SOUTH TEXAS COLLEGE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016

SERVING HIDALGO AND STARR COUNTY, TEXAS

SOUTH TEXAS COLLEGE

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016

Prepared by the Business Office

HIDALGO COUNTY AND STARR COUNTY, TX

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

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South Texas College District

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

December 12, 2017

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"), Counties of Hidalgo and Starr, State of Texas, for the fiscal years ended August 31, 2017 and 2016, 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 Generally Accepted Accounting Principles. 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 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, 2017 and 2016, was prepared by the Business Office.

The District's Financial Statements are in compliance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges*

and Universities. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows and replaces the fund-group perspective previously required.

The District maintains its accounts and prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as set forth by Governmental and Financial Accounting Standards Boards (GASB and FASB), National Association of College and University Business Officers (NACUBO), and 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 statutes require every community college to submit audited annual financial reports to the Texas Higher Education Coordinating Board by January 1 of each year.

Carr, Riggs & Ingram, LLP, Certified Public Accountants, have issued an unmodified opinion on the District's financial statements for the years ended August 31, 2017 and 2016. The independent auditors' report is included in the financial section of this report on page 25.

Profile 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 the Baccalaureate and Associate degrees. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call (404) 679-4500 for questions about the accreditation of South Texas College District. 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's program offerings are approved by the Texas Higher Education Coordinating Board.

South Texas College is one of the three community colleges in Texas that has authorization to offer bachelor degrees. The first Bachelor of Applied Technology (BAT) degree in Technology Management was offered in 2005, followed by the BAT degree in Computer & Information Technologies in 2008. The District began to offer the third BAT degree in Medical & Health Services Management in 2011. The fourth Baccalaureate Degree – Bachelor of Applied Science in Organizational Leadership (BAS-OL) was developed as a partnership with Texas A&M University-Commerce (TAMUC), the Texas Higher Education Coordinating Board (THECB), and the College for All Texans Foundation (CFAT) as a part of an EDUCAUSE Next Generations Learning Challenges (NGLC) Wave III Grant. The BAS-OL is a Competency-Based Baccalaureate Degree that began in spring 2014 semester.

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. Seven districts,

based on population, were also approved for single member representation on the Board of Trustees. A community leader, from each of the seven districts, was originally appointed by the Texas Governor to serve on the founding Board of Trustees. Since then, elections have been held for all of the seats, as required by state law, and all members were elected by the year 2000. The members of the Board of Trustees serve staggered six-year terms with elections held in May of each even-numbered year. 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's Board of Trustees voted unanimously at its June 24, 2004, meeting to change the name of the District from South Texas Community College District to South Texas College District to reflect its expanded scope and mission.

The District has five campuses located throughout Hidalgo and Starr Counties, and an on-line virtual campus. The five campuses are as follows: (1) the Pecan Campus, (2) the Technology Campus, (3) the Dr. Ramiro R. Casso Nursing and Allied Health Campus, (4) the Starr County Campus, and (5) the Mid-Valley Campus. The Pecan Campus in McAllen, the Mid-Valley Campus in Weslaco and the Starr County Campus in Rio Grande City offer traditional college programs. The Dr. Ramiro R. Casso Nursing and Allied Health Campus, and the Technology Campus in McAllen provide specialized training for students entering the workforce. In addition, the District has Continuing Education Workforce Training Centers at the Pecan Plaza, Technology Campus, Mid-Valley Campus, and Starr County Campus. Approximately 2,400 faculty and staff serve the District.

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, Guiding Principles, and Strategic Directions constitute the Comprehensive Mission for South Texas College District, and 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.

Strategic Directions

Clear Pathways

- South Texas College provides students with clear pathways to facilitate coherent educational experiences and timely completion of a post-secondary credential leading to relevant employment and/or further educational experiences.

Access and Success

- South Texas College is committed to increasing the college-going and college-completing rates in the region.

High Success Rate

- South Texas College engages in effective, proven efforts to ensure student success and positively affect the economic and social mobility of residents in our region.

Collective Responsibility

- South Texas College empowers faculty to work together within and across disciplines to design best learning experiences for students, leading to their academic success, career readiness, and timely completion.

Collaboration

- South Texas College commits to effective interdepartmental and interdivisional collaborations and advances mutually beneficial community and educational partnerships that create a collective impact on student success.

Cost Efficiency

- South Texas College seeks innovative redesign of college processes to promote new approaches to cost-consciousness and cost-efficiency.

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.

Fall Semester Enrollment					
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
	Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012
Academic and Vocational					
Headcount	33,044	33,994	30,849	30,246	29,812
Full-time equivalent	22,880	23,057	21,262	21,140	20,979
Continuing Education					
Headcount	1,124	6,655	5,858	5,022	2,385
Full-time equivalent	522	3,611	3,249	3,092	1,431

Annual Enrollment – Academic and Vocational					
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Total credit hours	637,181	642,651	593,199	585,280	576,890
Total contact hours	12,907,280	13,137,424	12,118,584	12,073,392	11,839,880
Unduplicated full-time student equivalent	21,239	21,422	19,773	19,509	19,230
Unduplicated headcount	44,768	45,665	42,079	40,458	40,009

Annual Enrollment – Continuing Education					
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Total contact hours	211,493	583,149	733,868	719,796	453,305
Unduplicated full-time student equivalent	1,762	4,860	6,115	5,998	3,778
Unduplicated headcount	3,310	8,673	10,200	8,476	5,355

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 articulation agreements include various fields of study such as: Biology, Business Administration, Chemistry, Childcare and Development, Computer Science, Communication Studies, Criminal Justice, English, Engineering, Mathematics, Mexican American Studies, Nursing, Physics, Psychology, Sociology, and Spanish. The District continues to form articulation agreements with other community colleges and institutions of higher education.

The District has developed five 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 22 school districts at over 78 high school sites. Approximately over 13,800 students were enrolled in Dual Credit College-Level Courses during the spring 2017 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 including an Alternative Teaching Certificate Program, General Education Development (GED) training, and continuing professional development courses in Human Resources and Grant Writing.

The District is one of the few community colleges in Texas to offer certificate programs and associate degrees completely online. The District offers four online baccalaureate degrees, 18 online associate degrees, and nine online certificates in: Computer and Information Technologies, Medical and Health Services Management, Technology Management, Interdisciplinary Studies, Education in Elementary, Generalist and Secondary, Anthropology, Psychology, Social Work, Sociology, Business Administration Transfer Plan, Criminal Justice, Language – Spanish Concentration, English, Human Resources Specialist, Accounting, Computer Information Systems, Computer Science, Philosophy, Political Science, Accounting Clerk, Computer Applications Specialist, Management, Marketing, Employee and Labor Relations Assistant, Payroll Assistant, Recruiter Assistant, Human Resources Assistant, and Administration of Early Childhood Programs.

With a total of approximately 1,044 full-time and adjunct instructors, the District's faculty is among the most qualified at any community college in the nation. There are 855 faculty members with master's degrees, 172 with double master's degrees, five (5) with triple master's degrees, and 187 with doctorate degrees. In certificate and other programs, there are 1,049 faculty members holding bachelor degrees, 44 holding double bachelor degrees, one (1) holding triple bachelor degrees, 253 faculty members holding associate degrees, 26 holding double associate degrees, and four (4) holding triple associate degrees, 86 holding certificates, 24 holding double certificates, and one (1) holding triple certificates. Several instructors fall into more than one category.

Local Economy

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 931,010 in 2017 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 68,070 for 2017 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.

According to the 2010 U.S. Census, the McAllen Metropolitan Statistical Area (MSA) had a population of 774,769, a 66.8% increase since 2001; where the Hispanic population comprises up to 90% of the

total population. Forbes has noted the McAllen MSA as the 48th on job growth over 200 MSA's ranked nationwide (Source: Forbes, August 2016).

The McAllen MSA 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).

Despite the current rate of unemployment, the Rio Grande Valley continues to grow and create jobs (Source: McAllen Economic Development Corporation).

Unemployment rates, per capita income, and sales tax receipts for Hidalgo and Starr Counties are as follows:

- The unemployment rate for Hidalgo County decreased from 8.4% in 2016 to 7.7% in 2017.
- The unemployment rate for Starr County decreased from 14.1% in 2016 to 11.3% in 2017.
- Per capita income in Hidalgo County increased from $23,753 in 2016 to $24,579 in 2017.
- Per capita income in Starr County increased from $23,215 in 2016 to $24,540 in 2017.
- Sales tax receipts in Hidalgo County increased 3.3% from 2016 to 2017.
- Sales tax receipts in Starr County decreased 1.59% from 2016 to 2017.

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 midway through 2017. Existing home sales increased 28.1% for the second quarter, and increased by 16.0% on sales year-to-date. Prices increased by 5.9% on average in the second quarter, and 9.0% for the year-to-date compared to the first six months a year ago (Source: McAllen Chamber of Commerce, www. mcallen.org/ Business-Community/Economic-Pulse).

- According to an article published on-line in June 2017 by MSN.com, McAllen ranked as the second-best city in America for Quality of Life. MSN.com states McAllen comes in second on this list, particularly for its short commute time – 22.1 minutes – and excellent marks for college readiness among high school students. (Source: www.msn.com).

- According to The Council for Community and Economic Research, the McAllen area is first "Least Expensive Urban Area" among 253 urban areas that participated in the 2017 Cost of Living Index. The index is based on six components: housing, utilities, grocery items, transportation, healthcare, and miscellaneous goods and services.

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 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).

The Rio Grande Valley is also quite popular with winter visitors due to the area's balmy weather. The seasonal residents enjoy the beach, golf courses, flea markets, Mexico sites, and participating in the various area festivals. Weather conditions are inviting for those who want to escape the snow, ice, and cold weather of the northern United States and Canadian winters. According to an article published on ValleyCentral.com in November 2016, an estimated 100,000 senior citizens make the Rio Grande Valley their winter home. Winter Texans make a significant impact to the local economy, Winter Texans spend more than $700 million in the Rio Grande Valley every year.

Located 15 miles east of McAllen is the city of Weslaco. It is in the heart of an immense citrus, vegetable, and cotton-producing area. As of 2017, the estimated population was 40,187. Weslaco is known for preserving its history and has about 15 historic landmarks from the early 1900's. The city focuses its energy on attracting business and industry. It is the front door to business and trade between the United States and Mexico. Strategically located at the center of the Rio Grande Valley, Weslaco is home to a combination of retail, distribution, and manufacturing businesses which contribute to the city's strong economy (Sources: weslaco.com and texassitesearch.com).

Located 41 miles west of McAllen is the city of Rio Grande City. Many buildings in the Rio Grande City historic district are notable and have historical value. Rio Grande City is home to retail which contribute to the city's economy. As of 2017, the estimated population was 14,698 (Sources: texassitesearch.com).

The District's graduates find work in the Rio Grande Valley and stimulate the Texas economy. The area's rising number of college-educated residents has contributed to its economic boom. In academic year 2016-2017, the District held two graduation ceremonies in December 2016 and four ceremonies in May 2017, at which more than 5,600 degrees and certificates were awarded. Out of those degrees and certificates 1,874 were earned by high school students in dual enrollment programs.

Additionally, the District graduated 58 students from its Dual Enrollment Medical Science Academy (DEMSA), 25 students from the Dual Enrollment Engineering Academy (DEEA), 11 students from the Dual Enrollment Computer Science Academy (DECSA), and 15 students from the Dual Enrollment Criminal Justice Academy (DECJA).

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.

Long-Term Financial Planning

The District has no short term or long term loans at August 31, 2017.

At August 31, 2017, the District has outstanding bonds payable for Bond Series 2007 MTR, Bonds Series 2007 LTR, Bonds Series 2010 LTR, Bonds Series 2014 LT, and Bonds Series 2015 LT. Bonds were issued in March 2007 and November 2010 to refund portions of the District's outstanding debt and lower the overall debt service requirements. The Limited Tax Bonds Series 2014 was issued in February 2014 and the Limited Tax Bonds Series 2015 was issued July 2015 for construction, equipping of buildings, and to accommodate increased student enrollment. The outstanding amounts at year-end were $745,000, $6,380,000, $2,445,000, $53,750,000, and $89,175,000 for Bonds Series 2007 MTR, Bonds Series 2007 LTR, Bonds Series 2010 LTR, Bonds Series 2014 LT, and Bonds Series 2015 LT, respectively. Total bonds payable at August 31, 2017 was $152,495,000. All debt service requirements are to be paid with ad-valorem taxes levied.

The District's outstanding bonds are rated AA by Standards & Poor's Ratings Services and Aa2 by Moody's Investors Service. These ratings are a reflection of the District's stable outlook for continued enrollment growth and favorable operating performance.

The District has levied taxes since fiscal year 1997. The following table illustrates the property tax levy rates and tax collections over the last 10 years.

Tax Levy Rates				
(Per $100 of assessed valuation)				
Fiscal Year	Current Operations	Debt Service	Taxable Assessed Value (TAV)	Total Tax Collections
2008	$0.11000	$0.04400	$26,529,232,568	$40,964,399
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

The District's average collection rate over the past 10 years, including collection of delinquent taxes, has been 97.87%. The tax base has increased by an average of 4.05% annually over the past 10 years. The tax base has increased from $26,529,232,568 in fiscal year 2008 to $34,902,217,340 in fiscal year 2017. The District's property value has shown a steady increase due to a tremendous amount of development. The tax base increase was due to an escalation of improvements and increase in personal property values. The increase in property values and tax levy rates caused a $2,692,096 tax collection increase in fiscal year 2017 and a $3,381,868 tax collection increase in fiscal year 2016.

In fiscal years 1997 through 2017, the District has set aside a total of $113,710,860 for construction of facilities and a total of $33,713,236 for deferred maintenance purposes.

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:

	August 31, 2017	**August 31, 2016**	**August 31, 2015**
Current Undesignated Unrestricted Fund Balance	$91,120,844	$85,533,204	$71,932,033
Next Fiscal Year Budgeted Unrestricted Fund Expenses (including transfers and reserves)	188,083,617	179,711,050	163,175,686
Fund Balance as a % of Total Expenses	48.45%	48%	44%
Number of Months Expenses in Reserve	5.8 months	5.7 months	5.3 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, 2017, 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.

	August 31, 2017	**August 31, 2016**	**August 31, 2015**
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	13,500,000	11,500,000
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	3,500,000	3,500,000
Furniture Replacement	2,000,000	2,000,000	2,000,000
Total	$34,500,000	$30,500,000	$28,500,000

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 (THECB) 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.

One of the measures used to determine the financial condition of the community colleges is the Composite Financial Index (CFI) which combines four ratios into one metric. The four (4) core ratios include primary reserve ratio, viability ratio, return on net position, and operating margin. The core ratios were selected because they represent measurement of key components in relation to institutional risk that must be consistently addressed.

The College's composite financial index for the last three years is as follows:

Composite Financial Index (CFI)			
	August 31, 2017	**August 31, 2016**	**August 31, 2015**
Primary Reserve Ratio	1.08	1.09	1.02
Viability Ratio	6.63	6.95	7.40
Return on Net Position Ratio	6.8%	9.1%	0.8%
Operating Margin Ratio	8.1%	13.7%	14.2%
Total CFI	8.03	8.28	7.26

The established CFI value for an institution in a strong financial position is 4.0 or above, according to *Strategic Financial Analysis for Higher Education*. As reflected above, the District's CFI scores are consistently significantly higher than the threshold for an institution with a strong financial position.

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*. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, Schedule of Expenditures of State Awards and Related Notes, and the Independent Auditors' Report on Internal Control Over Financial Reporting, and on Compliance and Other Matters, is included in the single audit section of this report.

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.

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 budget allocations are based on prioritizing initiatives that support the College's Strategic Directions. To operationalize the College's Strategic Plan, the President and Vice Presidents develop a five-year Comprehensive Plan which identifies the prioritized major initiatives to be undertaken by each area. The objectives and initiatives identified in the Comprehensive Plan form the basis for budget allocations.

For internal management purposes, activities of the following fund groups and individual funds are included in the annual budget.

Fund Group	Fund
Current Funds	Unrestricted Auxiliary Restricted
Plant Funds	Unexpended Renewals and Replacements Retirement of Indebtedness

The District's Board of Trustees approved the following changes to Student Tuition and Fees for fiscal year 2017.

Tuition/Fee Description	FY 16 – 17	FY 15 – 16	$ Change
Non-Resident Tuition – Out of State/International Per Credit Hour:			
1 credit hour	225.00	200.00	25.00
2 credit hours	225.00	100.00	125.00
3 credit hours	213.00	100.00	113.00
4-5 credit hours	203.00	100.00	103.00
6-8 credit hours	198.00	100.00	98.00
9-11 credit hours	193.00	100.00	93.00
12-21 credit hours	192.00	100.00	92.00
Differential Tuition Per Credit Hour:			
Biology	15.00	10.00	5.00
Chemistry	15.00	10.00	5.00
Mandatory Fees:			
Registration Fee: • If registered and paid or registered and financial aid processed BEFORE August 1st, January 1st, May 15th, and June 15th Or,	100.00	90.00	10.00
Registration Fee After Deadline: • If registered and paid or financial aid processed ON or AFTER August 1st, January 1st, May 15th, and June 15th	160.00	150.00	10.00

Tuition/Fee Description	FY 16 – 17	FY 15 – 16	$ Change
Learning Support Fee / credit hr.	15.00	16.00	1.00
Course Fee Per Credit Hour:			
• Third or more attempts (Excludes Developmental) Effective Spring 2017	125.00	0.00	125.00
• Enrollment in Developmental Studies Courses (>27 credit hours) Effective Spring 2017	125.00	0.00	125.00
Installment Plan/Emergency Loan Fees:			
Installment Plan Fee	35.00	30.00	5.00
Installment Plan Late Payment Fee	35.00	30.00	5.00
Emergency Loan Late Payment Fee	35.00	30.00	5.00
Parking/Moving Violation Fees:			
Proposed Skateboard and Other Appliance Violation:			
• Second	30.00	-	30.00
• Third	50.00	-	50.00
• Fourth	70.00	-	70.00
• Fifth	90.00	-	90.00
Testing Fees:			
Sign Language Certification Exam Fee	95.00	-	95.00
Proctoring/Professional Testing Services Fee	Recovery of costs and processing fees to be negotiated		Recovery of costs and processing fees to be negotiated

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.

Major Initiatives

The District's major initiatives included the following:

- In November 2013, the constituents of Hidalgo County and Starr County passed a $159 million bond issuance for the construction and equipping of college buildings to accommodate increased student enrollment.

    - On February 26, 2014, the District issued Limited Tax Bonds, Series 2014 in the amount of $53,750,000.

    - On July 21, 2015, the District issued Limited Tax Bonds, Series 2015 in the amount of $90,220,000.

  The bonds are being used to fund the design and construction phase of new facilities in all campuses. Bond funds will also be utilized to furnish the new facilities with state of the art equipment.

- Major construction ongoing during fiscal year 2017 included renovation and improvements at all campuses.

The District's financial outlook for the future continues to be positive. In 23 years, South Texas College District has grown from a student headcount of over 1,000 in Fall 1993 to over 32,000 in Spring 2017. The District's unrestricted fund budget increased from $2,325,212 in 1993 to $183,857,177 in 2017.

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:

- As large portions of the population begin to retire, it is expected that there will be 12 million older Americans that will require long-term care, according to a 2014 study conducted by the National League for Nursing. Through partnerships with industry and collaborative support with governmental agencies like the Texas Workforce Commission, South Texas College is prepared to meet the demand, and provide better lives for the people in communities across the region. At a check signing ceremony on June 19, 2017 Texas Workforce Commission awarded South Texas College $223,000 in the form of a Jobs and Education for Texas grant. The grant will help the college purchase and install equipment to provide 150 students with training for career in the medical profession as licensed practical and vocational nurses.

- Hundreds of new and incumbent workers will benefit from a $400,000 grant awarded by the City of McAllen to the Institute of Advanced Manufacturing (IAM) at South Texas College. On January 19, 2017 at the South Texas College's Technology Campus, McAllen presented a grant from the city's Development Corporation fund that will support customized training

dedicated to local industry. Customized training involves 300 courses at South Texas College that have been tailored for the needs of local industry. The strength of the college lies in modifying and customizing these courses, or developing new courses that companies need in order to thrive in the region.

- The Texas Comptroller of Public Accounts launched a revised and improved Transparency award program in March 2016 by announcing the new Transparency Stars Program. The purpose is to recognize cities, counties, and school districts going above and beyond their transparency efforts. The program recognizes entities that accomplish the following:
    - Provide clear and meaningful financial information not only by posting financial documents, but also through summaries, visualizations, downloadable data and other relevant information. 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* listing released in 2017 ranks the District as number one in the country in awarding Associate Degrees in the majors of Education, Public Administration, Social Service, Homeland Security, Law Enforcement, and Firefighting. The District ranked number two in All Disciplines Combined, Psychology, Business, Management and Marketing degrees.

- South Texas College has been recognized by The Hispanic Outlook on Education Magazine (HO) as one of the leading community colleges for Hispanics in the United States and has been highlighted in the February 2017 issue. South Texas College ranks number two on the 2015 Associate degrees granted by four-year schools according to HO. The designation comes from HO's "Top 25 Community Colleges for Hispanics." South Texas College is the only Texas college that made the rankings, sharing the top 10 spotlight with colleges from Florida, and Navada. Miami Dade College ranked at the top of the list.

- In July 2016, 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 August 31, 2018.

Certificate of Achievement

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, 2016. This is the fourteenth 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.

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

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South Texas College District
Board of Trustees
For the Fiscal Year 2017

Dr. Alejo Salinas, Jr.
Chair

Clinical Lecturer, University of Texas Rio Grande Valley
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 Board, member of the Finance & Human Resources Committee, member of the Education and Workforce Innovation 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 chair and member of the Finance & Human Resources Committee.

Graciela Farias
Vice Chair

Self-Employed Educational Consultant
Retired from McAllen Independent School District
District 2
Representing La Joya, Western Mission, Palmview, Sullivan City, Penitas, and Western Alton
First Term: May 2012 – May 2018
Serves as Vice Chair of the Board, Chair of the Education and Workforce Development Committee, and member of the Facilities Committee.
Formerly served as Secretary of the Board and member of the Education and Workforce Development Committee.

Jesse Villarreal
Secretary

Parental Involvement Specialist, Weslaco ISD
District 6
Representing Donna, South Alamo, South San Juan, Southeast Pharr, South Weslaco, and Progreso
First Term: May 2000 – May 2006
Second Term: May 2006 – May 2012
Third Term: May 2012 – May 2018
Serves as Secretary of the Board and member of the Facilities Committee.
Formerly served as Vice Chair and Secretary of the Board, and member of the Facilities Committee.

South Texas College District
Board of Trustees
For the Fiscal Year 2017

Rose Benavidez
Member

President of Starr County Industrial Foundation
District 1
Representing Starr County
First Term: Nov. 2009 – May 2012
Second Term: May 2012 – May 2018
Serves as 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 & Human Resources Committee.

Paul R. Rodriguez
Member

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 Finance, Audit, & Human Resources Committee and member of the Facilities Committee.
Formerly served as member of the Finance & Human Resources 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)
First Term: May 1998 – May 2004
Second Term: May 2004 – May 2010
Third Term: May 2010 – May 2016
Fourth Term: May 2016 – May 2022
Serves as Chair of the Facilities Committee and member of the Education and Workforce Innovation Committee.
Formerly served as Chair, Vice Chair, and Secretary of the Board, Chair and member of the Facilities Committee, member of the Finance & Human Resources Committee, and member of the Education and Workforce Development Committee.

South Texas College District
Board of Trustees
For the Fiscal Year 2017

Roy De Leȯn
Member

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 member of the Finance, Audit, & Human Resources Committee and member of the Facilities Committee.
Formerly served as Chair, Vice Chair and Secretary of the Board, Chair and member of the Finance & Human Resources Committee, and member of the Facilities Committee.

South Texas College District
ADMINISTRATIVE OFFICIALS
For the Fiscal Year 2017

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 2016 - 2017 Organization Chart

Overview

College President
Dr. Shirley A. Reed

- **Dean of Cont Prof and Wkfce Ed** — *Juan Carlos Aguirre*
- **Dir of Grant Dev, Mgmnt, and Compliance** — *Dr. Virginia Champion*
- **Internal Auditor** — *Khalil Abdullah*
- **Admin Spec for Board Rel** — *Andrew Fish*
- **Dir of Publ Rel/Marketing** — *Daniel Ramirez*
  - **Asst Dir Public Rel & Mrktng** — *Raymond G Pedraza*
- **Exec Asst to the President** — *Yolanda Orozco*
- **Associate Dean of Industry Training and Economic Development** — *Carlos Margo*
  - **Interim Training Manager** — *Jose Raul Ruiz*

VP for Academic Affairs
Dr. Anahid Petrosian, Interim

- **Asst VP for Academic Advancement** — *Dr. Anahid Petrosian*
- **Dean of Distance Learning** — *Dr. Erasmus Addae*
- **Admin for HS Prgms & Svcs** — *Nicolas Gonzalez*
  - **Dir of Early College HighSchool** — *Sofia Pena*
  - **Dir of Academies & HS Projects** — *Rebecca De Leon*
- **Associate Dean of Curriculum & Student Learning** — *Kristina Wilson*
- **Assoc Dean Prof & Orgn Dev** — *Lee Grimes*
- **Dean for Math, Sciences, and Bachelor Programs** — *Dr. Ali Esmaeili*
  - **Department Chairs**
    - **Faculty**
- **Dean for Business & Technology** — *Mario Reyna*
  - **Department Chairs**
    - **Faculty**
- **Dean for Liberal Arts & Social Sciences** — *Dr. Margaretha Bischoff*
  - **Assistant Dean for Fine & Performing Arts** — *William Buhidar*
  - **Assistant Dean for Humanities** — *Dr. Christopher Nelson*
  - **Department Chairs**
    - **Faculty**
- **Dean for Nursing & Allied Health** — *Jayson Valerio, Interim*
  - **Department Chairs**
    - **Faculty**

Campus Administrators
Mid Valley Campus: *Daniel Montez*
Technology Campus: *Mario Reyna*
Starr County Campus: *Arturo Montiel*
Dr. Ramiro R. Casso Nursing & Allied Health Campus: *Jayson Valerio (Interim)*

VP for Stu. Affairs & Enrollment Mgmt
Matthew Hebbard

- **Dean of Enrollment Services** — *704612 Vacant*
  - **Dir of Student Records & Registrar** — *Cynthia A Blanco*
  - **Dir of College Con & Adm Traditional Stu** — *Larry Barroso*
  - **Dir of Dual2Degree High Schools** — *Tony Matamoros*
  - **Assoc. Dean for Student Fin. Svcs, Testing & VA** — *Miguel Carranza*
    - **Dir of Testing Services** — *Adrian Lozano*
    - **Dir of Student Fin Svcs** — *Juan Miguel Galvan*
- **Dean for Student Affairs** — *Paul Hernandez*
  - **Dir of Compr Advisement & Mentoring** — *Nancy Garcia*
  - **Dir of Counseling** — *Santa Elisa Pena*
  - **Dir of Career & Employer & Services** — *Celinda Palacios*
  - **Dir of Student Rights & Responsibilities** — *Karey Barnes*
  - **Dir of Student Activities & Wellness** — *Eli Nguma*

VP for Finance & Admin Svcs
Mary Elizondo

- **Dir of Facilities Planning & Cons** — *Ricardo De La Garza*
- **Dir of Facilities Oper & Maint** — *George McCaleb*
  - **Asst Dir of Facil Oper & Maint** — *Luis De La Garza*
- ***Dir of Purchasing*** — *Rebecca Cavazos*
  - **Assoc Dir of Purchasing** — *Fernando Lamas*
- **Dir of Accountability, Risk, & Compliance** — *Frank Jason Gutierrez*
  - **Risk Manager** — *Ken Lyons*
- ***Comptroller*** — *Myriam Lopez*
  - **Associate Comptroller** — *Katarina Bugariu*
  - **Dir Student Accts & Bursar** — *Norma Jimenez*
  - **Chief Admin for Dept of Public Safety** — *Paul Varville*
    - **Police Lieutenant** — *Ruben Suarez*
  - **Dir of Human Resources** — *Brenda Balderaz*
    - **Asst Dir of Human Resources** — *704240 Vacant*
    - **Employee Relations Officer** — *Laura Reguena*
    - **Employee Relations Officer** — *Jaime Navarro*
  - **Dir of Food Services** — *622515 Vacant*

VP for Information Services, Planning & Strategic Initiatives
Dr. David Plummer, Interim

- **Dean for Library & Lrng Supp Svcs** — *Cody Gregg*
  - **Assoc Dean Library Services** — *700060 Vacant*
  - **Dir of Library Technical Svcs** — *Jesus Campos*
  - **Dir of Instructional Technologies** — *Maria L Evans*
  - **Dir of Learning Commons & Open Labs** — *Dr. Lelia Salinas*
  - **Dir of Ctrs for Lrng Excellence** — *Teresa Garcia*
- **Assoc.Dean of Inst. Research & Effectiveness** — *Laura Boyer Sanchez*
  - **Dir of Rsrch & Analytical Svcs** — *Serkan Celtek*
  - **Dir of Inst'l Effect & Assmnt** — *Dr Fernando Chapa*
- **Asst to the VP for Strat Init** — *Dr. David Plummer*
  - **Chief Information Officer** — *Alicia Gomez*
    - **Asst CIO for Software Dev** — *700396 Vacant*
    - **Asst CIO for Infrastructure** — *Lucio Gonzalez*
    - **IT Risk and Security Manager** — *Jose Luis Gonzalez*
    - **Chief Info Security Officer** — *Victor Gonzalez*

Updated 9/1/2016 ss

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Texas College

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2016

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

(956) 686-3701
(956) 686-6830 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees
South Texas College
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 year ended August 31, 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 respective financial position of South Texas College as of August 31, 2017 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.

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 the College's Proportionate Share of the Net Pension Liability, and the Schedule of the College's 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 29, 2017, 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 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 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.

Prior Period Financial Statements

The financial statements of South Texas College as of August 31, 2016 were audited by other auditors whose report dated December 13, 2016 expressed an unmodified opinion on those statements.

Cano Rigger & Ingram, L.L.C

McAllen, Texas
December 29, 2017

SOUTH TEXAS COLLEGE

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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 effecting our operations for the fiscal years ending August 31, 2017 and 2016. 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).

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, 2017; 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 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.

Some of the 2017 financial highlights of the fiscal year are as follows:

- The District's total combined net position was $396.4 million at August 31, 2017, which was an increase of $25.2 million. Of the total increase, $17.3 million was an increase in net investment in capital assets and unrestricted net position increased of $8.5 million with an ending balance of $178.2 million and may be used to meet the District's ongoing obligations. In addition, the budget adopted by the Board of Trustees for fiscal year 2018 indicates that budget revenue together with unrestricted Net Position will be sufficient to meet operating needs and will allow the District to sustain anticipated capital outlay requirements.

- Capital assets, net of accumulated depreciation, at August 31, 2017, had an increase of $96.2 million from August 31, 2016, primarily due to a $73.5 million increase in construction in progress.

- During 2017, investments decreased by $41.3 million, and cash and cash equivalent decreased $21.5 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 $66.6 million, $62.7 million, and $57.7 million in fiscal years 2017, 2016, and 2015, respectively, which consisted of federal, state, local and private grants that were provided as financial aid to students and other remissions and exemptions.

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 provide 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 on the way in which 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, which are due within one year, and current assets are those assets, which are 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 but are related to future periods but are not assets or liabilities. The District's deferred outflows of resources include deferred charges on debt refunding and deferred outflows related to pensions. The District's deferred inflows of resources are related to pensions. The focus is to report the total net resources available to finance future services. Assets and liabilities are presented in the order of their 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:

Statements of Net Position
(in millions)

	2017	2016	2015	2016 - 2017 Change	2015 - 2016 Change
Assets					
Current assets	$ 153.0	$ 156.0	$ 213.1	$ (3.0)	$ (57.1)
Capital assets, net	308.2	212.0	199.6	96.2	12.4
Noncurrent assets	171.1	230.8	163.3	(59.7)	67.5
Total Assets	**632.3**	**598.8**	**576.0**	**33.5**	**22.8**
Deferred Outflows of Resources					
Deferred outflows of resources	10.4	11.4	5.1	(1.0)	6.3
Total Deferred Outflows of Resources	**10.4**	**11.4**	**5.1**	**(1.0)**	**6.3**
Liabilities					
Current liabilities	53.2	35.0	32.8	18.2	2.2
Noncurrent liabilities	186.6	194.8	201.1	(8.2)	(6.3)
Total Liabilities	**239.8**	**229.8**	**233.9**	**10.0**	**(4.1)**
Deferred Inflows of Resources					
Deferred inflows related to pension	6.5	9.1	7.0	(2.6)	2.1
Total Deferred Inflows of Resources	**6.5**	**9.1**	**7.0**	**(2.6)**	**2.1**
Net investment in capital assets	198.7	181.4	170.8	17.3	10.6
Restricted expendable	19.2	19.8	22.0	(0.6)	(2.2)
Restricted non-expendable	0.3	0.3	0.3	-	-
Unrestricted	178.2	169.7	147.0	8.5	22.7
Total Net Position	**$ 396.4**	**$ 371.2**	**$ 340.1**	**$ 25.2**	**$ 31.1**

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. In 2016, total assets increased by $22.8 million or 4.0% from $576.0 million at August 31, 2015. The primary source of the increase in assets in 2017 are capital assets that increased $96.2 million which was offset by a decrease in cash, 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 is directly related to the increase in capital assets.

The main drivers of the increase in assets in 2016 are capital assets that increased $12.4 million or 6.2% and a net increase of $8.7 million or 2.4% in cash, cash equivalents and investments. The increase in capital assets is primarily due to an increase of $11.9 million in construction in progress for new facilities funded by the District Limited Tax Bonds Series 2014 and 2015. An increase in long-term and short-term investments of $172.8 million or 51,208.4% was offset by a decrease in cash and cash equivalents of $164.1 million or 45.4%. The shift from cash to investments was a strategic move to maximize the return on investments and better meet the District's operational goals.

In 2017, the deferred outflows of resources decreased by $1.0 million or 9.0% 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 pensions and a decrease in deferred outflows of $2 million, both decreases are due to differences between projected and actual earnings as administrated by the Teacher Retirement System of Texas (TRS). In 2016, the deferred outflows of resources increased 123.4% or $6.3 million from $5.1 million at August 31, 2015 to $11.4 million as of August 31, 2016. The primary reason for the increase in 2016 is due to $6.7

million as a result of a difference in projected and actual investment earnings as administrated by TRS.

Deferred inflows of resources decreased $2.6 million or 29.0% from $9.1 million in at August 31, 2016 to $6.5 million at August 31, 2017. Deferred inflow of resources related to pension increased $2.2 million or 31.3% from $7.0 million at August 31, 2015. The $2.2 million increase in deferred inflows related to pension is due to changes in the proportionate share and actuarial assumption as well as differences in the actual actuarial experience compared to expectations

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. Total liabilities decreased by $4.1 million or 1.8% from $233.9 million at August 31, 2015. The $10.0 million increase in 2017 resulted from an increase in current liabilities of $18.3 million or 52.4%, partially offset by a decrease in noncurrent liabilities of $8.2 million or 4.2%. The increase in current liabilities was caused by 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. The main 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 main reason for the decrease in liabilities in 2016 was a decrease of $10.8 million or 6.0% in noncurrent bonds payable attributed to debt service payments, which was offset by a $4.4 million or 19.4% increase in net pension liability primarily due to the difference in projected and actual investment earnings.

The District's already strong net position increased by $25.2 million or 6.8% from $371.2 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 $33.0 million, which was offset by a decrease of $7.2 million of unrestricted net position.

Approximately fifty percent of net position, $198.7 million in 2017 and $181.4 million in 2016, 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 4.8% in 2017 and 5.3% in 2016 of net position. The remaining unrestricted net position may be used for educational or general operations of the District, which were $178.2 million and $169.7 million as of August 31, 2017 and 2016.

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 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 2017 and 2016.

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 the revenues earned by the District, both operating and non-operating, and the expenses incurred by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District during the year.

On the next page, 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:

Statements of Revenues, Expenses and Changes in Net Position
(in millions)

	2017	2016	2015	2016 - 2017 Change	2015 - 2016 Change
Operating revenues	$ 42.3	$ 38.8	$ 39.2	$3.5	$(0.4)
Operating expenses	177.8	167.1	159.7	10.7	7.4
Operating loss	**(135.5)**	**(128.3)**	**(120.5)**	**(7.2)**	**(7.8)**
Non-operating revenues and expenses	160.6	154.9	146.9	5.7	8.0
Capital contributions	-	4.5	0.1	(4.5)	4.4
Extraordinary item	-	-	2.0	-	(2.0)
Increase in net position	**25.1**	**31.1**	**28.5**	**(4.5)**	**6.4**
Net position - beginning of year	**371.3**	**340.2**	**337.5**	**31.1**	**2.7**
Cumulative effect of change in accounting principle	-	-	(25.8)	-	25.8
Net Position - End of Year	**$ 396.4**	**$ 371.3**	**$ 340.2**	**25.1**	**31.1**

The District's 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. The primary drivers of the increase was tuition and fees with an increase of $1.7 million, due to an increase in the non-resident tuition. Federal, State and Local grants and contracts increases $2.5 million compared to 2016. Operating revenue remained stable in 2016 and the District saw a slight decrease of $0.4 million or 1.1% from $39.2 million for the period ending August 31, 2015.

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 approximately 39.6% in 2017 and 37.9% in 2016 of total revenues.

Operating expenses increased $10.7 million or 6.4% during 2017 to $177.8 million and $7.4 million or 4.6% in 2016 to $167.1 million. For fiscal year 2017, the driving factors for the $10.7 million increase were instruction, institutional support, operations and maintenance of plant expenditures. For fiscal year 2016, the driving factors for the $7.4 million increase were instruction, academic support, and institutional support expenditures. The primary drivers of the increase in expenditures in 2017 and 2016 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 for both 2017 and 2016 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.

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

(in millions)

	2017		2016		2015	
Operating Revenues	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of $66.6, $62.7, and $57.7)	$ 23.1	54.7%	$ 21.4	55.3%	$ 21.3	54.5%
Federal grants and contracts	4.5	10.6%	3.9	10.0%	4.4	11.1%
State grants and contracts	4.1	9.7%	3.3	8.4%	4.1	10.4%
Local and non-governmental grants and contracts	8.2	19.3%	7.6	19.5%	6.3	16.2%
Auxiliary enterprises	1.8	4.3%	1.9	4.9%	1.8	4.5%
General operating revenues	0.6	1.4%	0.7	1.9%	1.3	3.3%
Total	**$ 42.3**	**100.0%**	**$ 38.8**	**100.0%**	**$ 39.2**	**100.0%**

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

(in millions)

	2017		2016		2015	
Operating Expenses by Function	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	$ 70.9	39.8%	$ 66.2	39.6%	$ 60.8	38.0%
Public service	0.7	0.4%	0.9	0.6%	1.2	0.8%
Academic support	17.1	9.6%	16.3	9.8%	15.3	9.6%
Student services	11.2	6.3%	11.5	6.9%	10.9	6.9%
Institutional support	26.1	14.8%	23.1	13.8%	21.8	13.6%
Operations and maintenance of plant	16.0	9.0%	14.1	8.4%	13.7	8.6%
Scholarships and fellowships	26.0	14.6%	26.4	15.8%	27.8	17.4%
Auxiliary enterprises	2.5	1.4%	1.6	0.9%	1.4	0.9%
Depreciation	7.3	4.1%	7.0	4.2%	6.8	4.2%
Total	**$ 177.8**	**100.0%**	**$ 167.1**	**100.0%**	**$ 159.7**	**100.0%**

Operating Expenses by Function
Comparison - Fiscal Years 2017, 2016 and 2015
(in millions)

(in millions)

Operating Expenses by Classification	2017 Amount	2017 Percentage of Total	2016 Amount	2016 Percentage of Total	2015 Amount	2015 Percentage of Total
Salaries and wages	$ 88.4	49.7%	$ 82.5	49.4%	$ 77.7	48.6%
State benefits	7.4	4.2%	6.9	4.1%	6.5	4.1%
Local benefits	19.3	10.9%	17.6	10.5%	14.8	9.3%
Other (travel, operating and depreciation)	36.7	20.6%	33.7	20.2%	32.9	20.6%
Scholarships and fellowships	26.0	14.6%	26.4	15.8%	27.8	17.4%
Total	**$ 177.8**	**100.0%**	**$ 167.1**	**100.0%**	**$ 159.7**	**100.0%**

Net non-operating revenues and expenses increased by $5.7 million or 3.6% to $160.6 million in 2017 and $8.0 million or 5.5% to $154.9 million in 2016. 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. The $8.0 million increase in 2016 is partly attributed to the $3.7 million or 6.4% increase in ad-valorem tax collections. The ad-valorem tax collection increase is primarily due to a tax base increase caused by an escalation of improvements and increase in personal property tax values. The Board of Trustees approved the same property tax rate as levied in 2015. In addition to the tax collections, the District had an increase of $3.2 million or 7.5% in state allocation revenue and an increase of $0.8 million or 617.0% in investment income.

The Statements of Revenues, Expenses, and Changes in Net Position reflect a very positive year with an increase in the net position at the end of the year.

Non-operating revenues consisted of the following:

(in millions)

Non-Operating Revenues	2017 Amount	2017 Percentage of Total	2016 Amount	2016 Percentage of Total	2015 Amount	2015 Percentage of Total
State allocations	$ 45.3	26.9%	$ 46.0	28.1%	$ 42.8	27.5%
Ad-valorem taxes – maintenance and operations	48.8	28.9%	46.8	28.5%	43.9	28.1%
Ad-valorem taxes – debt service	15.7	9.3%	15.0	9.2%	14.1	9.0%
Federal revenue, non-operating	55.7	33.0%	54.9	33.4%	54.9	35.1%
Gifts	0.3	0.2%	0.3	0.2%	0.3	0.2%
Investment income (net of investment expenses)	2.6	1.6%	1.0	0.6%	0.1	0.1%
Other non-operating revenues	0.4	0.1%	-	0.0%	0.2	0.0%
Total	**$ 168.8**	**100.0%**	**$ 164.0**	**100.0%**	**$ 156.3**	**100.0%**

Non-operating expenses consisted of the following:

(in millions)

Non-Operating Expenses	2017 Amount	2017 Percentage of Total	2016 Amount	2016 Percentage of Total	2015 Amount	2015 Percentage of Total
Interest on capital related debt	$ 4.2	51.9%	$ 6.6	72.4%	$ 5.9	63.6%
Loss on sale/disposal/return of capital assets	-	- %	-	- %	0.2	2.6%
Non-capital construction costs	3.5	44.4%	1.9	21.0%	1.8	18.5%
Bond costs amortization	0.3	3.7%	0.3	3.1%	1.2	12.4%
Other non-operating expenses	0.2	0.0 %	0.3	3.5%	0.3	2.9%
Total	**$ 8.2**	**100.0%**	**$ 9.1**	**100.0%**	**$ 9.4**	**100.0%**
Net non-operating revenues (expenses)	**$ 160.6**		**$ 154.9**		**$ 146.9**	

Statement 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.

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

	2017	2016	2015
Cash provided (used) by:			
Operating activities	$ (123.9)	$ (119.6)	$ (110.7)
Non-capital financing activities	144.4	142.9	139.5
Capital and related financing activities	(86.0)	(15.5)	92.4
Investing activities	43.9	(171.9)	164.4
Net change in cash and cash equivalents	(21.6)	(164.1)	285.6
Cash and cash equivalents-September 1,	197.7	361.8	76.2
Cash and cash equivalents-August 31,	**$ 176.1**	**$ 197.7**	**$ 361.8**

The Statements of Cash Flows indicates an overall decrease in cash and cash equivalents of $21.6 million at August 31, 2017 and $164.1 million at August 31, 2016.

Net cash used for operating activities increased by $4.3 million or 3.7% during 2017 and increased $8.9 million or 8.0% during 2016. 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. In 2016, the primary use of cash in operations was in payment of salaries and benefits, which increased by $7.6 million or 8.1% during 2016 to $102.0 million, followed by payment to suppliers for goods and services which, increased by $2.4 million or 9.5%. These increases were offset by an increase in receipts from students and other customers by $0.9 million or 4.1% and grants and contracts by $0.8 million or 5.8%.

Net cash provided by non-capital financing activities increased by $1.5 million or 1.1% during 2017 and $3.4 million or 2.4% during 2016. 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 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 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. The primary reason for the $3.4 million increase in 2016 is due to an increase in receipts from state

allocations by $2.9 million or 7.7% to $41.4 million, and ad-valorem taxes increased by $2.5 million or 5.8% to $46.5 million, which was offset by a decrease of $2.0 million in proceeds from insurance claims.

Net cash used for capital and related financing activities increased $70.5 million or 455.1% during 2017 and increased $107.9 million or 116.8% during 2016. 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 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. The primary reasons for the $107.9 million change during 2016 is due to the issuance of capital debt during 2015, which resulted in $99.9 million proceeds. There was no issuance of capital debt during 2016. The other major factor of the decrease is due to an $8.6 million increase in capital assets acquisitions during 2016.

Net cash provided by investing activities increased $215.8 million or 125.6% during 2017 and decreased by $336.3 million or 204.6% during 2016. 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 increased $146.2 million or 1,790.2% during 2017 and a reduction in purchases of investment increased the cash flow by $68.0 million. Purchases of investments increased $181.0 million during 2016 and proceeds from sale and maturity of investments decreased $156.1 million or 95.0% to $8.1 million.

Capital Assets and Long-Term Debt Administration

The District had $389.6 million in capital assets and $81.4 million in accumulated depreciation at August 31, 2017.

Capital Assets
(Net of Depreciation)
(in millions)

	2017	2016	2015
Land	$ 32.5	$ 32.5	$ 29.6
Construction in progress	87.8	14.3	2.4
Buildings	152.8	136.2	138.8
Land improvements	19.1	16.9	17.4
Library books	1.8	1.8	1.8
Furniture, machinery, vehicles, and other equipment	14.1	10.3	9.6
Telecommunications and peripheral equipment	0.1	-	-
Net capital assets	**$ 308.2**	**$ 212.0**	**$ 199.6**

Below is a graphic illustration of capital assets, net of depreciation at August 31, 2017, 2016 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 by several projects of new facilities on all campuses for the District Limited Tax Bonds Series 2014 and 2015. In 2016, the increase in net capital assets of $12.3 million was due to the $11.9 million increase in construction in progress which is attributed by several projects in process of new facilities on all campuses for the District Limited Tax Bonds Series 2014 and 2015. In addition, buildings net of depreciation decreased $2.6 million, which was offset of additional land in the amount of $2.9 million.

The bonds payable liability balances at August 31, 2017, 2016, and 2015 are as follows:

Outstanding Debt – Bonds
(in millions)

	2017	2016	2015
South Texas College District Tax Bonds, Series 2007 MTR	$ 0.7	$ 1.1	$ 1.4
South Texas College District Tax Bonds, Series 2007 LTR	6.4	11.4	17.2
South Texas College District Tax Bonds, Series 2010 LTR	2.4	4.3	5.2
South Texas College District Tax Bonds, Series 2013 LTR	-	1.6	3.2
South Texas College District Tax Bonds, Series 2014 LT	53.8	53.8	53.8
South Texas College District Tax Bonds, Series 2015 LT	89.2	89.7	90.2
Total Bonds Payable	**$ 152.5**	**$ 161.9**	**$ 171.0**

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. The enrollment has increased over the years since the District's inception. Over the last five years, the unduplicated annual headcount enrollment has increased by 11.89%, from 40,009 in fiscal year 2013 to 44,768 in fiscal year 2017. During the same period, the total contact hour generation has increased 9.02%, from 11,839,880 contact hours in 2013 to 12,907,280 contact hours in 2017.

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.

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 2017 was $0.0450 per $100 valuation of taxable property.

Economic Outlook

The District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the coming fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The District's overall financial position is strong. Increases in tuition and fee revenues and conservative spending practices have contributed to the District's ability to realize an increase in net position.

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, 2017 and 2016

Exhibit 1

	FY 2017	FY 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 122,962,475	$ 119,829,772
Restricted cash and cash equivalents	13,861,890	13,759,095
Short-term investments	837	6,513,991
Accounts receivable (net of allowance for doubtful accounts of $4,401,951 in 2017 and $4,125,941 in 2016)	4,496,955	3,768,908
Taxes receivable (net of allowance for doubtful accounts of $1,685,970 in 2017 and $2,152,745 in 2016)	10,385,787	10,038,889
Deposits in escrow	126,801	152,100
Prepaid expenses	1,148,493	1,940,800
Total Current Assets	**152,983,238**	**156,003,555**
Noncurrent Assets:		
Restricted cash and cash equivalents	39,301,620	64,072,612
Endowment investments	5,590	5,590
Long-term investments	100,339,245	81,212,027
Restricted short-term investments	26,473,424	75,081,272
Restricted long-term investments	5,032,641	10,360,499
Deferred bond issuance costs (net of related amortization of $6,858 in 2017 and $6,858 in 2016)	7,503	14,361
Capital assets, net (note 5)	308,190,124	212,000,692
Total Noncurrent Assets	**479,350,147**	**442,747,053**
Total Assets	**632,333,385**	**598,750,608**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refundings	427,574	716,152
Deferred outflows related to pensions	9,978,653	10,714,543
Total Deferred Outflows of Resources	**10,406,227**	**11,430,695**
Total Assets & Deferred Outflows of Resources	**642,739,612**	**610,181,303**
LIABILITIES		
Current Liabilities:		
Accounts payable	22,170,666	4,816,762
Accrued liabilities	2,676,124	2,372,110
Accrued compensable absences - current portion	786,773	683,580
Funds held for others	264,314	459,136
Unearned revenue	16,649,627	15,853,447
Bonds payable - current portion	10,699,486	10,764,651
Total Current Liabilities	**53,246,990**	**34,949,686**
Noncurrent Liabilities:		
Accrued compensable absences	126,393	100,178
Bonds payable, net	156,832,917	167,532,403
Net pension liability	29,641,935	27,178,460
Total Noncurrent Liabilities	**186,601,245**	**194,811,041**
Total Liabilities	**$ 239,848,235**	**$ 229,760,727**

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

South Texas College District
Statements of Net Position
August 31, 2017 and 2016

Exhibit 1

	FY 2017	FY 2016
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions	$ 6,495,488	$ 9,142,801
Total Deferred Inflows of Resources	**6,495,488**	**9,142,801**
NET POSITION		
Net investment in capital assets	198,658,153	181,421,943
Restricted for:		
Expendable		
Student aid	3,189,024	3,028,124
Instructional programs	224,262	306,909
Institutional activities	117,319	68,308
Loans	1,284,796	1,162,853
Debt service	14,329,738	15,223,843
Non-expendable		
Endowment	339,455	339,449
Unrestricted	178,253,142	169,726,346
Total Net Position (Schedule D)	**396,395,889**	**371,277,775**
Total Liabilities, Deferred Inflows of Resources & Net Position	**$ 642,739,612**	**$ 610,181,303**

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, 2017 and 2016

Exhibit 2

	FY 2017	FY 2016
OPERATING REVENUES		
Tuition and fees (net of discounts of $66,586,565 in 2017 and $62,662,289 in 2016)	$ 23,129,705	$ 21,452,743
Federal grants and contracts	4,490,675	3,889,498
State grants and contracts	4,076,652	3,266,315
Local grants and contracts	6,102,604	5,063,983
Non-governmental grants and contracts	2,061,438	2,487,482
Auxiliary enterprises	1,833,407	1,893,838
General operating revenues	603,343	729,855
Total Operating Revenues (Schedule A)	**42,297,824**	**38,783,714**
OPERATING EXPENSES		
Educational and general		
Instruction	70,879,518	66,249,496
Public service	709,252	912,507
Academic support	17,101,883	16,333,241
Student services	11,228,508	11,477,740
Institutional support	26,074,788	23,138,061
Operations and maintenance of plant	15,977,257	14,064,638
Scholarships and fellowships	26,028,594	26,432,169
Auxiliary enterprises	2,529,295	1,562,463
Depreciation	7,262,313	6,966,274
Total Operating Expenses (Schedule B)	**177,791,408**	**167,136,589**
OPERATING LOSS	**(135,493,584)**	**(128,352,875)**
NON-OPERATING REVENUES (EXPENSES)		
State allocations	45,315,830	46,077,235
Ad-valorem taxes		
Taxes for maintenance and operations	48,822,561	46,781,602
Taxes for debt service	15,652,143	15,016,847
Federal revenue, non-operating	55,666,373	54,858,852
Gifts	252,614	251,022
Investment income (net of investment expenses)	2,612,017	1,034,010
Insurance proceeds	149,634	-
Interest on capital related debt	(4,150,374)	(6,602,765)
Gain (loss) on disposal of capital assets	(311)	12,350
Non-capital construction costs	(3,548,465)	(1,911,123)
Bond costs amortization	(295,436)	(284,829)
Other non-operating revenues (expenses)	87,483	(320,767)
Net Non-Operating Revenues (Expenses) (Schedule C)	**160,564,069**	**154,912,434**
Income Before Contributions and Extraordinary Item	**25,070,485**	**26,559,559**
Capital contributions	47,629	4,515,864
Increase In Net Position	**25,118,114**	**31,075,423**
NET POSITION		
Net Position-Beginning of Year	371,277,775	340,202,352
Net Position-End of Year	**$ 396,395,889**	**$ 371,277,775**

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, 2017 and 2016

Exhibit 3

	FY 2017	FY 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	$ 25,204,618	$ 24,440,311
Receipts from grants and contracts	16,944,534	14,792,306
Payments to suppliers for goods or services	(29,011,971)	(28,148,568)
Payments to or on behalf of employees	(108,775,083)	(102,009,387)
Payments for scholarships and fellowships	(26,000,515)	(26,445,371)
Payments for loans issued to students	(1,168,148)	(1,152,098)
Receipts from collection of loans to students	1,095,800	1,039,377
Other receipts	462,266	591,796
Payments for non-operating construction costs	(2,450,733)	(2,376,028)
Payments for non-operating transactions	(238,178)	(288,528)
Net cash used by operating activities	**(123,937,410)**	**(119,556,190)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state allocations	40,009,325	41,435,858
Receipts from ad-valorem taxes-maintenance and operation	48,645,890	46,497,893
Receipts from non-operating federal revenue	55,666,374	54,858,852
Payments for collection of taxes for maintenance and operation	(121,578)	(122,685)
Receipts from gifts or grants for other than capital purposes	174,672	244,032
Receipts from student organizations and other agency transactions	3,289,610	3,080,466
Payments to student organizations and other agency transactions	(3,340,958)	(3,122,556)
Receipts from endowment interest	2,272	1,238
Proceeds from insurance claims	149,634	-
Net cash provided by non-capital financing activities	**144,475,241**	**142,873,098**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Refund of overpayment of issuance cost bond	-	10,607
Receipts from ad-valorem taxes-debt services	15,669,186	15,018,781
Payments for collection of taxes for debt service	(63,198)	(63,627)
Receipts from capital contracts, gifts and grants	-	1,582,000
Proceeds from sale/return of capital assets	5,575	28,350
Purchases of capital assets including payments for construction costs	(84,531,384)	(14,637,058)
Payments on capital debt-principal	(9,410,000)	(9,110,000)
Payments on capital debt-interest and fees	(7,658,156)	(8,320,990)
Expense incurred in disposal of capital asset	(5,886)	-
Net cash provided (used) by capital and related financing activities	**(85,993,863)**	**(15,491,937)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturity of investments	154,321,641	8,164,136
Receipts from interest on investments	2,598,897	911,872
Purchase of investments	(113,000,000)	(181,000,000)
Net cash provided (used) by investing activities	**43,920,538**	**(171,923,992)**
Increase (decrease) in cash and cash equivalents	**(21,535,494)**	**(164,099,021)**
Cash and cash equivalents-September 1,	197,661,479	361,760,500
Cash and cash equivalents-August 31,	**$ 176,125,985**	**$ 197,661,479**

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, 2017 and 2016

Exhibit 3

	FY 2017	FY 2016
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$ (135,493,585)	$ (128,352,875)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	7,262,313	6,966,274
Health insurance and benefits paid by the state	332,753	
Payments made directly by state for benefits	4,973,752	4,641,377
Payments for non-operating construction costs	(3,523,164)	(1,911,123)
Payments for non-operating transactions	(238,178)	(288,528)
Changes in assets and liabilities:		
Receivables, net	(313,721)	165,278
Prepaid expenses	792,307	(1,256,973)
Deferred outflow	735,890	(6,601,709)
Accounts payable	498,049	(900,157)
Accrued liabilities	322,211	374,555
Compensable absences	129,409	142
Unearned revenues	768,392	1,013,446
Net pension liability	2,463,475	4,414,779
Deferred inflow	(2,647,313)	2,179,324
Net cash used by operating activities	**$ (123,937,410)**	**$ (119,556,190)**

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 $39,868: 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, 2016" for $120, "Peaceful Easy Feeling" for $50, and four more pieces of art work for of which two valued at $200 and the other two at $100 respectively entitled "This Place" and "La Doñaen 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 $26,839.

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

Premium - Bond Series 2002	-
Premium - Bond Series 2003	
Premium - Bond Series 2002 & 2003 I&S	-
Premium - Bond Series 2004	
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	332,905
Premium - LT Bond Series 2015	481,833

The deferred loss ending balance as of August 31, 2017 is $15,757, $96,315, and $315,502, for MTR Bond Series 2007, LTR Bond

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

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.

Bond Series 2002	-
Bond Series 2003	-
Bond Series 2004	-
MTR Bond Series 2007	644
LTR Bond Series 2007	6,214
Bond Series 2013	-

Payments made directly by the state for benefits as of August 31, 2017, consisted of $4,973,752

Non-cash investing, capital, and financing activities for fiscal year 2016:

Library books donated to the District during the fiscal year amounted to $1,109.

During the fiscal year, General Motors donated the following vehicles to the Automotive Technology Department for a total of $49,633: 2013 Chevrolet Cadillac XTS $11,165, 2015 Chevy Traverse $9,541, 2015 GMC Yukon $17,762, and 2016 Cadillac XTS $11,165.

Two pieces of land were donated to the District with a value of $2,500,000 and $370,532 from the City of Pharr and Pharr-San Juan-Alamo Independent School District, respectively.

The Art Department received several work of art donations amounting to a net value of $12,590. A painting entitled "Raven" for $14,100, another painting entitled and valued as "Costura" for $900, "untitle" for $555, "Vereda" for $500, "America the Beautiful" for $500, "Trinidad" for $500, " Love Letters" for $500, "Memoria de Mexico" $300, "Cielo Azul, Cielo Nublado" for $250, "Looking for Magic" for $225, and two more pieces of art work for $80 each entitled "WDYMYDGI" and "Yellow Blunderbuss." In addition, a painting, entitled "Trafficked," valued at $20,000 last fiscal year was appraised this fiscal year for $5,900 less.

In-kind contributions provided by vendors for the Valley Scholars Program during the fiscal year amounted to $32,238.

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, 2016 is $23,635, $192,631, $473,253, and $26,633 for MTR Bond Series 2007, LTR Bond Series 2007, LTR Bond Series 2010 and LTR Bond Series 2013, 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

Payments made directly by the state for benefits as of August 31, 2016, consisted of $4,641,377.

Note 1 – Reporting Entity

South Texas College District ("the 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 the 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.

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 a 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

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Budgetary Data (Continued)

Coordinating 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

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 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 statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

N. Unearned Revenues

Tuition and fees of $15,070,719 and $14,681,006 and federal, state, local, and private grants of $1,578,908 and $1,172,441 have been reported as unearned revenues at August 31, 2017, and 2016, respectively. Total unearned revenues were $16,649,627 and $15,853,447 at August 31, 2017, and 2016, respectively.

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

P. 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 based 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.

Q. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. A typical deferred inflow for community colleges is a deferred earning on plan investments.

R. 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.

S. 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

S. Net Position (Continued)

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.

T. 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, 2017, the District incurred $7,639,958 in interest cost expense and $722,505 was capitalized. As of August 31, 2016, the District incurred $8,280,265 in interest cost expense and $8,898 was capitalized.

U. 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.

V. 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.

W. 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.

X. Prior-Year Reclassifications

A reclassification in the Statements of Revenues, Expenses, and Changes in Net Position was necessary to change the previous classification of Dual Credit grants and contracts from non-governmental grants and contracts to local grants and contracts.

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 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 AAA-m 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, 2017, and 2016, the carrying amount of South Texas College's District bank deposits were $146,320,196 and $114,784,416, respectively, and total bank balances equaled $152,060,116 and $118,450,805, respectively. Federal Deposit Insurance Corporation (FDIC) deposit insurance of $250,000 served as collateral for demand deposit accounts, money market 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.

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

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

	August 31, 2017	August 31, 2016
Bank Deposits		
Demand deposits	$ 56,264,618	$ 78,758,577
Money market deposits	90,055,578	27,525,839
Time deposits	-	8,500,000
Total bank deposits	146,320,196	114,784,416
Cash and Cash Equivalents		
Change funds on hand	8,600	9,450
Investment pools (TexPool)	29,797,189	82,867,613
Total Cash and Cash Equivalents	**$ 176,125,985**	**$ 197,661,479**

Total deposits and investments at August 31, 2017, and 2016, are as follows:

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

Type of Security	Fair Value August 31, 2017	Fair Value August 31, 2016
Certificates of deposit	$ 131,846,147	$ 173,167,789
Endowment investment	5,590	5,590
Total Investments	131,851,737	173,173,379
Total Cash and Cash Equivalents	176,125,985	197,661,479
Total Cash and Cash Equivalents and Investments	**$ 307,977,722**	**$ 370,834,858**
Exhibit 1		
Cash and cash equivalents	$ 122,962,475	$ 119,829,772
Restricted cash and cash equivalents-current	13,861,890	13,759,095
Short-term investments-current	837	6,513,991
Restricted cash and cash equivalents-noncurrent	39,301,620	64,072,612
Endowment investment	5,590	5,590
Long-term investments	100,339,245	81,212,027
Restricted short-term investments	26,473,424	75,081,272
Restricted long-term investments	5,032,641	10,360,499
Total Reconciliation to Exhibit 1	**$ 307,977,722**	**$ 370,834,858**

Endowment investment consists of a donated coin collection.

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

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		

As of August 31, 2016, 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)	$ 82,867,613	0.00	22.34%	50.00%
Certificates of Deposit	181,667,789	0.67	48.99%	100.00%
Total Fair Value	**$ 264,530,402**			
Portfolio weighted average maturity		0.33		

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 AAA-m 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, 2017, 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, 2016, 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.

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, 2017, the District's cash and investments were in TexPool (9.50%) and certificates of deposit (42.03%). At August 31, 2016, the District's cash and investments were in TexPool (22.34%) and certificates of deposit (48.99%).

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.

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Increases	Decreases	Balance August 31, 2017
Not Depreciated:				
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	46,829,658	96,855,304	23,373,848	120,311,114
Buildings and Other Capital Assets:				
Buildings	172,762,332	19,905,698	-	192,668,030
Land improvements	27,443,185	3,468,151	-	30,911,336
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	6,576,422	9,445	331,288	6,254,579
Total Buildings and Other Capital Assets	240,351,344	29,975,653	1,031,602	269,295,395
Accumulated Depreciation:				
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	6,567,868	6,847	331,287	6,243,428
Total Accumulated Depreciation	75,180,310	7,261,789	1,025,714	81,416,385
Net Buildings and Other Capital Assets	165,171,034	22,713,864	5,888	187,879,010
Total Capital Assets, Net	**$ 212,000,692**	**$ 119,569,168**	**$ 23,379,736**	**$ 308,190,124**
Net Buildings and Other Capital Assets-Detail				
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	8,554	2,598	1	11,151
Total Net Buildings and Other Capital Assets	**$ 165,171,034**	**$ 22,713,864**	**$ 5,888**	**$ 187,879,010**

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**

Note 5 – Capital Assets (Continued)

For comparison purposes, capital assets activity for the year ended August 31, 2016, was as follows:

	Balance September 1, 2015	Increases	Decreases	Balance August 31, 2016
Not Depreciated:				
Land	$ 29,555,510	$ 2,932,052	$ -	$ 32,487,562
Collections	36,000	12,590	-	48,590
Construction in progress	2,393,384	13,221,308	1,321,186	14,293,506
Subtotal	31,984,894	16,165,950	1,321,186	46,829,658
Buildings and Other Capital Assets:				
Buildings	172,273,116	489,216	-	172,762,332
Land improvements	26,627,215	815,970	-	27,443,185
Total Buildings and Other Land Improvements	198,900,331	1,305,186	-	200,205,517
Library books	5,390,896	257,669	-	5,648,565
Furniture, machinery, vehicles, and other equipment	26,919,723	2,940,538	1,939,421	27,920,840
Telecommunications and peripheral equipment	8,557,802	-	1,981,380	6,576,422
Total Buildings and Other Capital Assets	239,768,752	4,503,393	3,920,801	240,351,344
Accumulated Depreciation:				
Buildings	33,436,267	3,160,191	-	36,596,458
Land improvements	9,248,524	1,253,773	-	10,502,297
Library books	3,635,279	222,295	-	3,857,574
Furniture, machinery, vehicles, and other equipment	17,275,290	2,320,244	1,939,421	17,656,113
Telecommunications and peripheral equipment	8,515,552	9,771	1,957,455	6,567,868
Total Accumulated Depreciation	72,110,912	6,966,274	3,896,876	75,180,310
Net Buildings and Other Capital Assets	167,657,840	(2,462,881)	23,925	165,171,034
Total Capital Assets, Net	**$ 199,642,734**	**$ 13,703,069**	**$ 1,345,111**	**$ 212,000,692**
Net Buildings and Other Capital Assets-Detail				
Buildings	$ 138,836,849	$ (2,670,975)	$ -	$ 136,165,874
Land improvements	17,378,691	(437,803)	-	16,940,888
Library books	1,755,617	35,374	-	1,790,991
Furniture, machinery, vehicles, and other equipment	9,644,433	620,294	-	10,264,727
Telecommunications and peripheral equipment	42,250	(9,771)	23,925	8,554
Total Net Buildings and Other Capital Assets	**$ 167,657,840**	**$ (2,462,881)**	**$ 23,925**	**$ 165,171,034**

Note 5 – Capital Assets (Continued)

Construction in progress as of August 31, 2016, including capitalized interest of $322,850, consists of the following:

Project	Balance September 1, 2015	Additions/ Deductions	Completed/ Reclassifications	Balance August 31, 2016
Pecan AECHS Portable Infrastructure	$ 10,729	$ -	$ 10,729	$ -
Pecan Ceramic Art Kilns Renovation	150,816	354,401	505,217	-
Pecan Health & Wellness Spots Field Lighting	15,253	234,641	249,894	-
Pecan Relocation of Portable Buildings Infrastructure	115,311	303,706	419,017	-
Pecan Enrollment Center Improvements	4,990	25,734	-	30,724
Pecan AECHS Service Drive and Sidewalk	2,474	(2,474)	-	-
Pecan Plaza Emergency Generator & Wiring Improvements	23,031	-	-	23,031
Pecan Plaza Parking Area for Police Vehicles	-	10,748	-	10,748
Nursing Allied Health Thermal Plant	-	61,948	-	61,948
Nursing Allied Health Thermal Plant Parking & Sitework	-	13,708	-	13,708
Technology GM Car Storage Area Improvements	-	31,199	-	31,199
Starr Crisis Management Center	3,000	-	-	3,000
District Wide ADA Compliance	-	22,194	-	22,194
Bond 2014 Pecan Campus	596,011	6,125,076	-	6,721,087
Bond 2014 Nursing Allied Health Campus	333,506	1,859,401	-	2,192,907
Bond 2014 Technology Campus	172,740	1,171,210	-	1,343,950
Bond 2014 Mid Valley Campus	461,124	1,842,815	-	2,303,939
Bond 2014 Starr Campus	327,565	1,145,023	-	1,472,588
Bond 2014 Regional Center for Public Safety Excellence	11,585	26,548	-	38,133
Bond 2014 La Joya Jimmy Carter Teaching Site	9,487	9,945	-	19,432
Pecan Plaza Resurface Parking Lot and Replace Lighting	72,323	64,006	136,329	-
Technology West Academic Building Re-Roofing	44,513	(44,513)	-	-
Technology Cooling Tower Replacement / Improvements	34,999	(34,999)	-	-
Nursing Allied Health Irrigation System Upgrade	1,390	(1,390)	-	-
Nursing Allied Health Resurface Parking Lot #2	-	4,918	-	4,918
District Wide Upgrades for Parking Lot	2,537	(2,537)	-	-
Total	**$ 2,393,384**	**$ 13,221,308**	**$ 1,321,186**	**$ 14,293,506**

Note 6 – Long Term Liabilities

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	26,641,935	-
Accrued Compensable Absences	783,758	193,428	64,020	913,166	786,773
Total Liabilities	**$ 189,867,218**	**$ 5,154,150**	**$ 11,971,267**	**$ 180,050,101**	**$ 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**	

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:

	Deferred Bond Issuance Cost	Bond Premium	Deferred Loss
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	**$ 7,503**	**$ 15,037,403**	**$ 427,574**

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.

Note 6 – Long Term Liabilities (Continued)

For comparison purposes, the long-term liabilities activity for the year ended August 31, 2016, was as follows:

	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
Bonds					
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	$ 1,435,000	$ -	$ 340,000	$ 1,095,000	$ 350,000
South Texas College District Limited Tax Refunding Bonds, Series 2007	17,235,000	-	5,875,000	11,360,000	4,980,000
South Texas College District Limited Tax Refunding Bonds, Series 2010	5,150,000	-	785,000	4,365,000	1,920,000
South Texas College District Limited Tax Refunding Bonds, Series 2013	3,225,000	-	1,590,000	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	90,220,000	-	520,000	89,700,000	525,000
General Obligation Bonds Subtotal	171,015,000	-	9,110,000	161,905,000	9,410,000
Net Pension Liability	22,763,681	11,275,168	6,860,389	27,178,460	-
Accrued Compensable Absences	783,616	56,439	56,297	783,758	683,580
Total Liabilities	**$ 194,562,297**	**$ 11,331,607**	**$ 16,026,686**	**$ 189,867,218**	**$ 10,093,580**
Bonds Detail					
Total Bonds Payable	$ 171,015,000	$ -	$ 9,110,000	$ 161,905,000	$ 9,410,000
Premium on Bonds Payable	17,746,705	-	1,354,651	16,392,054	1,354,651
Total Bonds Payable, Net	**$ 188,761,705**	**$ -**	**$ 10,464,651**	**$ 178,297,054**	**$ 10,764,651**
Less Bonds Payable - Current Portion				(10,764,651)	
Total Noncurrent Bonds Payable, Net				**$ 167,532,403**	

Note 6 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2016, on the above bond issues are as follows:

	Deferred Bond Issuance Cost	Bond Premium	Deferred Loss
South Texas College District Maintenance Tax Refunding Bonds, Bonds, Series 2007	$ 1,932	$ 4,998	$ 23,635
South Texas College District Limited Tax Refunding Bonds, Series 2007	12,429	408,917	192,631
South Texas College District Limited Tax Refunding Bonds, Series 2010	-	745,875	473,253
South Texas College District Limited Tax Refunding Bonds, Series 2013	-	85,164	26,633
South Texas College District Limited Tax Bonds, Series 2014	-	5,992,296	-
South Texas College District Limited Tax Bonds, Series 2015	-	9,154,804	-
Total	**$ 14,361**	**$ 16,392,054**	**$ 716,152**

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, 2016, the District did not have a liability.

Note 7 – Debt and Lease Obligations and Rental Agreements

As of August 31, 2017, bonds payable are 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:

	General Obligation Bond		
Fiscal Year	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**

For comparison purposes, as of August 31, 2016, bonds payable were due in annual installments varying from $350,000 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:

	General Obligation Bond		
Fiscal Year	Principal	Interest	Total
2017	$ 9,410,000	$ 7,658,156	$ 17,068,156
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
2022-2026	39,410,000	25,662,482	65,072,482
2027-2031	43,625,000	16,118,119	59,743,119
2032-2035	38,120,000	4,509,500	42,629,500
Total	**$ 161,905,000**	**$ 80,461,581**	**$ 242,366,581**

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

Fund Group	August 31, 2017	August 31, 2016
Unrestricted Current Funds	$ 381,440	$ 391,163

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, 2017 Minimum Future Lease Payments	August 31, 2016 Minimum Future Lease Payments
2017	-	319,201
2018	275,443	232,812
2019	176,155	137,328
2020	91,914	66,287
2020	666	-
Total	**$ 544,178**	**$ 755,628**

During fiscal year 2017, the District did not enter into any lease agreements. No future receipts are expected for fiscal years 2018 and 2019.

Note 8 – Bonds Payable

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

	2017	2016
$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	$ 745,000	$ 1,095,000

Note 8 – Bonds Payable (Continued)

	2017	2016
$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%.		
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.		
Issued: March 29, 2007		
Authorized: $71,230,000; $47,640,000 Current Interest Bonds and $23,589,991		
Source of revenue for debt service: Ad-valorem taxes	6,380,000	11,360,000
$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%.		
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.		
Issued: November 18, 2010		
Authorized: $71,230,000 for Series 2002; $37,620,000 Current Interest Bonds $23,589,991 and $9,726,028 refunded		
Authorized: $22,845,000 for Series 2003; $13,305,000 Current Interest Bonds and $9,823,983 refunded		
Source of revenue for debt service: Ad-valorem taxes	2,445,000	4,365,000
$6,630,000 South Texas College District Limited Tax Refunding Bonds, Series 2013 due in varying installments through 2017, interest at 2.0% - 3.0%.		
Purpose: To advance refund a portion of the District's Refunding Bonds, Series 2004 in order to lower the overall annual debt service requirements of the District, and to pay for the cost of issuance of the bonds.		
Issued: June 12, 2013		
Authorized: $15,514,996; $8,814,996 Current Interest Bonds $6,630,000		
Source of revenue for debt service: Ad-valorem taxes	-	1,635,000

Note 8 – Bonds Payable (Continued)

	2017	2016
$53,750,000 South Texas College District Limited Tax Bonds, Series 2014 due in varying installments through 2034, interest at 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: February 26, 2014		
Authorized Date: November 5, 2013		
Authorized: $159,028,940; $53,750,000 issued		
Source of revenue for debt service: Ad-valorem taxes	53,750,000	53,750,000
$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; $90,220,000 issued		
Source of revenue for debt service: Ad-valorem taxes	89,175,000	89,700,000
Total Bonds Payable	**$ 152,495,000**	**$ 161,905,000**

Bonds Payable are due in annual installments varying from $365,000 to $6,455,000 with interest rates from 2.0% to 5.0% with the final installment due in 2035.

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.

Note 9 – Employees' Retirement Plan (Continued)

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_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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.

Note 9 – Employees' Retirement Plan (Continued)

Contribution Rates	FY 2017	FY 2016
Member	7.7%	7.2%
District/Non-Employer Contributing Entity (State)	6.8%	6.8%

FY 2016 Member contributions	$ 4,758,046
FY 2016 District contributions	$ 2,492,290
FY 2016 State contributions	$ 1,907,460

The District's contribution to the TRS pension plan in fiscal year ended 2017 were $2,744,690 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 2017 were $2,016,870.

- 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.

Note 9 – Employees' Retirement Plan (Continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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 2016 to 2115 Projection period (100 years)	2115
Inflation	2.5%
Payroll Growth Rate	2.5%
Salary increases including inflation	3.5% to 9.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.*

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

Note 9 – Employees' Retirement Plan (Continued)

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. 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, 2016 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 Bonds	3.0%	0.9%	0.0%
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%**

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.
Source: Teacher Retirement System of Texas 2016 Comprehensive Annual Financial Report

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 2016 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:	$ 45,875,731	$ 29,641,935	$ 15,872,395

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

At August 31, 2017, the District reported a liability of $29,641,935 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 were as follows:

The District's proportionate share of the collective net pension liability	$ 29,641,935
State's proportionate share that is associated with the District	22,641,257
Total	**$ 52,283,192**

The net pension liability was measured as of August 31, 2016, 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, 2015 thru August 31, 2016.

At the measurement date of August 31, 2016, the District's proportion of the collective net pension liability was 0.0784416559%, which was an increase of 0.0015549% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the District recognized pension expense of $2,349,623 and revenue of $2,349,623 for support provided by the State.

Note 9 – Employees' Retirement Plan (Continued)

At August 31, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 464,780	$ 885,091
Changes in actuarial assumption	903,433	821,635
Difference between projected and actual investment earnings	5,712,041	3,202,023
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	153,709	1,586,739
Contributions paid to TRS subsequent to the measurement date	2,744,690	-
Total	**$ 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
2018	$ (64,416)
2019	(64,416)
2020	1,536,596
2021	(187,408)
2022	(535,875)
Thereafter	53,994

Note 9 – Employees' Retirement Plan (Continued)

Optional Retirement Plan-Defined Contribution Plan

A. Plan Description

Participation in the Optional Retirement Program 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 2017, 2016, and 2015. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2017, 2016, and 2015 respectively. The District contributes 1.9% for fiscal years 2017, 2016, and 2015, 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, 2017	August 31, 2016	August 31, 2015
Payroll for All District employees	$ 88,389,546	$ 82,473,840	$ 77,739,719
Total payroll for TRS	69,206,093	63,586,601	58,805,553
Total payroll for ORP	12,378,137	12,521,213	12,438,910
State contributions	398,078	403,073	398,918
District contributions	436,098	441,081	442,126
Total Contributions	**$ 834,176**	**$ 844,154**	**$ 841,044**
Member Contributions	$ 832,147	$ 832,661	$ 827,188

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, 2017, the District has 96 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 96 participated in 2016. A total of $532,426 and $514,982 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2017 and 2016, respectively.

As of August 31, 2017, the District has 77 employees participating in Section 457 Deferred Compensation Plan (DCP) and 81 participated in 2016. A total of $198,855 and $183,085 in payroll deductions have been invested in Section 457 Deferred Compensation Plan (DCP) during the fiscal years 2017 and 2016, 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, 2017	August 31, 2016
Compensable absences-beginning	$ 783,758	$ 783,616
Net additions and reductions	129,408	142
Total Compensable Absences	**$ 913,166**	**$ 783,758**
Current portion	$ 786,773	$ 683,580

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.

Note 12 – Pending Lawsuits and Claims

A. Litigation

On August 31, 2017, 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 OMB Circular A-133 and the State of Texas Single Audit Circular through August 31, 2017, 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.

Note 13 – Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2017, and 2016 were as follows:

	August 31, 2017	August 31, 2016
Student receivables	$ 5,466,957	$ 5,024,598
Federal receivables	1,570,829	1,304,226
Interest receivables	142,973	132,126
Accounts receivables		
Bookstore and auxiliary	47,453	52,496
State, local and private	865,282	982,388
Pledges receivable	51,103	-
Contractors	352,500	-
Agency	-	125
Other receivables	401,809	398,890
Subtotal	8,898,906	7,894,849
Allowance for doubtful accounts-student	(4,401,951)	(4,125,941)
Total Accounts Receivable, Net	**$ 4,496,955**	**$ 3,768,908**

	August 31, 2017	August 31, 2016
Taxes receivables	$ 12,071,757	$ 12,191,634
Allowance for doubtful accounts-taxes	(1,685,970)	(2,152,745)
Total Taxes Receivable, Net	**$ 10,385,787**	**$ 10,038,889**

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

Note 13 – Disaggregation of Receivable and Payable Balances (Continued)

Payables

Payables at August 31, 2017, and 2016 were as follows:

	August 31, 2017		August 31, 2016	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor payable				
Vendors	$ 4,790,985	$ -	$ 2,129,930	$ -
Construction	12,824,250	-	2,241,107	-
Construction retainage	4,414,102	-	302,909	-
Salaries & benefits	-	2,361,358	-	2,039,147
Students payable	113,022	-	84,943	-
Accrued interest	-	314,766	-	332,963
Other Payables	28,307	-	57,873	-
Total Payables	**$ 22,170,666**	**$ 2,676,124**	**$ 4,816,762**	**$ 2,372,110**

Note 14 – Funds Held for Others

At August 31, 2017, and 2016, the District held, in trust funds, amounts of $264,314 and $459,136, respectively that pertain primarily to student organizations. These funds are not available to support the District's programs.

Note 15 – Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards for which funds have been received but not yet expended are included in unearned revenue in 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 2017 and 2016, for which monies have not been received nor funds expended totaled $3,681,529 and $5,345,839, respectively.

Note 15 – Contract and Grant Awards (Continued)

These amounts are comprised of the following:

	August 31, 2017	August 31, 2016
Federal contracts and grant awards	$ 1,429,167	$ 2,842,913
State contracts and grant awards	1,711,788	2,113,626
Local contracts and grant awards	53,855	4,950
Private contracts and grant awards	486,719	384,350
Total	**$ 3,681,529**	**$ 5,345,839**

Note 16 – 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 $617.30 per month for the year ended August 31, 2017 and $576.54 per month for the year ended August 31, 2016 for United Health Select of Texas. The state's contribution totaled $4,973,753 for the year ended August 31, 2017 and $4,641,377 for the year ended August 31, 2016.

The cost of providing those benefits for eighty-four retirees in the year ended August 31, 2017, was $283,293 and for sixty-five retirees in the year ended August 31, 2016, was $229,171. For 1,382 active employees, the cost of providing benefits was $4,690,460 for the year ended August 31, 2017. Active employee benefits for 1,330 active employees cost $4,412,206 for the year ended August 31, 2016. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

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

	August 31, 2017	August 31, 2016
Full time employees	1,382	1,330
Number of retirees	84	65
Active employee-state	$ 4,690,460	$ 4,412,206
Retiree-state	283,293	229,171
Total State Contributions	4,973,753	4,641,377
District contributions	8,105,478	7,051,007
Total Health Insurance Cost	**$ 13,079,231**	**$ 11,692,384**

Note 17 – 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.

	August 31, 2017	August 31, 2016
Assessed valuation of the District	$ 46,095,416,000	$ 43,541,107,619
Less: Exemptions	(10,777,687,569)	(10,236,614,928)
Less: Abatements	(415,511,091)	-
Net Assessed Valuation of the District	**$ 34,902,217,340**	**$ 33,304,492,691**

	Fiscal Year 2017			Fiscal Year 2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
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, 2017, and 2016 amounted to $65,021,929 and $62,070,301, 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.

Note 17 – Ad Valorem Tax (Continued)

	August 31, 2017			August 31, 2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	$45,121,592	$14,503,383	$59,624,975	$43,240,701	$13,898,809	$57,139,510
Delinquent taxes collected	2,090,900	702,390	2,793,290	1,922,309	664,350	2,586,659
Penalties & interest collected	1,365,682	460,934	1,826,616	1,333,901	457,131	1,791,032
Total Gross Collections	48,578,174	15,666,707	64,244,881	46,496,911	15,020,290	61,517,201
Tax Appraisal & Collection Fees	(772,969)	(63,604)	(836,573)	(760,560)	(63,604)	(824,164)
Bad Debt Expense	(130,256)	(51,060)	(181,316)	(175,685)	(78,686)	(254,371)
Total Net Collections	**$47,674,949**	**$15,552,043**	**$63,226,992**	**$45,560,666**	**$14,878,000**	**$60,438,666**

Tax collections for the year ended August 31, 2017, and 2016, were 94.35% and 94.79%, 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 18 – 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 expected value of at least $460,000,000 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, 2017, the District abated property tax revenue totaling $581,716 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 Counties of Starr.

Note 18 – 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 19 – 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, 2017 and 2016.

Note 20 – 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 2017.

Note 21 – Postemployment Benefits Other than Pensions

This footnote is in accordance with GASB Statement 45.

A. Plan Description

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state. South Texas College District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the ERS. SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at http://www.ers.state.tx.us/.

Note 21 – Postemployment Benefits Other than Pensions (Continued)

B. Funding Policy

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. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy and is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS Board of Trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

Beginning September 1, 2013, SB 1812 limited the state's contribution to 50% of eligible employees for community colleges.

The District's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015 were $399,721, $286,511 and $354,889, respectively, which equaled the required contributions each year. The State's contribution to SRHP for the years ended August 31, 2017, 2016, and 2015 were $283,293, $229,171, and $39,965, respectively. The state's contribution for fiscal year ended August 31, 2015 included a fiscal year 2014 state reduction in allocation for retirees and an increase for active employees.

Note 22 – Auxiliary Operations

The Dr. Ramiro R. Casso Nursing Allied Health campus cafeteria and the Mid-Valley campus cafeteria operations are outsourced to Domine Catering, LLP. 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 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 have 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.

Note 22 – Auxiliary Operations (Continued)

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 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 Distrit 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% & 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 2017 and 2016, property insurance covering the District's buildings and properties including commercial inland marine in an aggregate amount of $324,160,202 and $324,371,892 for fiscal years 2017 and 2016 respectively, business income with extra expense coverage of $34,100,000 and $34,100,000 for fiscal years 2016 and 2015 respectively, and $1,000,000 and $5,000,000 in education legal and employment practices liability for fiscal years 2017 and 2016 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 2017 and 2016.

Note 24 – Construction and Improvement Commitments

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
Technology Campus	22,412,825	14,937,449	7,475,376
Nursing Allied 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.

Construction and improvement commitments for August 31, 2016, were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	$ 16,675,570	$ 5,268,172	$ 11,407,398
Technology Campus	2,205,910	2,052,934	152,976
Nursing Allied Campus	4,306,134	992,718	3,313,416
Mid Valley Campus	25,341,179	461,823	24,879,356
Starr Campus	5,826,800	118,072	5,708,728
District Wide	518,461	494,567	23,894
Total	**$ 54,874,054**	**$ 9,388,286**	**$ 45,485,768**

At August 31, 2016, the District had $45,485,768 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 2015, $5,216 was deposited into an escrow account for a proposed sidewalk subdivision on South McColl Road at the Nursing and Allied Health Campus. In fiscal year 2012,

Note 25 – Deposits in Escrow (Continued)

$13,677 was deposited into an escrow account for a sidewalk along Military Road at the Technology Campus. In fiscal year 2010, $6,406 was deposited into an escrow account for a sidewalk along Ivy Avenue at the Pecan Campus. As of August 31, 2017 these escrow agreements were nulled and $126,801 deposited into an escrow account in fiscal year 2010 for the thirty foot portion of the Quince Avenue roadway dedication at the District's West 15 acre parking lot remains in effect. As a result, the District has balance of $126,801 in the escrow account at August 31, 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 $2,266, $1,235 and $86, in fiscal years 2017, 2016, and 2015, respectively.

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

The fund balances of the endowments were as follows:

Endowment	August 31, 2017	August 31, 2016
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	1,056	1,053
Roberto Gutierrez Sr. Endowment	909	906
Edwynne G. Cooper Endowment	5,590	5,590
Total Endowments	**$ 339,455**	**$ 339,449**

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, 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. At August 31, 2016, the market value of the Trust was $3,543,050. The Trust made a distribution to the District in the amount of $173,938 in fiscal year 2016. 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, 2017, pledges receivable totaled $51,103, which consisted of non-cash gifts of $34,203 and $16,900 in cash gifts. At August 31, 2016 the District did not have pledges receivable to report. 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.

Note 28 – Recent Accounting Pronouncements – Governmental Accounting Standards Board

New Pronouncements

In June 2016, GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement requires more extensive note disclosures and required supplemental information related to measurement of the OPEB liabilities for which assets have been accumulated. Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement was determined to have no effect on the District's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). This Statement requires state and local governments for the first time to disclose information about tax abatement agreements. GASB 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The District implemented the provisions of this Statement for the year ended August 31, 2017. For more detailed information, see Note 18.

In December 2015, GASB issued Statement No. 78 *Pension Provided Through Certain Multiple Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associate with pensions provided through a certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement was determined to have no effect on the District's financial statements.

In December 2015, GASB issued Statement No. 79 *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for

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

making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The District implemented the provisions of this Statement for the year ended August 31, 2017. For more detailed information, see Note 4.

In January 2016, GASB issued Statement No. 80 *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 51 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the usefulness of information reported in financial statements and enhances its value for assessing government accountability. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member, except for units included in entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* 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 G7 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, Exhibit 4 and Exhibit 5.

Pending 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

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

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. This Statement is effective for fiscal years beginning after June 15, 2017.

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 is effective for periods beginning after December 15, 2016 and should be applied retroactively.

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 requirement 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.

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.

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

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
- 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 or 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 is effective for periods beginning after June 15, 2017.

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 is effective for periods beginning after June 15, 2017.

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

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

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. 75, 81 83, 84, 85, 86 and 87 on its financial statements.

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

Fiscal Year ending August 31st*	FY 2017**	FY 2016**	FY 2015**
District's proportionate share of collective net pension	0.0007844%	0.0007689%	0.0009000%
District's proportionate share of collective net pension liability ($)	$ 29,641,935	$ 27,178,460	$ 22,763,681
State's proportionate share of net pension liability associated with District	22,641,257	20,886,258	17,659,066
Total	**$ 52,283,192**	**$ 48,064,718**	**$ 40,422,747**
District's covered-employee payroll	$ 69,206,093	$ 63,586,601	$ 58,805,553
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	42.83%	42.74%	38.71%
Plan fiduciary net position as percentage of total pension liability	78.00%	78.43%	83.25%

* 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
Last Three Fiscal Years **

Fiscal Year ending August 31st*	FY 2017**	FY 2016**	FY 2015**
Legally required contributions	$ 2,744,690	$ 2,497,718	$ 2,281,121
Actual contributions	2,744,690	2,497,718	2,281,121
Contributions deficiency (excess)	**$ -**	**$ -**	**$ -**
District's covered-employee payroll amount	$ 69,206,093	$ 63,586,601	$ 58,805,553
Contributions as a percentage of covered-employee payroll	4.0%	3.9%	3.9%

* 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.

Changes of Benefit Term:
There were no material changes for the year ended August 31, 2017.

Changes of Assumptions:
There were no material changes of assumption for the year ended August 31, 2017.

Other Changes to Assumptions:
For details regarding actuarial assumption, please review TRS's Comprehensive Annual Financial Report for the year ended August 31, 2016, which can be accessed at https://www.trs.texas.gov/TRS Documents/cafr_2016.pdf .

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2017 (With Totals for the Year Ended August 31, 2016)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2017 Total	FY 2016 Total
Tuition:						
State funded credit courses						
In-district resident tuition	$ 43,588,949	$ -	$ 43,588,949	$ -	$ 43,588,949	$ 43,924,077
Out-of-district resident tuition	1,237,779	-	1,237,779	-	1,237,779	1,149,552
Non-resident tuition	4,534,282	-	4,534,282	-	4,534,282	2,491,137
TPEG state (set aside) *	1,833,192	-	1,833,192	-	1,833,192	1,815,232
State funded continuing education	918,034	-	918,034	-	918,034	1,049,217
TPEG non-credit (set aside) *	58,598	-	58,598	-	58,598	66,971
State funded workforce development	242,324	-	242,324	-	242,324	196,231
TPEG non-credit (set aside) *	15,468	-	15,468	-	15,468	12,525
Non-state funded continuing education	480,750	-	480,750	-	480,750	370,560
TPEG non-credit (set aside) *	30,687	-	30,687	-	30,687	23,652
Non-state funded workforce development	77,503	-	77,503	-	77,503	41,514
TPEG non-credit (set aside) *	4,947	-	4,947	-	4,947	2,650
Total Tuition	**53,022,513**	**-**	**53,022,513**	**-**	**53,022,513**	**51,143,318**
Fees:						
Student registration fee	9,336,012	-	9,336,012	-	9,336,012	8,450,106
Laboratory fees	1,345,109	-	1,345,109	-	1,345,109	1,403,445
Incidental fees	27,659,630	-	27,659,630	1,141,549	28,801,179	23,118,163
Total Fees	**38,340,751**	**-**	**38,340,751**	**1,141,549**	**39,482,300**	**32,971,714**
Scholarship Allowances and Discounts:						
Bad debt allowance	(1,365,190)	-	(1,365,190)	-	(1,365,190)	(1,199,160)
Remissions and exemptions	(30,045,205)	-	(30,045,205)	(311,365)	(30,356,570)	(25,558,024)
TPEG allowances	(1,652,634)	-	(1,652,634)	-	(1,652,634)	(1,254,467)
Local grants to students	(526,675)	-	(526,675)	-	(526,675)	(457,340)
Private grants to students	(957,339)	-	(957,339)	-	(957,339)	(1,271,413)
State grants to students	(1,589,381)	-	(1,589,381)	-	(1,589,381)	(1,475,644)
Federal grants to students	(32,927,319)	-	(32,927,319)	-	(32,927,319)	(31,446,241)
Total Scholarship Allowances and Discou	**(69,063,743)**	**-**	**(69,063,743)**	**(311,365)**	**(69,375,108)**	**(62,662,289)**
Total Net Tuition and Fees	**22,299,521**	**-**	**22,299,521**	**830,184**	**23,129,705**	**21,452,743**
Additional Operating Revenues:						
Federal grants and contracts	247,847	4,242,828	4,490,675	-	4,490,675	3,889,498
State grants and contracts	53,351	4,023,301	4,076,652	-	4,076,652	3,266,315
Local grants and contracts	4,916,956	1,185,648	6,102,604	-	6,102,604	5,063,983
Non-governmental grants and contracts	67,583	1,993,855	2,061,438	-	2,061,438	2,487,482
General operating revenues	416,081	187,262	603,343	-	603,343	729,855
Total Additional Operating Revenues	**5,701,818**	**11,632,894**	**17,334,712**	**-**	**17,334,712**	**15,437,133**
Auxiliary Enterprises:						
Bookstore	-	-	-	607,104	607,104	580,506
Food service	-	-	-	566,558	566,558	699,523
Vending commissions	-	-	-	137,572	137,572	141,310
Other commissions	-	-	-	28,682	28,682	9,172
Child care center	-	-	-	327,156	327,156	360,234
General conferences	-	-	-	123,685	123,685	97,093
Other	-	-	-	42,650	42,650	6,000
Total Auxiliary Enterprises	**-**	**-**	**-**	**1,833,407**	**1,833,407**	**1,893,838**
Total Operating Revenues	**$ 28,001,339**	**$ 11,632,894**	**$ 39,634,233**	**$ 2,663,591**	**$ 42,297,824**	**$ 38,783,714**
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, $1,942,892 and $1,921,030 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2017 and 2016, respectively.

South Texas College District
Schedule of Operating Expenses by Object
Year Ended August 31, 2017 (With Totals for the Year Ended August 31, 2016)

Schedule B

	Operating Expenses					
	Salaries and Wages	Benefits State	Benefits Local	Other Expenses	FY 2017 Total	FY 2016 Total
Unrestricted-Educational Activities						
Instruction	$ 50,265,842	$ -	$ 9,304,178	$ 5,488,827	$ 65,058,847	$ 61,166,273
Public service	153,429	-	36,072	222,891	412,392	452,183
Academic support	9,491,352	-	1,953,624	2,941,760	14,386,736	12,927,837
Student services	6,880,461	-	1,515,237	1,532,689	9,928,387	10,210,996
Institutional support	11,813,929	-	3,036,799	9,054,104	23,904,832	21,588,656
Operation and maintenance of plant	6,472,367	-	2,494,410	6,998,149	15,964,926	14,058,047
Total Unrestricted Educational Activities	**85,077,380**	**-**	**18,340,320**	**26,238,420**	**129,656,120**	**120,403,992**
Restricted-Educational Activities						
Instruction	552,038	4,480,109	115,300	673,224	5,820,671	5,083,223
Public service	152,694	-	25,456	118,710	296,860	460,324
Academic support	912,902	855,803	257,313	689,129	2,715,147	3,405,404
Student services	313,346	774,354	203	212,218	1,300,121	1,266,744
Institutional support	332,343	1,278,435	68,081	491,097	2,169,956	1,549,405
Operation and maintenance of plant	12,331	-	-	-	12,331	6,591
Scholarships and fellowships	-	-	-	26,028,594	26,028,594	26,432,169
Total Restricted Educational Activities	**2,275,654**	**7,388,701**	**466,353**	**28,212,972**	**38,343,680**	**38,203,860**
Total Educational Activities	**87,353,034**	**7,388,701**	**18,806,673**	**54,451,392**	**167,999,800**	**158,607,852**
Auxiliary Enterprises	**1,036,512**	**-**	**500,341**	**992,442**	**2,529,295**	**1,562,463**
Depreciation expense-buildings and other real estate improvements	-	-	-	5,575,634	5,575,634	4,413,964
Depreciation expense-books	-	-	-	215,150	215,150	222,295
Depreciation expense-equipment and furniture	-	-	-	1,471,529	1,471,529	2,330,015
Total Operating Expenses	**$ 88,389,546**	**$ 7,388,701**	**$ 19,307,014**	**$ 62,706,147**	**$ 177,791,408**	**$ 167,136,589**
					(Exhibit 2)	(Exhibit 2)

South Texas College District
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2017 (With Totals for the Year Ended August 31, 2016)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2017 Total	FY 2016 Total
NON-OPERATING REVENUES:					
State allocations:					
Education and general state support	$ 36,728,883	$ -	$ -	$ 36,728,883	$ 37,642,320
Education and general state support BAT	805,107	-	-	805,107	805,106
State group insurance	-	4,973,753	-	4,973,753	4,641,377
State retirement matching	332,753	2,414,948	-	2,747,701	3,379,029
Hazlewood reimbursement	60,386	-	-	60,386	69,403
Professional nursing shortage reduction	-	-	-	-	(460,000)
Total State Allocations	**37,927,129**	**7,388,701**	**-**	**45,315,830**	**46,077,235**
Ad-valorem taxes-maintenance and operations	48,822,561	-	-	48,822,561	46,781,602
Ad-valorem taxes-debt service	-	15,652,143	-	15,652,143	15,016,847
Federal revenue, non operating	-	55,666,373	-	55,666,373	54,858,852
Gifts	-	252,614	-	252,614	251,022
Investment income (net of investment expenses)	1,583,526	1,017,094	11,397	2,612,017	1,034,010
Gain on disposal of capital assets	5,575	-	-	5,575	12,350
Insurance proceeds	149,634	-	-	149,634	-
Other non-operating revenue	352,500	-	-	352,500	-
Total Non-Operating Revenues	**88,840,925**	**79,976,925**	**11,397**	**168,829,247**	**164,031,918**
NON-OPERATING EXPENSES:					
Interest on capital related debt	4,150,374	-	-	4,150,374	6,602,765
Loss on disposal of capital assets	5,886	-	-	5,886	-
Non-capital construction costs	3,548,465	-	-	3,548,465	1,911,123
Bond costs amortization	295,436	-	-	295,436	284,829
Other non-operating expenses	36,322	228,695	-	265,017	320,767
Total Non-Operating Expenses	**8,036,483**	**228,695**	**-**	**8,265,178**	**9,119,484**
Net Non-Operating Revenues	**$ 80,804,442**	**$ 79,748,230**	**$ 11,397**	**$ 160,564,069**	**$ 154,912,434**
				(Exhibit 2)	(Exhibit 2)

SOUTH TEXAS COLLEGE

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South Texas College District
Schedule of Net Position by Source and Availability
Year Ended August 31, 2017 (With Totals for the Year Ended August 31, 2016)

	Detail by Source				
		Restricted			
	Unrestricted	Expendable	Non-Expendable	Net Investment in Capital Assets	FY 2017 Total
Current:					
Unrestricted	$ 91,120,844	$ -	$ -	$ -	$ 91,120,844
Board designated	34,500,000	-	-	-	34,500,000
Restricted					
Student Aid		3,189,024	-	-	3,189,024
Instructional Programs		224,262	-	-	224,262
Institutional Activities		117,319	-	-	117,319
Auxiliary enterprises	4,351,497	-	-	-	4,351,497
Loan	-	1,284,796	-	-	1,284,796
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	-	-	-	-
Endowment					
True	-	-	339,455	-	339,455
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	24,236,606	-	-	-	24,236,606
Renewals & replacements	24,044,195	-	-	-	24,044,195
Debt service	-	14,329,738	-	-	14,329,738
Investment in plant	-	-	-	198,658,153	198,658,153
Total Net Position, August 31, 2017	**178,253,142**	**19,145,139**	**339,455**	**198,658,153**	**396,395,889**
					(Exhibit 1)
Total Net Position, August 31, 2016	**169,726,346**	**19,790,037**	**339,449**	**181,421,943**	**371,277,775**
					(Exhibit 1)
Net Increase (Decrease) in Net Position	**$ 8,526,796**	**$ (644,898)**	**$ 6**	**$ 17,236,210**	**$ 25,118,114**
					(Exhibit 2)

Note: The Unexpended Plant Fund is earmarked in the fiscal year 2017 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
$ 91,120,844	$ -
-	34,500,000
-	3,189,024
-	224,262
-	117,319
4,351,497	-
-	1,284,796
-	-
-	-
-	339,455
-	-
-	-
-	-
-	24,236,606
-	24,044,195
-	14,329,738
-	198,658,153
95,472,341	**300,923,548**
88,843,211	**282,434,564**
$ 6,629,130	**$ 18,488,984**

South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017

Schedule E

Federal Grantor/Cluster/Program Title/Pass Through Grantor Pass-Through Grantor's Award Number	CFDA Number	Expenditures Direct Awards	Expenditures Pass-Through Awards	Total
U.S. Department of Education				
Student Financial Assistance Cluster				
FSEOG	84.007	$ 742,205	$ -	$ 742,205
Federal Work-Study Program	84.033	598,131	-	598,131
Federal Pell Grant Program	84.063	54,326,038	-	54,326,038
Total Student Financial Assistance Cluster		55,666,374	-	55,666,374
Higher Education_Institutional Aid	84.031	661,702	-	661,702
Childcare Access Means Parents In School	84.335	212,218	-	212,218
Pass-Through From:				
Texas Workforce Commission				
Adult Education-Basic Grants to States 2315AEL000	17.258	-	31,239	31,239
Adult Education-Basic Grants to States 2316AEL000	17.259	-	191,774	191,774
Adult Education-Basic Grants to States 2916AEL013	84.002	-	253,327	253,327
Total		-	476,340	476,340
Texas Higher Education Coordinating Board				
Career and Technical Education-Basic Grants 17683	84.048	-	1,370,322	1,370,322
Education Research, Development and Dissemination 15516	84.305	-	8,505	8,505
Total U.S. Department of Education		**56,540,294**	**1,855,167**	**58,395,461**
U.S. Department of Health and Human Services				
Pass-Through From:				
University of Texas Rio Grande Valley				
Substance Abuse and Mental Hearth Services Projects of Regional and National Significance 5H79SP021371	93.243	-	2,808	2,808
Total U.S. Department of Health and Human Services		**-**	**2,808**	**2,808**
U.S Department of Agiculture				
Pass-Through From:				
University of Texas Rio Grande Valley				
Hispanic Serving Institutions Education Grants 2015-38422-24061	10.223	-	23,431	23,431
Texas Department of Agriculture				
Child and Adult Care Food Program 03264	10.558	-	52,090	52,090
Total U.S. Department of Agriculture		**-**	**75,521**	**75,521**
U.S. Department of Defense				
Military Spouse Career Advancement	12.000	5,435	-	5,435
Total U.S. Department of Defense		**5,435**	**-**	**5,435**

(Continued)

South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017

Schedule E

Federal Grantor/Cluster/Program Title/Pass Through Grantor Pass-Through Grantor's Award Number	CFDA Number	Direct Awards	Expenditures Pass-Through Awards	Total
U.S. Department of Labor				
Pass-Through From:				
Texas Workforce Commission				
WIOA Youth Activities	17.259	-	318,558	318,558
2316AEL000				
Total WIA Cluster		-	318,558	318,558
Lower Rio Grande Valley Workforce				
Workforce Innovation Fund	17.283	-	18,496	18,496
Total U.S. Department of Labor		$ -	**$ 337,054**	**$ 337,054**
U.S. Department of Veterans' Affairs				
Post 9/11 Veterans Educational Assistance, Recovery Act	64.027	$ 1,100,367	$ -	$ 1,100,367
Vocational and Educational Counseling for Servicemembers and Veterans	64.125	240,402	-	240,402
Total U.S. Department of Veterans' Affairs		**1,340,769**	**-**	**1,340,769**
Total Federal Expenditures of Federal Awards		**$ 57,886,498**	**$ 2,270,550**	**$ 60,157,048**

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	$ 4,242,828
Add: Indirect/Administrative Cost Recoveries - per Schedule A	247,847
Add: Non Operating Federal Revenue from Schedule C	55,666,373
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets	60,157,048
Reconciling Item:	
Minus: Portland State University Service Contract	
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$ **60,157,048**

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% de minimis cost rate as permitted in the UG, section 200.414.

See Accompanying Notes to Schedule of Expenditures of Federal Awards

South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2017

Schedule F

Grantor Agency/Program Title	Contract Number	Total Expenditures and Pass Through Disbursements
Texas Higher Education Coordinating Board		
Nursing Shortage Regular Program		$ 81,123
Accelerate Texas-Adult Basic Education Innovation	14938	82,425
Accelerate Texas-Mentor College	15131	17,904
Comprehensive College Readiness and Success Models for 60x30TX	17435	32,304
Texas College Workstudy Program		159,407
TEXAS Grant I - Renewal Year		15,902
Texas Educational Opportunity Grant - Initial Year		1,703,802
Texas Educational Opportunity Grant - Renewal Year		635,076
Work-Study Mentorship Program	11843, 15565	56,250
T-STEM Scholarship	15149	174,496
State Cert Educational Aide SchP		6,611
Total Texas Higher Education Coordinating Board		**2,965,300**
University of Texas - San Antonio		
Texprep Program		16,923
Texas Association for Education of Young Children		1,580
Texas National Guard Tuition Assistance Program		5,260
Texas Holocaust and Genocide Commission		
Hate, Hope and Healing		4,000
Texas Workforce Commission		
Jobs and Education for Texans - Nursing	5535-19	176,130
Jobs and Education for Texans - Nursing	2317JET000	198,289
Skills for Small Business Program	2315SSD000	23,494
Skills for Small Business Program		31,795
Skills Development Fund #21	2315SDF000	110,540
Skills Development Fund #22	2316SDF000	142,824
Skills Development Fund #23		449,076
Skills Development Fund #24	2317SDF000	32,564
Total Texas Workforce Commission		**1,164,712**
Total State Financial Assistance		$ **4,157,775**

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A	$ 4,023,301
Add: Indirect/Administrative Cost Recoveries - per Schedule A	53,351
Total State Revenues per Statement of Revenues, Expenses and Changes in Net Assets	4,076,652
Reconciling Item:	
Add: Revenue classified as Non Operating	
Professional Nursing Shortage Reduction	81,123
Total State Revenues per Schedule of Expenditures of State Awards	$ **4,157,775**

South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2017

Schedule F

Grantor Agency/Program Title	Contract Number	Total Expenditures and Pass Through Disbursements

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.

Note 3: Inkind Match

The Jobs and Education for Texans grant award 5535-19 and the Jobs and Education for Texans grant award 2317JET000 received an inkind match from South Texas College District in the amount of $19,569.95 and 6,48.63, respectively. This amount was not included in the Schedule of Expenditures of Federal Awards but was included in the basic financial statements of the District.

SOUTH TEXAS COLLEGE

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STATISTICAL SECTION

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.

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

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

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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

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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.

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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,			
	2017	2016	2015	2014
Net Position				
Net investment in capital assets	$ 198,658,153	$ 181,421,943	$ 170,833,415	$ 169,028,494
Restricted expendable	19,145,139	19,790,037	21,990,626	21,972,306
Restricted non-expendable	339,455	339,449	339,446	339,445
Unrestricted	178,253,142	169,726,346	147,038,865	146,201,266
Total Net Position	**$ 396,395,889**	**$ 371,277,775**	**$ 340,202,352**	**$ 337,541,511**

For the Fiscal Year Ended August 31,					
2013	2012	2011	2010	2009	2008
$ 162,064,429	$ 156,914,256	$ 147,207,945	$ 136,773,512	$ 113,996,844	$ 99,425,786
20,325,155	17,978,771	17,161,889	16,906,861	14,027,153	12,741,856
339,444	340,664	346,360	346,050	346,041	332,230
133,119,225	117,854,250	92,402,854	75,665,289	74,119,953	69,192,197
$ 315,848,253	**$ 293,087,941**	**$ 257,119,048**	**$ 229,691,712**	**$ 202,489,991**	**$ 181,692,069**

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

	For the Fiscal Year Ended August 31,			
	2017	2016	2015	2014
Operating Revenues				
Tuition and fees (net of discounts)	$ 23,129,705	$ 21,452,743	$ 21,373,162	$ 20,488,244
Federal grants and contracts	4,490,675	3,889,497	4,368,574	3,445,293
State grants and contracts	4,076,652	3,266,315	4,068,944	4,246,315
Local grants and contracts	6,102,604	5,063,983	1,099,573	1,118,054
Non-governmental grants and contracts	2,061,438	2,487,482	5,235,358	4,949,832
Auxiliary enterprises	1,833,407	1,893,838	1,773,325	1,835,353
General operating revenues	603,343	729,855	1,308,903	645,811
Total Operating Revenues	**42,297,824**	**38,783,713**	**39,227,839**	**36,728,902**
Non-Operating Revenues				
State allocations	45,315,830	46,077,235	42,858,200	42,766,020
Ad-valorem taxes - maintenance & operations	48,822,561	46,781,602	43,951,580	33,983,319
Ad-valorem taxes - debt service	15,652,143	15,016,847	14,105,277	12,291,870
Federal revenue, non-operating	55,666,373	54,858,852	54,881,496	55,351,962
Gifts	252,614	251,022	305,146	323,100
Investment income (net of investment expenses)	2,612,017	1,034,010	144,206	214,915
Gain on disposal of capital assets	5,575	12,350	-	-
Insurance proceeds	149,634	-	24,282	-
Other non-operating revenues	352,500	-	-	35,840
Total Non-Operating Revenues	**168,829,247**	**164,031,918**	**156,270,187**	**144,967,026**
Total Revenues	**$ 211,127,071**	**$ 202,815,631**	**$ 195,498,026**	**$ 181,695,928**

For the Fiscal Year Ended August 31,					
2013	2012	2011	2010	2009	2008
$ 21,051,377	$ 19,583,509	$ 18,281,708	$ 17,153,615	$ 16,561,311	$ 15,075,608
4,630,302	4,748,007	6,172,207	8,979,526	7,015,595	6,508,073
5,160,704	6,794,060	6,335,567	6,711,706	5,412,226	4,292,294
1,270,376	1,293,135	1,380,691	1,255,944	1,129,509	741,390
3,113,960	2,740,134	2,796,686	2,200,618	1,594,568	1,555,367
1,810,240	1,872,734	1,877,501	1,666,738	1,403,045	1,300,682
621,264	439,642	545,846	1,988,232	2,280,483	1,129,049
37,658,223	**37,471,221**	**37,390,206**	**39,956,379**	**35,396,737**	**30,602,463**
38,977,829	37,017,673	36,676,953	37,514,938	33,173,275	32,857,808
32,403,363	33,244,142	33,798,861	34,314,946	33,731,408	30,822,108
12,030,232	12,276,741	12,187,090	12,197,541	12,212,764	12,319,291
57,151,307	61,950,136	66,972,554	59,089,947	34,498,524	28,470,310
351,843	418,605	309,868	663,193	775,113	519,842
389,519	417,075	327,497	388,426	1,335,180	2,627,475
-	2,793	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
141,304,093	**145,327,165**	**150,272,823**	**144,168,991**	**115,726,264**	**107,616,834**
$ 178,962,316	**$ 182,798,386**	**$ 187,663,029**	**$ 184,125,370**	**$ 151,123,001**	**$ 138,219,297**

(Continued)

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

	For the Fiscal Year Ended August 31,			
	2017	2016	2015	2014
Operating Revenues				
Tuition and fees (net of discounts)	10.95%	10.58%	10.93%	11.28%
Federal grants and contracts	2.13%	1.92%	2.24%	1.90%
State grants and contracts	1.93%	1.61%	2.08%	2.34%
Local grants and contracts	2.89%	2.50%	0.56%	0.61%
Non-governmental grants and contracts	0.98%	1.22%	2.68%	2.72%
Auxiliary enterprises	0.87%	0.93%	0.91%	1.01%
General operating revenues	0.29%	0.36%	0.67%	0.35%
Total Operating Revenues	**20.04%**	**19.12%**	**20.07%**	**20.21%**
Non-Operating Revenues				
State allocations	21.46%	22.72%	21.92%	23.54%
Ad-valorem taxes - maintenance & operations	23.12%	23.07%	22.48%	18.70%
Ad-valorem taxes - debt service	7.41%	7.40%	7.22%	6.77%
Federal revenue, non-operating	26.37%	27.05%	28.07%	30.46%
Gifts	0.12%	0.12%	0.16%	0.18%
Investment income (net of investment expenses)	1.24%	0.51%	0.07%	0.12%
Gain on disposal of capital assets	-	0.01%	-	-
Insurance proceeds	0.07%	-	0.01%	-
Other non-operating revenues	0.17%	-	-	0.02%
Total Non-Operating Revenues	**79.96%**	**80.88%**	**79.93%**	**79.79%**
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,					
2013	2012	2011	2010	2009	2008
11.76%	10.71%	9.74%	9.31%	10.96%	10.90%
2.59%	2.60%	3.29%	4.88%	4.64%	4.71%
2.88%	3.72%	3.38%	3.64%	3.58%	3.10%
0.71%	0.71%	0.74%	0.68%	0.75%	0.54%
1.74%	1.50%	1.49%	1.20%	1.06%	1.13%
1.01%	1.02%	1.00%	0.91%	0.93%	0.94%
0.35%	0.24%	0.28%	1.08%	1.51%	0.82%
21.04%	**20.50%**	**19.92%**	**21.70%**	**23.43%**	**22.14%**
21.78%	20.25%	19.55%	20.37%	21.95%	23.77%
18.11%	18.19%	18.01%	18.65%	22.32%	22.30%
6.72%	6.71%	6.49%	6.62%	8.08%	8.91%
31.93%	33.89%	35.69%	32.09%	22.83%	20.60%
0.20%	0.23%	0.17%	0.36%	0.51%	0.38%
0.22%	0.23%	0.17%	0.21%	0.88%	1.90%
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
78.96%	**79.50%**	**80.08%**	**78.30%**	**76.57%**	**77.86%**
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,			
	2017	2016	2015	2014
Operating Expenses				
Instruction	$ 70,879,518	$ 66,249,496	$ 60,820,171	$ 59,447,106
Research	-	-	-	-
Public service	709,252	912,507	1,205,480	829,711
Academic support	17,101,884	16,333,241	15,281,478	13,980,994
Student services	11,228,507	11,477,740	10,969,940	10,403,814
Institutional support	26,074,787	23,138,061	21,790,954	19,813,087
Operations and maintenance of plant	15,977,259	14,064,638	13,675,484	12,563,250
Scholarships and fellowships	26,028,594	26,432,169	27,815,696	27,692,817
Auxiliary enterprises	2,529,295	1,562,463	1,403,408	1,388,716
Depreciation	7,262,313	6,966,274	6,759,801	6,731,486
Total Operating Expenses	**177,791,409**	**167,136,589**	**159,722,412**	**152,850,981**
Non-Operating Expenses				
Interest on capital related debt	4,150,374	6,602,765	5,964,767	1,340,664
Loss on sale/disposal/return on capital assets	5,886	-	240,389	10,154
Non-capital construction costs	3,548,465	1,911,123	1,731,576	1,715,994
Bond costs amortization	295,436	284,829	1,166,614	873,317
Other non-operating expenses	265,017	320,767	274,655	208,684
Total Non-Operating Expenses	**8,265,178**	**9,119,484**	**9,378,001**	**4,148,813**
Total Expenses	**$ 186,056,587**	**$ 176,256,073**	**$ 169,100,413**	**$ 156,999,794**

Notes:
Other non-operating expenses were segregated into separate categories for FY 2008 - FY 2017.
The segregation is not reflected in the previous years.

For the Fiscal Year Ended August 31,					
2013	2012	2011	2010	2009	2008
$ 57,766,578	$ 53,899,805	$ 57,359,050	$ 55,454,200	$ 48,698,353	$ 42,291,067
4,516	67,273	6,303	-	-	-
903,735	736,507	640,673	2,460,617	2,637,239	2,924,649
12,775,912	11,551,178	12,035,474	9,565,508	9,271,172	8,241,265
10,090,241	9,681,946	9,939,104	10,264,591	9,070,935	8,057,220
21,108,957	19,494,885	20,293,881	19,044,676	17,197,508	15,303,315
9,486,934	9,459,757	10,270,614	10,437,077	10,356,102	9,336,528
28,724,249	31,873,082	39,320,494	37,212,122	23,176,417	19,424,919
1,383,521	1,418,145	1,421,243	1,524,084	1,498,378	655,258
6,589,876	6,414,932	6,265,826	5,923,105	5,848,873	5,391,971
148,834,519	**144,597,510**	**157,552,662**	**151,885,980**	**127,754,977**	**111,626,192**
1,513,884	1,821,871	2,054,633	2,986,702	3,186,226	3,046,995
217	-	3,500	4,698	77,747	-
849,455	1,400,934	464,503	2,268,529	1,038,216	735,663
566,261	536,677	496,724	353,037	353,037	353,211
290,477	500,835	396,032	673,262	706,561	426,718
3,220,294	**4,260,317**	**3,415,392**	**6,286,228**	**5,361,787**	**4,562,587**
$ 152,054,813	**$ 148,857,827**	**$ 160,968,054**	**$ 158,172,208**	**$ 133,116,764**	**$ 116,188,779**

(Continued)

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

	For the Fiscal Year Ended August 31,			
	2017	2016	2015	2014
Operating Expenses				
Instruction	38.10%	37.59%	35.97%	37.86%
Research	-	-	-	-
Public service	0.38%	0.52%	0.71%	0.53%
Academic support	9.19%	9.27%	9.03%	8.91%
Student services	6.04%	6.51%	6.49%	6.63%
Institutional support	14.01%	13.13%	12.88%	12.62%
Operations and maintenance of plant	8.59%	7.98%	8.09%	8.00%
Scholarships and fellowships	13.99%	15.00%	16.45%	17.64%
Auxiliary enterprises	1.36%	0.88%	0.83%	0.88%
Depreciation	3.90%	3.95%	4.00%	4.29%
Total Operating Expenses	**95.56%**	**94.83%**	**94.45%**	**97.36%**
Non-Operating Expenses				
Interest on capital related debt	2.23%	3.75%	3.53%	0.85%
Loss on sale/disposal/return on capital assets	-	-	0.14%	0.01%
Non-capital construction costs	1.91%	1.08%	1.03%	1.09%
Bond costs amortization	0.16%	0.16%	0.69%	0.56%
Other non-operating expenses	0.14%	0.18%	0.16%	0.13%
Total Non-Operating Expenses	**4.44%**	**5.17%**	**5.55%**	**2.64%**
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 2008 - FY 2017.
The segregation is not reflected in the previous years.

(Continued)

For the Fiscal Year Ended August 31,					
2013	2012	2011	2010	2009	2008
37.99%	36.22%	35.63%	35.13%	36.58%	36.40%
-	0.05%	-	-	-	-
0.59%	0.49%	0.40%	1.56%	1.98%	2.52%
8.40%	7.76%	7.48%	6.06%	6.96%	7.09%
6.64%	6.50%	6.17%	6.50%	6.82%	6.93%
13.88%	13.10%	12.61%	12.06%	12.92%	13.17%
6.24%	6.35%	6.38%	6.61%	7.78%	8.04%
18.89%	21.41%	24.43%	23.57%	17.41%	16.72%
0.91%	0.95%	0.88%	0.97%	1.13%	0.56%
4.34%	4.31%	3.89%	3.75%	4.39%	4.64%
97.88%	**97.14%**	**97.87%**	**96.21%**	**95.97%**	**96.07%**
1.00%	1.22%	1.28%	1.70%	2.39%	2.63%
-	-	-	-	0.06%	-
0.56%	0.94%	0.29%	1.44%	0.78%	0.63%
0.37%	0.36%	0.31%	0.22%	0.27%	0.30%
0.19%	0.34%	0.25%	0.43%	0.53%	0.37%
2.12%	**2.86%**	**2.13%**	**3.79%**	**4.03%**	**3.93%**
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
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	-
2007	90/150	59	76	7	-	-

		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
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	-
2007	85/120	202	202	7	-	-

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
$ 1,408/1,468	$ 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%
877/912	1,081/1,116	1.39%	1.12%

Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase From Prior Year Out-of-State	Increase From Prior Year International
$ 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%
2,593/2,628	2,593/2,628	0.46%	0.46%

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)
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
2007-08	33,049,275,732	6,097,590,820	422,452,344	26,529,232,568

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.

Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Maintenance & Operations (a)	Debt Service (a)	Total (a)
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
80.27%	0.1100	0.0440	0.1540

SOUTH TEXAS COLLEGE

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

		Appropriation per FTSE		Appropriation per Contact Hour			
Fiscal Year	State Appropriation	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
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
2007-08	25,271,074	14,762	1,712	5,617,712	2,193,404	7,811,116	3.24

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	Type of Business	Taxable Assessed Value (TAV) by Tax Year 2017	2016	2015	2014
Los Vientos Windpower III, LLC	Electric Utility	$ 325,864,600	$ 227,904,960	$ -	$ -
AEP Texas Central Co.	Electric Utility	294,465,210	294,682,640	261,746,510	240,344,300
Simon Property Group - McAllen No.2	Development	121,013,266	115,303,024	85,303,024	61,802,878
OXY USA Inc.	Oil & Gas	120,816,900	379,446,207	480,051,211	417,907,900
H. E. Butt Grocery Company	Grocery Chain	106,142,740	105,032,930	104,974,764	99,587,906
Los Vientos Windpower V, LLC	Electric Utility	86,150,000	-	-	-
CPG Mercedes LP	Real Estate	71,900,000	71,900,000	71,900,000	59,259,989
South Texas Elec Coop-Red Gate	Electric Utility	71,187,500	-	-	-
Frontera Generation LTD	Land & Improv	61,378,270	60,508,140	67,964,220	63,178,400
Net Pipeline Partners LLC	Pipeline	61,062,170	-	-	-
Wal-Mart Stores[1]	Retail Store	58,267,204	83,501,468	111,616,706	110,650,697
Rio Grande Regional Hospital	Hospital	54,728,656	54,415,269	54,415,269	56,328,437
Calpine Const Fin (Magic VY GN)	Electric Utility	54,720,720	61,014,790	65,093,830	64,184,330
Day Surgery at Renaissance LLC[2]	Healthcare	49,580,969	94,283,759	96,644,921	87,177,604
Southwestern Bell Telephone	Utility	48,706,030	-	51,319,700	53,302,090
Sharyland Utilities LP	Electric Utility	-	64,409,510	67,452,860	56,941,250
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	52,246,584
Palm Crossing Town Center LLC	Real Estate	-	-	41,915,932	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	86,226,095
Legend Natural Gas LLP	Oil & Gas	-	-	-	62,055,660
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	-	-	-	-
Wal-Mart Stores East, Inc. #452	Retail Store	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	-
	Totals	**1,585,984,235**	**1,772,855,189**	**1,671,299,393**	**1,571,194,120**
	Total Taxable Assessed Value	**$ 34,902,217,340**	**$ 33,304,492,691**	**$ 30,965,159,425**	**$ 30,246,199,691**

Sources:
First Southwest Company: Table 5 - Fifteen Largest Taxpayers, p.4
South Texas College District CAFR (Fiscal Year Ended August 31, 2017): Note 17 - Ad Valorem Tax

Notes:
1) Includes Wal-Mart Stores Texas LLC, Wal-Mart Real Estate Business TR, and Wal-Mart Store #1958.

2) Includes Day Surgery at Renaissance LLC and Day Surgery at Renaissance.

Taxable Assessed Value (TAV) by Tax Year

2013	2012	2011	2010	2009	2008
$ -	$ -	$ -	$ -	$ -	$ -
193,373,940	186,023,180	174,591,370	174,591,370	173,471,710	159,251,780
51,503,892	50,708,897	50,944,799	50,944,799	-	51,557,233
379,637,700	570,009,910	-	-	-	-
97,514,949	100,817,846	114,289,734	114,289,734	117,156,504	95,953,669
-	-	-	-	-	-
59,589,853	59,589,853	60,625,220	60,625,220	-	-
-	-	-	-	-	-
69,157,000	70,561,190	82,100,300	82,100,300	82,417,210	99,208,230
-	-	-	-	-	-
87,206,008	85,068,298	104,810,618	104,810,618	107,262,492	-
56,871,910	52,965,623	66,677,559	66,677,559	67,737,830	61,468,351
73,089,400	69,200,480	87,490,000	87,490,000	97,713,920	113,654,620
88,878,995	-	-	-	-	-
54,950,030	70,080,780	93,005,380	93,005,380	98,438,720	110,118,990
51,663,190	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
53,599,944	54,844,645	83,905,804	83,905,804	86,464,634	88,442,154
-	-	-	-	-	-
110,119,062	123,772,278	233,251,590	233,251,590	310,057,070	358,107,640
78,265,270	66,012,120	-	-	-	-
-	52,344,210	194,500,240	194,500,240	456,481,610	219,565,590
-	48,146,650	107,433,880	107,433,880	-	-
-	-	697,953,120	697,953,120	598,628,940	572,030,780
-	-	153,359,110	153,359,110	166,694,640	-
-	-	-	-	91,207,190	-
-	-	-	-	58,908,315	72,528,462
-	-	-	-	56,191,760	62,130,020
-	-	-	-	-	95,159,294
-	-	-	-	-	51,796,170
1,505,421,143	**1,660,145,960**	**2,304,938,724**	**2,304,938,724**	**2,568,832,545**	**2,210,972,983**
$ 29,645,534,071	**$ 29,518,175,339**	**$ 30,089,658,977**	**$ 30,304,183,226**	**$ 28,933,493,707**	**$ 26,529,232,568**

(Continued)

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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2017	2016	2015	2014
Los Vientos Windpower III, LLC	Electric Utility	0.93%	0.68%	-	-
AEP Texas Central Co.	Electric Utility	0.84%	0.88%	0.85%	0.79%
Simon Property Group - McAllen No.2	Development	0.35%	0.35%	0.28%	0.20%
OXY USA Inc.	Oil & Gas	0.35%	1.14%	1.55%	1.38%
H. E. Butt Grocery Company	Grocery Chain	0.30%	0.32%	0.34%	0.33%
Los Vientos Windpower V, LLC	Electric Utility	0.25%	-	-	-
CPG Mercedes LP	Real Estate	0.21%	0.22%	0.23%	0.20%
South Texas Elec Coop-Red Gate	Electric Utility	0.20%	-	-	-
Frontera Generation LTD	Land & Improvements	0.18%	0.18%	0.22%	0.21%
Net Pipeline Partners LLC	Pipeline	0.17%	-	-	-
Wal-Mart Stores[1]	Retail Store	0.17%	0.25%	0.36%	0.37%
Rio Grande Regional Hospital	Hospital	0.16%	0.16%	0.18%	0.19%
Calpine Construction Finance Co. LP	Electric Utility	0.16%	0.18%	0.21%	0.21%
Day Surgery at Renaissance LLC[2]	Healthcare	0.14%	0.28%	0.31%	0.29%
Southwestern Bell Telephone	Utility	0.14%	-	0.17%	0.18%
Sharyland Utilities LP	Electric Utility	-	0.19%	0.22%	0.19%
Cantera Operating LLC	Real Estate	-	0.19%	0.21%	-
NET Mexico Pipeline	Pipeline	-	0.15%	-	-
Universal Health Services	Healthcare	-	0.14%	0.15%	0.17%
Palm Crossing Town Center LLC	Real Estate	-	-	0.14%	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	0.29%
Legend Natural Gas LLP	Oil & Gas	-	-	-	0.21%
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	-	-	-	-
Wal-Mart Stores East, Inc. #452	Retail Store	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	-
	Totals	**4.55%**	**5.31%**	**5.42%**	**5.21%**

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

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year					
2013	2012	2011	2010	2009	2008
-	-	-	-	-	-
0.65%	0.63%	0.58%	0.58%	0.60%	0.64%
0.17%	0.17%	0.17%	0.17%	-	0.21%
1.28%	1.93%	-	-	-	-
0.33%	0.34%	0.38%	0.38%	0.40%	0.39%
-	-	-	-	-	-
0.20%	0.20%	0.20%	0.20%	-	-
-	-	-	-	-	-
0.23%	0.24%	0.27%	0.27%	0.28%	0.40%
-	-	-	-	-	-
0.29%	0.29%	0.35%	0.35%	0.37%	-
0.19%	0.18%	0.22%	0.22%	0.23%	0.25%
0.25%	0.23%	0.29%	0.29%	0.34%	0.46%
0.30%	-	-	-	-	-
0.19%	0.24%	0.31%	0.31%	0.34%	0.44%
0.17%	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.18%	0.19%	0.28%	0.28%	0.30%	0.36%
-	-	-	-	-	-
0.37%	0.42%	0.77%	0.77%	1.07%	1.45%
0.26%	0.22%	-	-	-	-
-	0.18%	0.64%	0.64%	1.57%	0.89%
-	0.16%	0.36%	0.36%	-	-
-	-	2.31%	2.31%	2.06%	2.31%
-	-	0.51%	0.51%	0.57%	-
-	-	-	-	0.31%	-
-	-	-	-	0.20%	0.29%
-	-	-	-	0.19%	0.25%
-	-	-	-	-	0.38%
-	-	-	-	-	0.21%
5.06%	**5.62%**	**7.64%**	**7.64%**	**8.83%**	**8.93%**

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

Fiscal Year Ended August 31,	Levy (a)	Cumulative Levy Adjustment**	Adjusted Tax Levy (b)	Collections Year of Levy (c)	Percentage
2017	$ 63,195,313	$ (119,350)	$ 63,075,963	$ 59,624,975	94.35%
2016	60,279,269	275,666	60,554,935	57,139,510	94.79%
2015	56,134,038	735,685	56,869,723	53,732,185	95.72%
2014	45,078,972	131,305	45,210,277	42,542,880	94.37%
2013	44,351,826	(110,295)	44,241,531	41,562,746	93.71%
2012	44,227,775	(127,358)	44,100,417	41,368,696	93.54%
2011	44,806,807	(61,798)	44,745,009	41,594,864	92.83%
2010	44,968,114	126,215	45,094,329	41,700,948	92.73%
2009	43,218,654	1,404,876	44,623,530	41,017,803	94.91%
2008	40,856,871	664,461	41,521,332	38,370,024	93.91%

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
(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)
$ -	$ -	$ 697,181	$ 60,322,156	95.63%
-	1,564,513 *	332,558 *	59,036,581	97.49%
1,401,132 *	490,219	175,722	55,799,258	98.12%
1,625,020	214,202	99,993	44,482,095	98.39%
1,915,861	131,139	75,607	43,685,353	98.74%
2,050,125	85,022	60,545	43,564,388	98.78%
2,480,501	65,009	54,985	44,195,359	98.77%
2,839,244	49,114	48,206	44,637,512	98.99%
3,133,953	37,637	43,556	44,232,949	99.12%
2,832,914	31,732	36,345	41,271,015	99.40%

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

	For the Year Ended August 31,			
	2017	2016	2015	2014
General Bonded Debt				
General obligation bonds	$ 167,532,403	$ 178,297,054	$ 188,761,705	$ 97,817,879
Notes	-	-	-	-
Less: Funds restricted for debt service	(14,329,738)	(15,223,843)	(17,161,084)	(17,635,362)
Net General Bonded Debt	**153,202,665**	**163,073,211**	**171,600,621**	**80,182,517**
Other Debt				
Revenue bonds	-	-	-	-
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Oustanding Debt	**$ 167,532,403**	**$ 178,297,054**	**$ 188,761,705**	**$ 97,817,879**
General Bonded Debt Ratios				
Per Capita (a)	$ 153.34	$ 179.27	$ 191.20	$ 90.61
Per FTSE (b)	6,765	6,205	6,730	3,143
As a percentage of taxable assessed value (c)	0.44%	0.49%	0.55%	0.27%
As a percentage of personal income (d)	0.62%	0.76%	0.87%	0.43%
Total Outstanding Debt Ratios				
Per Capita (a)	$ 167.69	$ 196.01	$ 210.33	$ 110.54
Per FTSE (b)	7,398	6,784	7,403	3,835
As a percentage of taxable assessed value (c)	0.48%	0.54%	0.61%	0.32%
As a percentage of personal income (d)	0.68%	0.83%	0.96%	0.52%

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,						
2013	2012	2011	2010	2009	2008
$ 47,249,685	$ 56,569,741	$ 65,994,008	$ 73,749,384	$ 81,837,974	$ 89,621,562
-	-	-	-	-	-
(16,294,897)	(14,493,499)	(13,204,788)	(11,946,974)	(10,475,704)	(8,974,272)
30,954,788	**42,076,242**	**52,789,220**	**61,802,410**	**71,362,270**	**80,647,290**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 47,249,685	**$ 56,569,741**	**$ 65,994,008**	**$ 73,749,384**	**$ 81,837,974**	**$ 89,621,562**
$ 35.43	$ 48.87	$ 62.23	$ 73.95	$ 83.42	$ 99.23
1,345	2,041	2,603	3,023	4,472	5,463
0.10%	0.14%	0.18%	0.20%	0.25%	0.30%
0.17%	0.35%	0.62%	0.75%	0.83%	0.98%
$ 54.08	$ 65.70	$ 77.80	$ 88.24	$ 95.66	$ 110.27
2,054	2,745	3,254	3,608	5,129	6,071
0.16%	0.19%	0.22%	0.24%	0.28%	0.34%
0.26%	0.47%	0.77%	0.90%	0.96%	1.09%

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
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%
2008	26,529,232,568	132,646,163	(8,974,272)	123,671,891	(11,147,686)	112,524,205	1.64%

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)
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)
2008	812,734 (7)	30,932 (4)	19,430 (4)	25,181	12,276 (4)	7,986 (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)
$ 24,560	$ 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%
10,131	8,233,808	7.90% (1, 7)	10.90% (1, 7)	9.40%	5.10% (1, 7)	6.10%

Statistical Supplement 13
Principal Employers
(unaudited)

	2017			2008	
Employer	Number of Employees	Percentage of Total Employment	Employer	Number of Employees	Percentage of Total Employment
Wal-Mart[1]*	5,855	1.77%	Edinburg Consolidated I.S.D.	3,600	1.65%
Edinburg Consolidated I.S.D.	4,813	1.45%	Wal-Mart[4]	3,460	1.59%
H-E-B[2]*	4,618	1.40%	McAllen Independent School District	3,451	1.58%
Pharr-San Juan-Alamo I.S.D.	4,297	1.30%	Edinburg Regional Medical Center	3,000	1.37%
Doctor's Hospital at Renaissance	3,968	1.20%	University of Texas - Pan American	2,850	1.31%
Hidalgo County[3]	3,910	1.18%	Hidalgo County	2,211	1.01%
McAllen Consolidated I.S.D.	3,422	1.03%	Mission Consolidated I.S.D.	2,140	0.98%
Edinburg Regional Medical Center	3,000	0.91%	City of McAllen	1,801	0.83%
University of Texas Rio Grande Valley	2,850	0.86%	McAllen Medical Center	1,700	0.78%
Rio Grande City I.S.D.*	2,250	0.68%	South Texas College	1,689	0.77%
Totals	**38,983**	**11.78%**	**Totals**	**25,902**	**11.87%**

Sources:
Hidalgo County 2016 CAFR
Starr County Industrial Foundation

Notes:
Total employment as of August 2017 for the district was 330,858. 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 2016, used 2015.
(2) Includes stores in Hidalgo and Starr County. Hidalgo County data not found for 2016, used 2015.
(3) Total number of employees includes Hidalgo County and County related agencies.
(4) Partial information received from retail store.
(*) Starr County employee data presented in range; calculated median for each employer.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty										
Full-Time	618	598	586	420	530	526	552	446	437	428
Part-Time	426	397	135	177	146	192	197	194	170	252
Total	**1,044**	**995**	**721**	**597**	**676**	**718**	**749**	**640**	**607**	**680**
Percent										
Full-Time	59.2%	60.1%	81.3%	70.4%	78.4%	73.3%	73.7%	69.7%	72.0%	62.9%
Part-Time	40.8%	39.9%	18.7%	29.6%	21.6%	26.7%	26.3%	30.3%	28.0%	37.1%
Staff and Administrators										
Full-Time	913	846	808	794	698	710	720	718	675	596
Part-Time	467	415	522	547	446	426	408	428	428	404
Total	**1,380**	**1,261**	**1,330**	**1,341**	**1,144**	**1,136**	**1,128**	**1,146**	**1,103**	**1,000**
Percent										
Full-Time	66.2%	67.1%	60.8%	59.2%	61.0%	62.5%	63.8%	62.7%	61.2%	59.6%
Part-Time	33.8%	32.9%	39.2%	40.8%	39.0%	37.5%	36.2%	37.3%	38.8%	40.4%
FTSE per Full-time Faculty	36.6	43.9	43.5	60.7	43.4	39.2	36.7	45.8	36.5	34.5
FTSE per Full-Time Staff Member	24.8	31.1	31.6	32.1	33.0	29.0	28.2	28.5	23.6	24.8
FTSE*	22,646	26,282	25,498	25,508	23,007	20,612	20,282	20,442	15,956	14,762
Average Annual Faculty Salary**	**$ 43,844**	**$ 43,234**	**$ 55,811**	**$ 66,383**	**$ 56,701**	**$ 52,051**	**$ 52,435**	**$ 56,880**	**$ 52,830**	**$ 44,391**

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)

	Academic									
	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Student Classification	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	22,276	67.41%	23,509	69.16%	20,911	67.79%	20,746	68.59%	20,391	68.40%
31-60 hours	8,884	26.89%	8,549	25.15%	7,996	25.92%	8,353	27.62%	8,391	28.15%
> 60 hours	1,884	5.70%	1,936	5.69%	1,942	6.29%	1,147	3.79%	1,030	3.45%
Total	**33,044**	**100.00%**	**33,994**	**100.00%**	**30,849**	**100.00%**	**30,246**	**100.00%**	**29,812**	**100.00%**

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Semester Hour Load	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	132	0.40%	83	0.24%	79	0.26%	85	0.28%	105	0.35%
3-5 semester hours	8,906	26.95%	9,918	29.18%	8,377	27.15%	8,239	27.24%	7,729	25.93%
6-8 semester hours	8,408	25.44%	8,376	24.64%	7,416	24.04%	7,016	23.20%	6,867	23.03%
9-11 semester hours	6,531	19.76%	6,465	19.02%	6,274	20.34%	5,829	19.27%	5,838	19.58%
12-14 semester hours	7,673	23.22%	7,686	22.61%	7,483	24.26%	7,545	24.95%	7,991	26.80%
15-17 semester hours	1,236	3.74%	1,300	3.82%	1,084	3.51%	1,347	4.45%	1,136	3.81%
18 & over	158	0.49%	166	0.49%	136	0.44%	185	0.61%	146	0.50%
Total	**33,044**	**100.00%**	**33,994**	**100.00%**	**30,849**	**100.00%**	**30,246**	**100.00%**	**29,812**	**100.00%**
Average course load	8.28		7.58		8.36		8.39		8.44	

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Tuition Status	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	30,885	93.58%	31,881	93.78%	29,057	94.19%	28,868	95.44%	28,649	96.10%
Texas Resident (out-of-District)	738	2.24%	682	2.01%	683	2.21%	597	1.97%	682	2.29%
Non-Resident Tuition	1,381	4.18%	1,431	4.21%	1,109	3.60%	781	2.59%	481	1.61%
Total	**33,004**	**100.00%**	**33,994**	**100.00%**	**30,849**	**100.00%**	**30,246**	**100.00%**	**29,812**	**100.00%**

Sources:
CBM001

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

	Continuing Education									
Student Classification	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
(Contact Hours)	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Continuing Education (CE)	1,124	100.00%	1,426	21.43%	5,798	98.98%	4,972	99.00%	2,314	97.02%
CE Not State Funded	-	0.00%	5,229	78.57%	60	1.02%	50	1.00%	71	2.98%
Inter-Institutional	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	**1,124**	**100.00%**	**6,655**	**100.00%**	**5,858**	**100.00%**	**5,022**	**100.00%**	**2,385**	**100.00%**

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Contact Hour Load	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
3-5 semester hours	-	0.00%	1	0.01%	-	0.00%	-	0.00%	-	0.00%
6-8 semester hours	39	3.47%	67	1.01%	92	1.57%	169	3.37%	295	12.37%
9-11 semester hours	4	0.36%	39	0.59%	2	0.03%	3	0.06%	-	0.00%
12-14 semester hours	150	13.35%	238	3.58%	233	3.98%	192	3.82%	209	8.76%
15-17 semester hours	3	0.27%	27	0.40%	11	0.19%	9	0.18%	30	1.26%
18 & over	928	82.55%	6,283	94.41%	5,520	94.23%	4,649	92.57%	1,851	77.61%
Total	**1,124**	**100.00%**	**6,655**	**100.00%**	**5,858**	**100.00%**	**5,022**	**100.00%**	**2,385**	**100.00%**
Average course load	55.69		66.05		66.55		73.87		72.03	

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Tuition Status	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	1,124	100.00%	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%
Total	**1,124**	**100.00%**	**6,655**	**100.00%**	**5,858**	**100.00%**	**5,022**	**100.00%**	**2,385**	**100.00%**

Sources:
CBM00A

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

	Academic									
	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Gender	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	18,304	55.39%	18,999	55.89%	17,476	56.65%	17,102	56.54%	17,160	57.56%
Male	14,740	44.61%	14,995	44.11%	13,373	43.35%	13,144	43.46%	12,652	42.44%
Total	**33,044**	**100.00%**	**33,994**	**100.00%**	**30,849**	**100.00%**	**30,246**	**100.00%**	**29,812**	**100.00%**

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Ethnic Origin	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	920	2.78%	979	2.88%	880	2.85%	825	2.73%	769	2.58%
Hispanic	31,130	94.21%	31,865	93.74%	28,829	93.45%	28,257	93.42%	27,582	92.52%
African American	84	0.25%	85	0.25%	90	0.29%	66	0.22%	65	0.22%
Asian	285	0.86%	265	0.78%	259	0.84%	247	0.82%	227	0.76%
Foreign	114	0.34%	100	0.29%	76	0.25%	67	0.22%	82	0.27%
Native American	16	0.05%	18	0.05%	16	0.05%	11	0.04%	26	0.09%
Unknown	495	1.51%	682	2.01%	699	2.27%	773	2.55%	1,061	3.56%
Total	**33,044**	**100.00%**	**33,994**	**100.00%**	**30,849**	**100.00%**	**30,246**	**100.00%**	**29,812**	**100.00%**

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Age	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	13,404	40.56%	14,501	42.66%	11,954	38.75%	11,693	38.66%	10,783	36.17%
18 - 21	11,258	34.07%	10,955	32.22%	10,508	34.06%	10,248	33.88%	10,281	34.49%
22 - 24	3,151	9.54%	3,164	9.31%	3,136	10.17%	3,079	10.18%	3,039	10.19%
25 - 35	3,827	11.58%	3,901	11.48%	3,775	12.24%	3,704	12.25%	4,019	13.48%
36 - 50	1,265	3.83%	1,309	3.85%	1,311	4.25%	1,343	4.44%	1,489	5.00%
51 & over	139	0.42%	164	0.48%	165	0.53%	179	0.59%	201	0.67%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	**33,044**	**100.00%**	**33,994**	**100.00%**	**30,849**	**100.00%**	**30,246**	**100.00%**	**29,812**	**100.00%**

Average Age	20.4	21.0	20.7	21.2	21.2

Sources:
CBM001

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

	Continuing Education									
	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Gender	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	785	69.84%	3,613	54.29%	3,069	52.39%	2,418	48.15%	1,039	43.56%
Male	339	30.16%	3,042	45.71%	2,789	47.61%	2,604	51.85%	1,346	56.44%
Total	**1,124**	**100.00%**	**6,655**	**100.00%**	**5,858**	**100.00%**	**5,022**	**100.00%**	**2,385**	**100.00%**

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Ethnic Origin	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	20	1.78%	148	2.22%	109	1.86%	91	1.81%	10	0.42%
Hispanic	752	66.90%	3,688	55.42%	3,755	64.10%	3,369	67.08%	1,255	52.62%
African American	-	0.00%	11	0.16%	6	0.10%	14	0.28%	3	0.13%
Asian	5	0.44%	10	0.15%	26	0.44%	15	0.30%	5	0.21%
Foreign	-	0.00%	-	0.00%	1	0.02%	-	0.00%	-	0.00%
Native American	-	0.00%	3	0.05%	5	0.09%	3	0.06%	2	0.08%
Unknown	347	30.88%	2,795	42.00%	1,956	33.39%	1,530	30.47%	1,110	46.54%
Total	**1,124**	**100.00%**	**6,655**	**100.00%**	**5,858**	**100.00%**	**5,022**	**100.00%**	**2,385**	**100.00%**

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Age	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	2	0.18%	5,159	77.52%	4,275	72.98%	3,625	72.18%	927	38.87%
18 - 21	145	12.90%	447	6.72%	456	7.78%	485	9.66%	259	10.86%
22 - 24	86	7.65%	129	1.94%	124	2.12%	147	2.93%	143	6.00%
25 - 35	338	30.07%	323	4.85%	404	6.90%	306	6.09%	418	17.52%
36 - 50	431	38.35%	461	6.93%	480	8.19%	324	6.45%	481	20.17%
51 & over	122	10.85%	136	2.04%	119	2.03%	135	2.69%	157	6.58%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	**1,124**	**100.00%**	**6,655**	**100.00%**	**5,858**	**100.00%**	**5,022**	**100.00%**	**2,385**	**100.00%**

Average Age	36.0	19.0	20.1	21.7	27.0

Sources:
CBM00A

Statistical Supplement 17
Transfers to Senior Institutions
Students as of Fall 2016
(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	2,387	426	78	2,891	50.43%
2	South Texas College	352	733	-	1,085	18.93%
3	Texas A&M University	261	28	12	301	5.25%
4	Texas A&M University - Kingsville	253	30	6	289	5.04%
5	The University of Texas at Austin	179	20	7	206	3.59%
6	Texas State University	161	32	9	202	3.52%
7	The University of Texas at San Antonio	144	32	8	184	3.21%
8	Texas A&M University - Corpus Christi	75	10	2	87	1.52%
9	Texas State Technical College - Harlingen	41	40	6	87	1.52%
10	Texas A&M International University	50	17	2	69	1.20%
11	Sam Houston State University	34	7	-	41	0.72%
12	University of Houston	31	5	2	38	0.66%
13	Texas Tech University	31	3	3	37	0.65%
14	University of North Texas	25	2	-	27	0.47%
15	The University of Texas at Arlington	18	8	1	27	0.47%
16	Texas A&M University System Health Science Center	20	6	-	26	0.45%
17	Austin Community College	13	11	1	25	0.44%
18	Blinn College	16	3	-	19	0.33%
19	The University of Texas at Dallas	14	2	-	16	0.28%
20	Del Mar College	7	7	1	15	0.26%
21	ACCD - Northwest Vista College	12	1	1	14	0.24%
22	Lamar University	11	-	-	11	0.19%
23	ACCD - San Antonio College	10	1	-	11	0.19%
24	Texas Southmost College	4	5	-	9	0.16%
25	McLennan Community College	5	3	-	8	0.14%
26	Texas A&M University - San Antonio	5	2	1	8	0.14%
		4,159	**1,434**	**140**	**5,733**	**100.00%**

Sources:
Texas Higher Education Data: ASALFS Students Pursuing Additional Education
ASALFS South Texas College - http://www.txhighereddata.org/reports/performance/ctcasalf/ctcaddl/

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

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Academic buildings	24	23	23	23	23
Square footage	963,682	949,435	949,435	949,435	949,435
Academic portable buildings	35	35	43	43	43
Square footage	53,446	53,446	71,305	71,305	71,305
Libraries	3	3	3	3	3
Square footage	105,507	105,507	105,507	105,507	105,507
Number of volumes	143,535	141,913	139,465	141,500	138,221
Administrative and support buildings	13	13	13	13	13
Square footage	294,733	305,970	305,970	305,970	305,970
Administrative and support portable buildings	14	14	12	12	12
Square footage	18,556	18,556	15,124	15,124	15,124
Dining facilities	5	5	5	5	5
Square footage	15,343	15,343	15,343	15,343	15,343
Average daily customers	902	993	1,544	1,401	1,052
Fitness facilities	2	2	2	2	2
Square footage	37,432	37,432	37,432	37,432	37,432
Plant facilities	2	1	1	1	1
Square footage	18,747	11,754	11,754	11,754	11,754
Transportation					
Automobiles	2	-	-	-	-
Automobiles - Instructional	20	25	30	32	29
Light trucks/vans	56	41	41	35	24
Light trucks/vans - Instructional	19	23	29	29	28
Heavy trucks/backhoe	5	3	2	1	1
Heavy trucks/backhoe - Instructional	5	5	6	5	5
Golf and forklift	38	29	28	27	18
Trailer	3	1	1	1	1
Shuttle buses	6	6	3	3	2

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

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

	For the Fiscal Year Ended August 31,			
	2017	2016	2015	2014
Operating Revenues				
Tuition and fees (net of discounts)	$ 23,129,705	$ 21,452,743	$ 21,373,162	$ 20,488,244
Federal grants and contracts	4,490,675	3,889,497	4,368,574	3,445,293
State grants and contracts	4,076,652	3,266,315	4,068,944	4,246,315
Local grants and contracts	6,102,604	5,063,983	1,099,573	1,118,054
Non-governmental grants and contracts	2,061,438	2,487,482	5,235,358	4,949,832
Auxiliary enterprises	1,833,407	1,893,838	1,773,325	1,835,353
General operating revenues	603,343	729,855	1,308,903	645,811
Total Operating Revenues	**42,297,824**	**38,783,713**	**39,227,839**	**36,728,902**
Operating Expenses				
Instruction	70,879,518	66,249,496	60,820,171	59,447,106
Research	-	-	-	-
Public service	709,252	912,507	1,205,480	829,711
Academic support	17,101,884	16,333,241	15,281,478	13,980,994
Student services	11,228,507	11,477,740	10,969,940	10,403,814
Institutional support	26,074,787	23,138,061	21,790,954	19,813,087
Operations and maintenance of plant	15,977,259	14,064,638	13,675,484	12,563,250
Scholarships and fellowships	26,028,594	26,432,169	27,815,696	27,692,817
Auxiliary enterprises	2,529,295	1,562,463	1,403,408	1,388,716
Depreciation	7,262,313	6,966,274	6,759,801	6,731,486
Total Operating Expenses	**177,791,409**	**167,136,589**	**159,722,412**	**152,850,981**
Operating Loss	**$ (135,493,585)**	**$ (128,352,876)**	**$ (120,494,573)**	**$ (116,122,079)**

Notes:
Other non-operating expenses were segregated into separate categories for FY 2008 - FY 2017.
The segregation is not reflected in the previous years.

For the Fiscal Year Ended August 31,					
2013	2012	2011	2010	2009	2008
$ 21,051,377	$ 19,583,509	$ 18,281,708	$ 17,153,615	$ 16,561,311	$ 15,075,608
4,630,302	4,748,007	6,172,207	8,979,526	7,015,595	6,508,073
5,160,704	6,794,060	6,335,567	6,711,706	5,412,226	4,292,294
1,270,376	1,293,135	1,380,691	1,255,944	1,129,509	741,390
3,113,960	2,740,134	2,796,686	2,200,618	1,594,568	1,555,367
1,810,240	1,872,734	1,877,501	1,666,738	1,403,045	1,300,682
621,264	439,642	545,846	1,988,232	2,280,483	1,129,049
37,658,223	**37,471,221**	**37,390,206**	**39,956,379**	**35,396,737**	**30,602,463**
57,766,578	53,899,805	57,359,050	55,454,200	48,698,353	42,291,067
4,516	67,273	6,303	-	-	-
903,735	736,507	640,673	2,460,617	2,637,239	2,924,649
12,775,912	11,551,178	12,035,474	9,565,508	9,271,172	8,241,265
10,090,241	9,681,946	9,939,104	10,264,591	9,070,935	8,057,220
21,108,957	19,494,885	20,293,881	19,044,676	17,197,508	15,303,315
9,486,934	9,459,757	10,270,614	10,437,077	10,356,102	9,336,528
28,724,249	31,873,082	39,320,494	37,212,122	23,176,417	19,424,919
1,383,521	1,418,145	1,421,243	1,524,084	1,498,378	655,258
6,589,876	6,414,932	6,265,826	5,923,105	5,848,873	5,391,971
148,834,519	**144,597,510**	**157,552,662**	**151,885,980**	**127,754,977**	**111,626,192**
$ (111,176,296)	**$ (107,126,289)**	**$ (120,162,456)**	**$ (111,929,601)**	**$ (92,358,240)**	**$ (81,023,729)**

(Continued)

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

	For the Fiscal Year Ended August 31,			
	2017	2016	2015	2014
Non-Operating Revenues (Expenses)				
State allocations	$ 45,315,830	$ 46,077,235	$ 42,858,200	$ 42,766,020
Ad-valorem taxes				
Taxes for maintenance & operations	48,822,561	46,781,602	43,951,580	33,983,319
Taxes for debt service	15,652,143	15,016,847	14,105,277	12,291,870
Federal revenue, non-operating	55,666,373	54,858,852	54,881,496	55,351,962
Gifts	252,614	251,022	305,146	323,100
Investment income (net of investment expenses)	2,612,017	1,034,010	144,206	214,915
Insurance proceeds	149,634	-	24,282	-
Interest and capital related debt	(4,150,374)	(6,602,765)	(5,964,767)	(1,340,664)
Gain on disposal of capital assets	5,575	12,350	-	-
Loss on sale/disposal/return on capital assets	(5,886)	-	(240,389)	(10,154)
Non-capital construction costs	(3,548,465)	(1,911,123)	(1,731,576)	(1,715,994)
Bond costs amortization	(295,436)	(284,829)	(1,166,614)	(873,317)
Other non-operating revenues (expenses)	87,483	(320,767)	(274,655)	(172,844)
Net Non-Operating Revenues (Expenses)	**160,564,069**	**154,912,434**	**146,892,186**	**140,818,213**
Income before contributions, endowment and extraordinary item	25,070,485	26,559,559	26,397,613	24,696,134
Capital contributions	47,629	4,515,864	66,908	105,190
Additions (deductions) to permanent and term endowment	-	-	-	-
Special item	-	-	-	-
Extraordinary item	-	-	1,987,665	(2,655,340)
Increase in net position	25,118,114	31,075,423	28,452,186	22,145,984
Net position - beginning of year, as restated	371,277,775	340,202,352	337,541,511	315,848,253
Cumulative effect of change in accounting principle	-	-	(25,791,345)	(452,726)
Net Position - End of Year	**$ 396,395,889**	**$ 371,277,775**	**$ 340,202,352**	**$ 337,541,511**

(Continued)

For the Fiscal Year Ended August 31,					
2013	2012	2011	2010	2009	2008
$ 38,977,829	$ 37,017,673	$ 36,676,953	$ 37,514,938	$ 33,173,275	$ 32,857,808
32,403,363	33,244,142	33,798,861	34,314,946	33,731,408	30,822,108
12,030,232	12,276,741	12,187,090	12,197,541	12,212,764	12,319,291
57,151,307	61,950,136	66,972,554	59,089,947	34,498,524	28,470,310
351,843	418,605	309,868	663,193	775,113	519,842
389,519	417,075	327,497	388,426	1,335,180	2,627,475
-	-	-	-	-	-
(1,513,884)	(1,821,871)	(2,054,633)	(2,986,702)	(3,186,226)	(3,046,995)
-	2,793	-	-	-	-
(217)	-	(3,500)	(4,698)	(77,747)	-
(849,455)	(1,400,934)	(464,503)	(2,268,529)	(1,038,216)	(735,663)
(566,261)	(536,677)	(496,724)	(353,037)	(353,037)	(353,211)
(290,477)	(500,835)	(396,032)	(673,262)	(706,561)	(426,718)
138,083,799	**141,066,848**	**146,857,431**	**137,882,763**	**110,364,477**	**103,054,247**
26,907,503	33,940,559	26,694,975	25,953,162	18,006,237	22,030,518
83,298	22,740	732,061	1,248,559	2,407,855	86,333
-	(4,700)	300	-	9,690	-
-	-	-	-	374,140	-
(4,230,489)	2,010,294	-	-	-	-
22,760,312	35,968,893	27,427,336	27,201,721	20,797,922	22,116,851
293,087,941	257,119,048	229,691,712	202,489,991	181,692,069	159,575,218
-	-	-	-	-	-
$ 315,848,253	**$ 293,087,941**	**$ 257,119,048**	**$ 229,691,712**	**$ 202,489,991**	**$ 181,692,069**

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
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
2008	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 2016	Tax Year 2015	Tax Year 2014	Tax Year 2013
South Texas College	100.00%	$0.185000	$0.185000	$0.185000	$0.150000
HIDALGO COUNTY					
Cities:					
Alamo	100.00%	0.581000	0.588100	0.598970	0.598970
Alton	-	0.449000	0.454000	0.459100	0.462400
Donna	100.00%	0.982828	0.982828	1.142421	1.252376
Edcouch	-	0.928600	0.928600	0.928600	0.970500
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	-	0.917700	0.856600	0.986700	0.991600
Granjeno	-	0.441900	0.425100	0.423000	0.425300
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.539400	0.543500	0.570000	0.567800
La Villa	100.00%	0.783600	0.783600	0.783600	0.783600
McAllen	100.00%	0.476300	0.476300	0.476300	0.431300
Mercedes	100.00%	0.745000	0.755000	0.760000	0.775000
Mission	100.00%	0.496200	0.498800	0.518800	0.528800
Palmview	-	0.475100	0.475100	0.479000	0.466500
Penitas	100.00%	0.506000	0.506000	0.459500	0.434500
Pharr	100.00%	0.654000	0.654000	0.680000	0.680000
Progreso	100.00%	0.796100	0.806100	0.793000	0.812600
San Juan	100.00%	0.699300	0.699300	0.699300	0.738600
Sullivan City	-	0.460600	0.466800	0.447800	0.416000
Weslaco	100.00%	0.666700	0.676700	0.676700	0.686700
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%	1.490000	1.530000	1.530000	1.556400
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%	1.280000	1.280000	1.280000	1.220000
McAllen ISD	100.00%	1.155000	1.155000	1.165000	1.165000
Mercedes ISD	100.00%	1.380000	1.380000	1.380000	1.290000
Mission CISD	100.00%	1.358200	1.367200	1.330000	1.300000
Monte Alto ISD	100.00%	1.350000	1.350000	1.350000	1.350000
PSJA ISD	100.00%	1.399200	1.399200	1.359200	1.359200
Progreso ISD	100.00%	1.390000	1.370000	1.370000	1.327500
Sharyland ISD	100.00%	1.375500	1.335500	1.335500	1.285500
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%	1.139700	1.139700	1.139700	1.139700

Tax Year 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008	Tax Year 2007
$0.150700	$0.150700	$0.149700	$0.149100	$0.149800	$0.154000
0.598970	0.585480	0.591910	0.591910	0.591910	0.592850
0.479900	0.482500	0.485000	0.049500	0.497400	0.499900
1.252300	1.252300	1.125979	1.038320	0.989999	0.989999
0.999900	0.884200	0.854200	0.854200	0.901200	0.899000
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.990000	0.990000	0.904200	0.904200	0.904220	0.741851
0.425300	0.425300	0.375700	0.037200	0.311100	0.281000
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.567800	0.545200	0.532300	0.517600	0.567800	0.560100
0.783600	0.622400	0.623400	0.623400	0.839600	0.772400
0.431300	0.431300	0.421300	0.421300	0.421300	0.421300
0.785000	0.785000	0.790000	0.790000	0.805000	0.850000
0.528800	0.538800	0.556600	0.556600	0.566600	0.556600
0.466500	0.460000	0.453400	0.443800	0.467964	0.352146
0.410000	0.362500	0.329600	0.308500	0.338900	0.275000
0.680000	0.680000	0.680000	0.680000	0.683120	0.683120
0.538900	0.499900	0.455300	0.455300	0.414700	0.422200
0.738600	0.738600	0.738600	0.738600	0.699300	0.699300
0.383800	0.353500	0.322000	0.323200	0.326000	0.326000
0.696700	0.696700	0.696700	0.696700	0.696700	0.696700
1.258200	1.258200	1.258200	1.177900	1.200000	1.200000
1.258000	1.258000	1.258000	1.258000	1.258000	1.258000
1.239800	1.239800	1.239800	1.219800	1.189800	1.115200
1.556400	1.586400	1.586400	1.436400	1.350000	1.320000
1.311000	1.311000	1.311000	1.311000	1.321600	1.252000
1.303800	1.303800	1.224800	1.224800	1.224800	1.224800
1.330000	1.330000	0.000000	0.000000	0.000000	0.000000
1.165000	1.165000	1.165000	1.165000	1.145000	1.145000
1.290000	1.290000	1.290000	1.290000	1.290000	1.290000
1.300000	1.300000	1.300000	1.280000	1.240000	1.180000
1.350000	1.350000	1.350000	1.220000	1.240000	1.186000
1.359200	1.359200	1.359200	1.301300	1.271000	1.211300
1.370000	1.430000	1.430000	1.310000	1.340000	1.239000
1.285500	1.200000	1.200000	1.200000	1.185000	1.185000
0.049200	0.049200	0.049200	0.049200	0.049200	0.049200
1.277000	1.317000	1.317000	1.317000	1.317000	1.255200
1.139700	1.139700	1.139700	1.139700	1.139700	1.104700

(Continued)

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

Governmental Subdivision	Percent Applicable*	Tax Year 2016	Tax Year 2015	Tax Year 2014	Tax Year 2013
HIDALGO COUNTY					
Special Districts:					
Hidalgo County	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage District #1	100.00%	0.095100	0.095100	0.095700	0.095700
EMS District #1	-	0.020000	0.185000	0.016500	0.015400
EMS District #2	-	0.038000	0.036100	0.036100	0.036100
EMS District #3	-	0.030000	0.030000	0.030000	0.030000
EMS District #4	-	0.027200	0.027200	0.272000	0.026700
Donna Irrigation #1	-	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	-	0.550000	0.550000	0.550000	0.580000
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	-	0.026020	0.026020	0.026020	0.027000
Red Sands Groundwater CD	-	0.169000	0.169000	0.169000	0.169000
STARR COUNTY					
Cities:					
Escobares City	-	0.403517	0.403517	0.403517	0.364809
Rio Grande City	100.00%	0.497579	0.514749	0.514749	0.514080
Roma	100.00%	0.523055	0.523055	0.523055	0.519030
School Districts					
Rio Grande City CISD	100.00%	1.451400	1.438400	1.447200	1.440600
Roma ISD	100.00%	1.569390	1.553660	1.459090	1.459090
San Isidro ISD	-	1.295000	1.271800	1.260000	1.130000
Special Districts:					
Starr County	100.00%	0.545800	0.561000	0.561700	0.524600
F&M & FC	-	0.232600	0.217400	0.217400	0.254600
Starr County Memorial Hospital District	-	0.277314	0.248092	0.262775	0.256915

Sources:
Hidalgo County Appraisal District
Starr County Appraisal District
*Municipal Advisory Council of Texas

(Continued)

Tax Year 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008	Tax Year 2007
0.590000	0.590000	0.590000	0.590000	0.590000	0.590000
0.075000	0.073300	0.072500	0.072500	0.070000	0.049200
0.014300	0.013400	0.013400	0.013200	0.013200	0.014700
0.036100	0.033600	0.031100	0.028400	0.029000	0.028000
0.030000	0.010000	0.008800	0.008000	0.007500	0.008600
0.026200	0.024500	0.024500	0.024000	0.021800	0.022800
0.210000	0.210000	0.210000	0.210000	0.210000	0.210000
0.580000	0.510000	0.510000	0.000000	0.480000	0.000000
0.230000	0.220000	0.220000	0.210000	0.280000	0.270000
0.015300	0.015300	0.012500	0.015000	0.020000	0.000000
0.029894	0.030000	0.000000	0.000000	0.000000	0.000000
0.169000	0.169000	0.000000	0.000000	0.000000	0.000000
0.340000	0.340000	0.322050	0.300000	0.300000	0.000000
0.514160	0.507459	0.506460	0.350000	0.292292	0.292292
0.516500	0.508710	0.508710	0.446330	0.444620	0.453780
1.442600	1.479500	1.489500	1.413000	1.418900	1.418900
1.459090	1.459920	1.464760	1.416680	1.437683	1.234090
1.130000	1.040000	1.030000	1.040000	1.040000	1.040000
0.551100	0.510100	0.460100	0.520400	0.514200	0.514200
0.228100	0.189100	0.239100	0.178800	0.185000	0.185000
0.251238	0.237531	0.204604	0.193676	0.200178	0.196300

Statistical Supplement 22
Computation of Direct and Overlapping Debt
August 31, 2017
(unaudited)

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Alamo, City of	$ 10,345,000	*	08/31/2017	100.00%	$ 10,345,000
Donna ISD	77,265,000	*	08/31/2017	100.00%	77,265,000
Donna, City of	55,805,000	*	08/31/2017	100.00%	55,805,000
Edcouch-Elsa ISD	44,101,687	*	08/31/2017	100.00%	44,101,687
Edinburg CISD	133,345,000	*	08/31/2017	100.00%	133,345,000
Edinburg, City of	42,795,000	*	08/31/2017	100.00%	42,795,000
Hidalgo County	211,290,000	*	08/31/2017	100.00%	211,290,000
Hidalgo County DD #1	137,910,000	*	08/31/2017	100.00%	137,910,000
Hidalgo ISD	34,427,000	*	08/31/2017	100.00%	34,427,000
Hidalgo, City of	3,840,000	*	08/31/2017	100.00%	3,840,000
La Joya ISD	241,943,332	*	08/31/2017	100.00%	241,943,332
La Villa ISD	4,505,000	*	08/31/2017	100.00%	4,505,000
La Villa, City of	1,620,000	*	08/31/2017	100.00%	1,620,000
Lyford CISD	5,960,000	*	08/31/2017	2.20%	131,120
McAllen ISD	90,131,000	*	08/31/2017	100.00%	90,131,000
McAllen, City of	91,005,000	*	08/31/2017	100.00%	91,005,000
Mercedes ISD	62,104,090	*	08/31/2017	100.00%	62,104,090
Mercedes, City of	20,475,000	*	08/31/2017	100.00%	20,475,000
Mission CISD	127,193,000	*	08/31/2017	100.00%	127,193,000
Mission, City of	39,640,000	*	08/31/2017	100.00%	39,640,000
Monte Alto ISD	13,385,000	*	08/31/2017	100.00%	13,385,000
Penitas, City of	5,422,000	*	08/31/2017	100.00%	5,422,000
Pharr, City of	47,430,000	*	08/31/2017	100.00%	47,430,000
Pharr-San Juan-Alamo ISD	336,810,000	*	08/31/2017	100.00%	336,810,000
Progreso ISD	24,700,000	*	08/31/2017	100.00%	24,700,000
Progreso , City of	1,792,000	*	08/31/2017	100.00%	1,792,000
Rio Grande City CISD	101,850,000	*	08/31/2017	100.00%	101,850,000
Rio Grande City, City of	25,550,000	*	08/31/2017	100.00%	25,550,000
Roma ISD	76,530,000	*	08/31/2017	100.00%	76,530,000
Roma, City of	7,229,000	*	08/31/2017	100.00%	7,229,000
San Juan, City of	24,745,000	*	08/31/2017	100.00%	24,745,000

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Sharyland ISD	108,184,999	*	08/31/2017	100.00%	108,184,999
Starr County	1,413,373	*	08/31/2017	100.00%	1,413,373
Valley View ISD	43,409,764	*	08/31/2017	100.00%	43,409,764
Weslaco ISD	73,810,000	*	08/31/2017	100.00%	73,810,000
Weslaco, City of	90,435,000	*	08/31/2017	100.00%	90,435,000
Total Net Overlapping Debt:					**2,412,567,365**
South Texas College			08/31/2017		152,495,000
Total Direct and Overlapping Debt:					**$ 2,565,062,365**

Sources:
Municipal Advisory Council of Texas

Notes:
*Gross Debt

SOUTH TEXAS COLLEGE

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SPECIAL REPORTS SECTION

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

(956) 686-3701
(956) 686-6830 (fax)
CRIcpa.com

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
South Texas College

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 basic financial statements of South Texas College (the College) as of and for the year ended August 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Texas Public Funds Investment Act

We also performed tests of the College's compliance with the requirements of the Texas Public Funds Investment Act (the "Act"). The results of our tests disclosed no instances of noncompliance with the Act. However, providing an opinion on compliance with the Act was not an objective of our audit and accordingly, we do not express an opinion.

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.

Cain, Riggs & Ingram, L.L.C.

McAllen, Texas
December 29, 2017

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

(956) 686-3701
(956) 686-6830 (fax)
CRIcpa.com

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, 2017. 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; 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, 2017.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 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.

Cano, Riggs & Ingram, L.L.C.

McAllen, Texas

December 29, 2017

SOUTH TEXAS COLLEGE

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CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

(956) 686-3701
(956) 686-6830 (fax)
CRIcpa.com

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, the State of Texas Single Audit Circular that could have a direct and material effect on each of the College's major state programs for the year ended August 31, 2017. 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, 2017.

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 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 State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Cano, Riggs & Ingram, L.L.C

McAllen, Texas

December 29, 2017

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2017

Section I – Summary of Auditors' Results

A. Primary Government 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 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. Any instances of material noncompliance in major programs disclosed during the audit? **No**

5. Identification of major programs:

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

6. The dollar threshold used to identify Type A programs: **$1,804,711**

7. 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 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 State of Texas Single Audit Circular? **No**

4. Any instances of material noncompliance in major programs disclosed during the audit? **No**

5. Identification of major programs:

   Name of State program or cluster
   Skills Development Funds
   Jobs and Education for Texans

6. The dollar threshold used to identify Type A programs: **$750,000**

7. 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

None

Section III – Federal Award Findings and Responses

Current Year Findings and Responses

None

SOUTH TEXAS COLLEGE

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SOUTH TEXAS COLLEGE DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2017

FEDERAL

Not Applicable.

STATE

Not Applicable.

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SOUTH TEXAS
COLLEGE