%	54,000,000
Edcouch-Elsa ISD	41,240,893	*	08/31/2018	100.00%	41,240,893
Edinburg CISD	123,025,000	*	08/31/2018	100.00%	123,025,000
Edinburg, City of	49,605,000	*	08/31/2018	100.00%	49,605,000
Hidalgo County	196,855,000	*	08/31/2018	100.00%	196,855,000
Hidalgo County DD #1	129,300,000	*	08/31/2018	100.00%	129,300,000
Hidalgo ISD	32,036,000	*	08/31/2018	100.00%	32,036,000
Hidalgo, City of	3,455,000	*	08/31/2018	100.00%	3,455,000
La Joya ISD	223,190,945	*	08/31/2018	100.00%	223,190,945
La Villa ISD	8,975,000	*	08/31/2018	100.00%	8,975,000
La Villa, City of	3,838,000	*	08/31/2018	100.00%	3,838,000
Lyford CISD	5,360,000	*	08/31/2018	2.20%	117,920
McAllen ISD	83,326,000	*	08/31/2018	100.00%	83,326,000
McAllen, City of	91,450,000	*	08/31/2018	100.00%	91,450,000
Mercedes ISD	58,469,880	*	08/31/2018	100.00%	58,469,880
Mercedes, City of	18,120,000	*	08/31/2018	100.00%	18,120,000
Mission CISD	122,933,000	*	08/31/2018	100.00%	122,933,000
Mission, City of	36,235,000	*	08/31/2018	100.00%	36,235,000
Monte Alto ISD	13,910,000	*	08/31/2018	100.00%	13,910,000
Penitas, City of	5,342,000	*	08/31/2018	100.00%	5,342,000
Pharr, City of	63,504,969	*	08/31/2018	100.00%	63,504,969
Pharr-San Juan-Alamo ISD	328,935,000	*	08/31/2018	100.00%	328,935,000
Progreso ISD	23,485,000	*	08/31/2018	100.00%	23,485,000
Progreso, City of	1,713,000	*	08/31/2018	100.00%	1,713,000
Rio Grande City CISD	106,480,000	*	08/31/2018	100.00%	106,480,000
Rio Grande City, City of	24,435,000	*	08/31/2018	100.00%	24,435,000
Roma ISD	73,260,000	*	08/31/2018	100.00%	73,260,000
Roma, City of	6,710,000	*	08/31/2018	100.00%	6,710,000
San Juan, City of	23,210,000	*	08/31/2018	100.00%	23,210,000

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Sharyland ISD	105,819,999	*	08/31/2018	100.00%	105,819,999
Starr County	824,334	*	08/31/2018	100.00%	824,334
Valley View ISD	43,449,764	*	08/31/2018	100.00%	43,449,764
Weslaco ISD	69,429,000	*	08/31/2018	100.00%	69,429,000
Weslaco, City of	65,180,000	*	08/31/2018	100.00%	65,180,000
Total Net Overlapping Debt:					2,312,960,704
South Texas College		*	08/31/2018		143,065,000
Total Direct and Overlapping Debt:					\$ 2,456,025,704

Sources:

Municipal Advisory Council of Texas

Notes:

*Gross Debt



SOUTH TEXAS COLLEGE

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SPECIAL REPORTS SECTION

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 *GOVERNMENT AUDITING STANDARDS*

To the President and Board of Trustees
McAllen, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Texas College (the College) as of and for the years ended August 31, 2018 and 2017, 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 13, 2018.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-1.

South Texas College's Response to Findings

South Texas College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Caru, Riggs & Ingram, L.L.C.

McAllen, Texas
December 13, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the President and Board of Trustees
South Texas College

Report on Compliance for Each Major Federal Program

We have audited South Texas College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas 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 programs for the year ended August 31, 2018.

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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 program will not be prevented, or detected and corrected, on a timely basis.

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. Accordingly, this report is not suitable for any other purpose.

Caru, Riggs & Ingram, L.L.C.

McAllen, Texas

December 13, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
STATE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the President and Board of Trustees
South Texas College

Report on Compliance for Each Major State Program

We have audited South Texas College's (the College) compliance with the types of compliance requirements described in the State Comptroller's Office, Uniform Grant Management Standards that could have a direct and material effect on each of the College's major state programs for the year ended August 31, 2018. The College's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major 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 State of Texas Single Audit Circular. Those standards 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 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 state program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major State Program

In our opinion, South Texas 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 state programs for the year ended August 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the State of Texas Single Audit Circular and which is described in the accompanying schedule of findings and questioned costs as item 2018-2. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of the 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 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 state program and to test and report on internal control over compliance in accordance with 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 state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

described in the accompanying schedule of findings and questioned costs as item 2018-2 that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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

Carr, Riggs & Ingram, L.L.C.

McAllen, Texas

December 13, 2018

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018

Section I – Summary of Auditors’ Results

A. Financial Statement Audit

1. Type of Auditors’ report issued on the basic financial statements: **Unmodified**
2. Internal control over financial reporting:
 - Material weaknesses identified? **No**
 - Significant deficiencies identified? **No**
3. Noncompliance material to the basic financial statements noted? **No**

B. Audit of Federal Awards

1. Type of Auditors’ report issued on compliance for major federal programs: **Unmodified**
2. Internal control over major programs:
 - Material weaknesses identified? **No**
 - Significant deficiencies identified? **No**
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? **No**
4. Identification of major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
	Student Financial Assistance Cluster
84.007	FSEOG
84.033	Federal College Work Study
84.063	Pell Grant

5. The dollar threshold used to identify Type A programs: **\$1,901,351**
6. Auditee qualified as a low-risk auditee under the Uniform Guidance: **Yes**

C. Audit of State Awards

1. Type of Auditors’ report issued on compliance for major state programs: **Unmodified**
2. Internal control over major programs:
 - Material weaknesses identified? **No**
 - Significant deficiencies identified? **Yes**

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018

3. Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular? **Yes**

4. Identification of major programs:

<u>Contract Number</u>	<u>Name of State program or cluster</u>
19556	Nursing Innovation Grant Program
N/A	Texas Educational Opportunity Grant (Initial and Renewal Year)

5. The dollar threshold used to identify Type A programs: **\$300,000**

6. Auditee qualified as a low-risk auditee under the State of Texas Single Audit Circular: **Yes**

Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards*

Current Year Findings and Responses

Finding 2018-1: Compliance with Enrollment Reporting Requirements

Criteria: Schools are required to report enrollment data to the National Student Loan Data System (NSLDS) at least once every 60 days and are required to certify the enrollment status of all students who appear on the NSLDS enrollment roster sent to the school or its third party servicer.

Condition: A change in several students' enrollment status was not properly reported to the Clearinghouse (third party servicer) for reporting to NSLDS. A sample of 40 students with status changes was selected for audit from a population of 20,861 students with status changes. The test found three students whose change in enrollment status was not reported to the Clearinghouse for reporting to NSLDS. This was not a statistically valid sample.

Cause: Students who have their degree posted to their record after the graduation enrollment status report is sent to the Clearinghouse for the term are not reported to the NSLDS and are not being picked up on subsequent graduation enrollment status reports. Therefore, this information is not being reported to NSLDS.

Effect: Students' change in enrollment status was not reported, which results in inaccurate information supplied to NSLDS through its third party servicer.

Recommendation(s): Management should improve its processes in place to track reporting of students with status changes in order to ensure information is submitted in an accurate and timely manner to its third party service provider for reporting to NSLDS.

Views of responsible officials: Management is in agreement with this finding and the recommended procedures will be implemented.

**SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018**

Section III – Federal Award Findings and Responses

None

Section IV – State Award Findings and Responses

Current Year Findings and Responses

Finding 2018-2: Compliance and Significant Deficiency in Internal Control over Compliance with Matching Requirements

Texas Educational Opportunity Grant (TEOG)

Criteria: Texas Education Code Section 56.407 states that an eligible institution may not charge a student attending the institution, who also receives a grant (TEOG) under the subchapter, an amount of tuition and required fees in excess of the amount of the grant received by the student. An institution may use other available sources of financial aid, other than a loan or a Pell grant, to cover any difference in the amount of a grant and the actual amount of tuition and required fees at the institution.

Condition: The College did not use matching funds to cover the excess of tuition and required fees over the TEOG award amount, which was not in compliance with Texas Higher Education Coordinating Board (THECB) guidelines and the Texas Education Code.

Cause: The College interpreted THECB guidelines as allowing the application of federal Pell grants as matching funds based on a provision within the guidelines stating that schools were allowed to use matching funds from federal sources. In addition, since Pell funds are generally applied first, most students were in a refund situation. Because of this, management took the position that application of other financial aid or write-off of the amount of tuition and fees in excess of TEOG was not necessary.

Effect: The College must apply institutional, federal, state, or other funds to students affected in order to comply with program guidelines, which will result in refunds payable to students. This also affects students awarded and disbursed TEOG during the 2015-2016 and 2016-2017 fiscal years.

Identification of Repeat Finding: Not applicable since this is a new finding.

Perspective Information: A sample of 40 award disbursements was selected for audit from a population of 1,062 award disbursements. The test found 23 instances in which the College did not apply matching funds as required by program guidelines. This was not a statistically valid sample.

Questioned costs (if applicable): N/A

**SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018**

Recommendation(s): CRI recommends the College determine the population of impacted students and apply matching funds in accordance with program guidelines. It is further recommended that the College update all internal reports and rules within its financial aid information system in order to ensure all students receive the amount of financial aid they are eligible for under the TEOG program.

Views of responsible officials: Management is in agreement with this finding.

SOUTH TEXAS COLLEGE
Corrective Action Plan
For the Year Ended August 31, 2018

Financial Statements

Finding 2018-1: Compliance with Enrollment Reporting Requirements

Corrective Action Plan of Management: To ensure reports are submitted in an accurate and timely manner and student status is up to date, management has reviewed its internal processes for the reporting of student status changes and will increase the frequency of student status changes every term in order to ensure that the changes are reported to NSLDS through our third party servicer within the required timeframe.

Estimated Completion Date: March 31, 2019

Contact Person: Miguel Carranza, Associate Dean SFS, Testing & VA

State Awards

Finding 2018-2: Compliance and Significant Deficiency in Internal Control over Compliance with Matching Requirements

Corrective Action Plan of Management: Student Financial Services is in the process of awarding grant funds for the impacted population of students. As a result, management will strengthen the awarding process to ensure all students receive the amount of aid they are eligible for and will update internal reports and rules within the financial aid information system to be in compliance. Student Financial Services would like to note that no funds will need to be returned to the state and TEOG eligibility was not impacted.

Estimated Completion Date: March 31, 2019

Contact Person: Juan Miguel Galvan, Director of Student Financial Services

