



SOUTH TEXAS
COLLEGE

SOUTH TEXAS COLLEGE DISTRICT

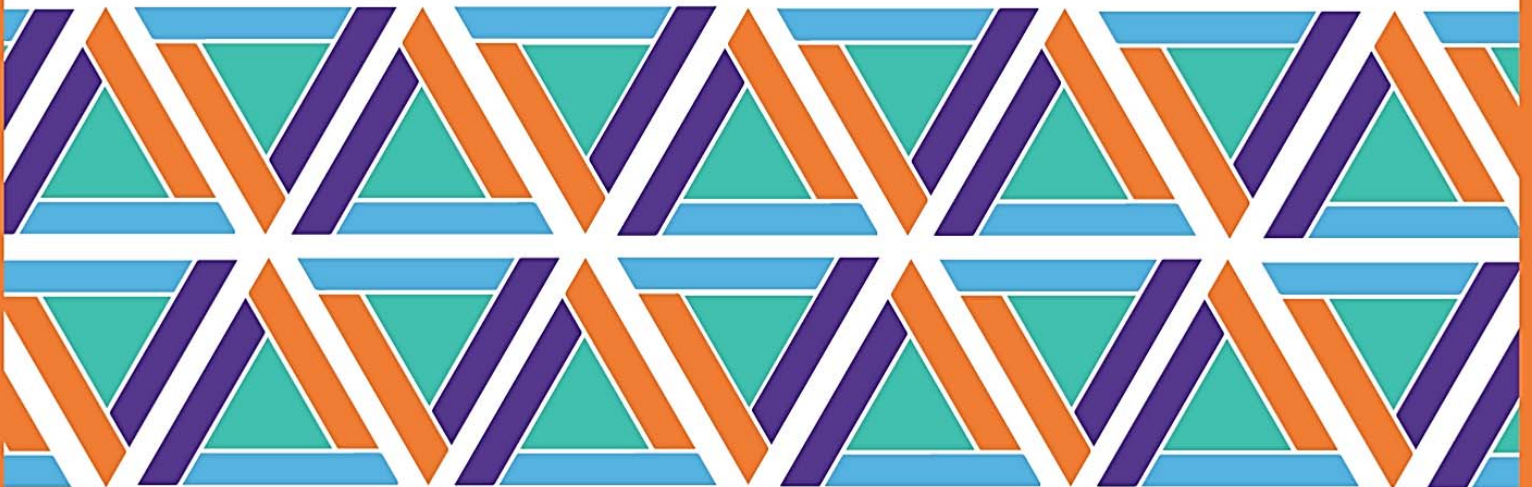
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED AUGUST 31, 2016 AND 2015
SERVING HIDALGO COUNTY AND STARR COUNTY, TEXAS



SOUTH TEXAS COLLEGE

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INTRODUCTORY SECTION

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2016 and 2015**

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South Texas College District

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McAllen, Texas 78502
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December 13, 2016

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, 2016 and 2015, 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, 2016 and 2015, 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.

Long Chilton, LLP, Certified Public Accountants, have issued an unmodified opinion on the District's financial statements for the years ended August 31, 2016 and 2015. 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.

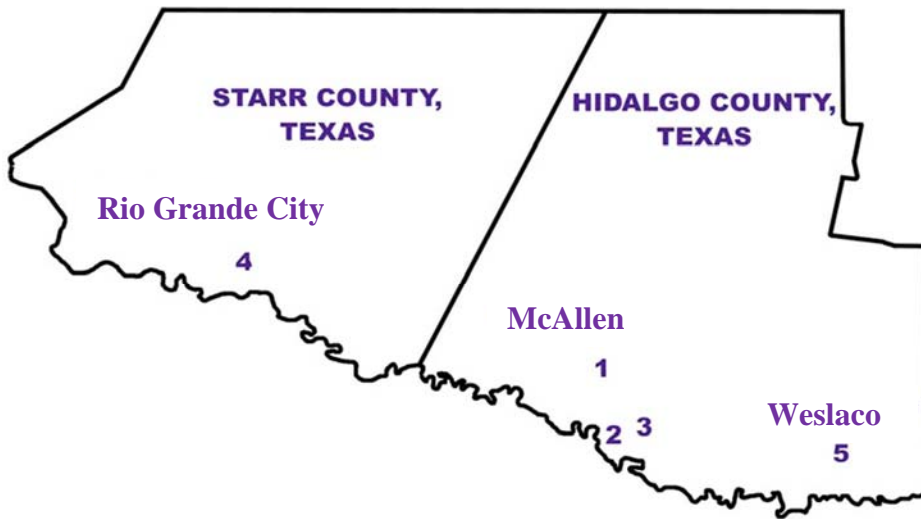
South Texas College is one of the three community colleges in Texas that has authorization to offer bachelor degrees. The first Bachelor of Applied Technology (BAT) degree in Technology Management was offered in 2005, followed by the BAT degree in Computer & Information Technologies in 2008. The District 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,

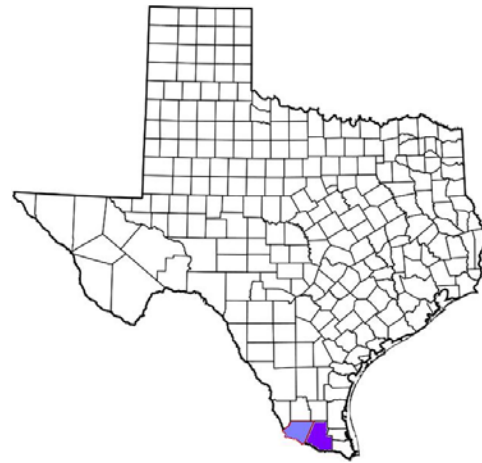
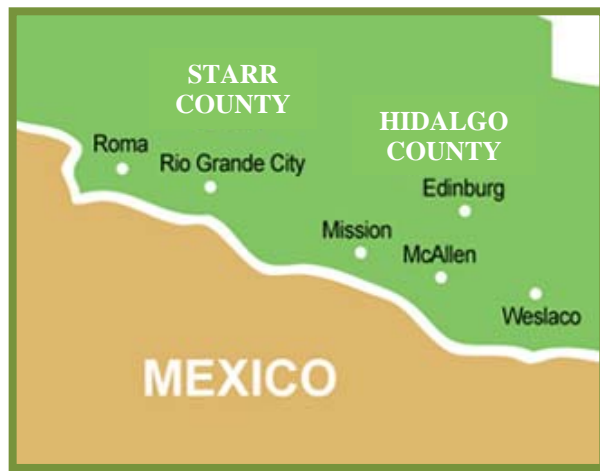
based on population, were also approved for single member representation on the Board of Trustees. A community leader, from each of the seven districts, was originally appointed by the Texas Governor to serve on the founding Board of Trustees. Since then, elections have been held for all of the seats, 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, the Mid-Valley Campus, and the Starr County Campus. Approximately 2,300 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 STC employees and STC 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 continuous 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 2016	FY 2015	FY 2014	FY 2013	FY 2012
	Fall 2015	Fall 2014	Fall 2013	Fall 2012	Fall 2011
Academic and Vocational					
Headcount	33,994	30,849	30,246	29,812	29,513
Full-time equivalent	23,057	21,262	21,140	20,979	21,064
Continuing Education					
Headcount	6,655	5,858	5,022	2,385	896
Full-time equivalent	3,611	3,249	3,092	1,431	366

Annual Enrollment – Academic and Vocational					
	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Total credit hours	642,651	593,199	585,280	576,890	562,410
Total contact hours	13,137,424	12,118,584	12,073,392	11,839,880	11,495,216
Unduplicated full-time student equivalent	21,422	19,773	19,509	19,230	18,747
Unduplicated headcount	45,665	42,079	40,458	40,009	38,900

Annual Enrollment – Continuing Education					
	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Total contact hours	583,149	733,868	719,796	453,305	
Unduplicated full-time student equivalent	4,860	6,115	5,998	3,778	
Unduplicated headcount	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 also offers dual enrollment programs with 24 school districts at over 70 high school sites throughout Hidalgo and Starr Counties. Approximately over 16,000 students enrolled in the program during the spring 2016 semester.

The District's Early College High School Program serves students by implementing innovative approaches that continue to provide access, with affordability, to all the high school students in the community. The Progreso Independent School District was the first school district to partner with the District in 2007 to bring the model to the region. In fiscal year 2015, the Texas Education Agency has approved a total of 30 high schools in the region.

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, 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, 19 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, Communication, 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 1,025 full-time and adjunct instructors, the District's faculty is among the most qualified at any community college in the nation. There are 735 faculty members with master's degrees, 68 with double master's degrees, three (3) with triple master's degrees, and 145 with doctorate degrees. In certificate and other programs, there are 133 faculty members holding bachelor degrees, 21 holding double bachelor degrees, one (1) holding triple bachelor degrees, 186 faculty members holding associate degrees, 23 holding double associate degrees, 68 holding certificates, 16 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 842,621 in 2016 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

67,032 for 2016 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 28th on job growth over 200 MSA's ranked nationwide (Source: Forbes, August 2015).

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 increased from 8.0% in 2015 to 8.4% in 2016.
- The unemployment rate for Starr County increased from 13.20% in 2015 to 14.1% in 2016.
- Per capita income in Hidalgo County increased from \$23,073 in 2015 to \$23,753 in 2016.
- Per capita income in Starr County increased from \$20,811 in 2015 to \$23,215 in 2016.
- Sales tax receipts in Hidalgo County increased 1.17% from 2015 to 2016.
- Sales tax receipts in Starr County decreased 0.78% from 2015 to 2016.

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

- The McAllen Metropolitan Statistical Area is ranked among the top markets in the United States, as 51st out of 400 metro areas across the country measured by the International Trade Administration. These rankings show that MSA as a region is nearly in the top 10 percent among metro areas nationally for exports (Source: tse.export.gov).
- The McAllen housing indicators continued to improve midway through 2016. Existing home sales decreased 6.9% for the second quarter, and decreased by 3.8% on sales year-to-date. Prices increased by 5.4% on average in the second quarter, and 5.6% 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 The Council for Community and Economic Research, the McAllen area is first “Least Expensive Urban Area” among 260 urban areas that participated in the 2016 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 608,891. 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: inegi.org.mx).

Travel and tourism are an ever-growing element of the area’s economy. People from all over the globe travel to the area, which is one of the best bird watching spots in North America to view nearly 528 rare species of birds. Nature tourism is a big business for the Rio Grande Valley, and a study released in 2012 by Texas A&M University revealed an economic impact of \$463 million a year to the Rio Grande Valley economy. Nature and wildlife attractions, art festivals, and other tourist attractions have made the area a primary tourist destination. Much of the McAllen-Edinburg-Mission area’s attraction lies in its geography, its great outdoors, its history, and its rich Hispanic flavor including the Rio Grande Valley’s mild year-round climate, which makes for outdoor living 365 days a year. The McAllen MSA’s unique geographic position allows its residents to experience two unique cultures, while flavoring a unique blend of art, music and literature. 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 January 2015, every year more than 100,000 senior citizens make the Rio Grande Valley their winter home. Winter Texans spend more than \$600 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 2016, the estimated population was 40,412. 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 light 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 2016, the estimated population was 14,197 (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 2015-2016, the District held two graduation ceremonies in December 2015 and five ceremonies in May 2016, 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. Among those

who celebrated this milestone were students in the District's Bachelor of Applied Technology (BAT) and Bachelor of Applied Science (BAS) programs. A total of 244 graduates earned a bachelor degree.

Additionally, the District graduated 47 students from its Dual Enrollment Medical Science Academy (DEMSA), 17 students from the School to Career Academy in Dual Enrollment (SCADE), 13 students from the Dual Enrollment Engineering Academy (DEEA), 12 students from the Dual Enrollment Computer Science Academy (DECSA), and 1 student 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, 2016.

At August 31, 2016, the District has outstanding bonds payable for Bond Series 2007 MTR, Bonds Series 2007 LTR, Bonds Series 2010 LTR, Bonds Series 2013 LTR, Bonds Series 2014 LT, and Bonds Series 2015 LT. Bonds were issued in March 2007, November 2010, and June 2013 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 \$1,095,000, \$11,360,000, \$4,365,000, \$1,635,000, \$53,750,000, and \$89,700,000 for Bonds Series 2007 MTR, Bonds Series 2007 LTR, Bonds Series 2010 LTR, Bonds Series 2013 LTR, Bonds Series 2014 LT, and Bonds Series 2015 LT, respectively. Total bonds payable at August 31, 2016 was \$161,905,000. 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
2007	\$0.11000	\$0.04480	\$23,658,082,495	\$36,997,639
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

The District’s average collection rate over the past 10 years, including collection of delinquent taxes, has been 97.85%. The tax base has increased by an average of 4.56% annually over the past 10 years. The tax base has increased from \$23,658,082,495 in fiscal year 2007 to \$33,304,492,691 in fiscal year 2016. 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 \$3,381,867 tax collection increase in fiscal year 2016. The increase of \$11,235,396 tax collection in fiscal year 2015 was caused by an increase in tax rate and property values.

In fiscal years 1997 through 2016, the District has set aside a total of \$107,710,860 for construction of facilities and a total of \$31,713,236 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, 2016	August 31, 2015	August 31, 2014
Current Undesignated Unrestricted Fund Balance	\$85,533,204	\$71,932,033	\$87,171,492
Next Fiscal Year Budgeted Unrestricted Fund Expenses (including transfers and contingencies)	179,711,050	163,175,686	151,285,133
Fund Balance as a % of Total Expenses	48%	44%	58%
Number of Months Expenses in Reserve	5.7 months	5.3 months	6.9 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, 2016, the District’s Board of Trustees has designated a total of \$30,500,000 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, 2016	August 31, 2015	August 31, 2014
Future Employee Health Insurance Costs	\$7,500,000	\$7,500,000	\$9,500,000
Infrastructure Maintenance and Renewal of the District’s Enterprise Resource Planning System	13,500,000	11,500,000	7,500,000
Deferred Maintenance of Facilities	4,000,000	4,000,000	4,000,000
Reserve for the District’s Business Continuity and Disaster Plan	3,500,000	3,500,000	3,500,000
Furniture Replacement	2,000,000	2,000,000	-
Total	\$30,500,000	\$28,500,000	\$24,500,000

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, 2016	August 31, 2015	August 31, 2014
Primary Reserve Ratio	1.09	1.02	1.09
Viability Ratio	6.95	7.40	2,179.29
Return on Net Position Ratio	9.1%	0.8%	6.9%
Operating Margin Ratio	13.7%	14.2%	13.9%
Total CFI	8.28	7.26	8.06

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, 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 fiscal year 2016 tuition and fees:

Tuition/Fee Description	FY 2015-2016	FY 2014-2015	\$ Change
Resident Tuition In-District			
1 credit hour	100.00	135.00	(35.00)
2 credit hours	100.00	110.00	(10.00)
Resident Tuition – Out of District			
1 credit hour	125.00	164.50	(39.50)
2 credit hours	125.00	132.00	(7.00)
Non-Resident Tuition			
2 credit hours	100.00	172.00	(72.00)
3 credit hours	100.00	138.00	(38.00)
4-5 credit hours	100.00	122.00	(22.00)
6-8 credit hours	100.00	114.00	(14.00)
9-11 credit hours	100.00	106.00	(6.00)
12-21 credit hours	100.00	105.00	(5.00)
Differential Tuition			
Chemistry / credit hr.	10.00	-	10.00
Physics / credit hr.	10.00	-	10.00
Astronomy / credit hr.	10.00	-	10.00
Mandatory Fees			
Information Technology Fee	22.00	20.00	2.00
Learning Support Fee	15.00	13.00	2.00
Student Activity Fee / credit hr.	2.00	-	2.00
Course Fees:			
Repeat Fee 1 st / credit hr.	-	50.00	(50.00)
Repeat Fee 2 nd / credit hr.	-	75.00	(75.00)
Repeat Fee 3 rd or more / credit hr.	125.00	100.00	25.00
Fire Academy Gear Rental	280.00	-	280.00
Fire Academy Self Contained Breathing Apparatus	360.00	-	360.00

Tuition/Fee Description	FY 2015–2016	FY 2014–2015	\$ Change
Fire Academy Testing	85.00	-	85.00
Parking/Moving Violation Fees:			
Third Parking Offense	80.00	70.00	10.00
Fourth Parking Offense	100.00	90.00	10.00
Fifth Parking Offense	120.00	110.00	10.00
Third Moving Offense	90.00	70.00	20.00

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 new 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 will be 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 2016 included renovation and improvements at all campuses.
- Land acquisition during fiscal year 2016 included the land donation for Regional Center for Public Safety Excellence, and land purchase at Mid Valley.

The District's financial outlook for the future continues to be positive. In 22 years, South Texas College District has grown from a student headcount of over 1,000 in Fall 1993 to over 34,000 in Fall 2015. The District's unrestricted fund budget increased from \$2,325,212 in 1993 to \$165,581,230 in 2016.

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:

- A Healthcare Consortium has partnered with South Texas College District to provide job training using a \$2,602,165 Skills Development Fund grant from the Texas Workforce Commission, the largest grant awarded by the commission to the College. The consortium is made up of the following business partners: RGV Med, L.L.C. (dba Doctors Hospital at Renaissance); C.L. Anderson Jr., M.D., P.A.; Key Med, Inc.; Shah Eye Center P.A.; Sarojini Bose, M.D., P.A.; and Thurmond Eye Associates, P.A. Participating healthcare partners will have skilled workers in the ever-advancing medical technology fields. As part of the project, from August 24, 2016 through August 31, 2019, 2,961 new incumbent workers in the healthcare profession will receive customized medical training in such areas as nursing, pathophysiology, pharmacology, ophthalmic, emergency, cardiovascular, pediatric care, and medical billing and coding. Trainees will include cardiac, catheterization, laboratory, radiology, operating room, hyperbaric chamber, sonographer, emergency room, hemodialysis, interventional, MRI, engineering technicians, nursing assistants, vocational nurses and physical rehab aids. Upon completion of training, the workers will receive an average wage of \$20.49.
- Elected officials and higher education leaders from across the county came together on September 22, 2015 at the Mayflower Hotel in Washington, D.C., to announce the 2015 Examples of *Excelencia*, America's top programs that increase higher education achievement for Latino students. *Excelencia* in Education, the non-profit that conceived and runs this national initiative, honored South Texas College District's Early College High School Program as America's top program for increasing achievement for Latino students in the associates degree category.
- *Diverse Education* listing released in 2016 ranks the District as number one in the country in awarding Associate Degrees in the majors of Business, Education, Public Administration, Social Service, Homeland Security, Law Enforcement, and Firefighting. The District is ranked number two in Psychology, Nursing, Business, and Management Degrees.
- Representatives from the District's Office of Veterans Affairs gathered with members of the Home Depot in Weslaco to celebrate future South Texas College District Veterans Center expansion projects made possible by the \$10,000 grant. "These funds will be extremely useful to help our returning Veterans transition to a college setting," said the District's Associate Dean of Student Financial Services, Testing & Veterans Affairs.

- Since 1997, the District Online program has grown from offering two course sections to 30 degrees, including certificate, associate, and bachelor's programs. The numerous education opportunities made available online to all students are fully supported by integrated and responsive student services. SR Education Group, an online education publisher, recently ranked the District Online as the most affordable online college in the nation. The new top rankings were published on OnlineU.org., placing the District Online at the very top of their 2016 Most Affordable Online Colleges list.
- Educate Texas public-private partnership announced the grantees for the Texas Regional Science, Technology, Engineering, and Mathematics (STEM) Degree Accelerator initiative. The District was one of 5 institutions selected to receive STEM Accelerator grants. The District has been awarded \$800,000 over three years for STEM Pathway: Nursing & Computer Science.
- On September 15, 2015, the White House Initiative on Educational Excellence for Hispanics released its "Bright Spots in Hispanic Education," an online national catalog that includes the District's Early College High School programs as one of over 230 programs, models, organizations and initiatives that invest in key education priorities for Hispanics. The announcement was made by Executive Director of the Initiative at the launch of Hispanic Heritage Month and in honor of the initiative's 25th anniversary in Washington, DC.
- On 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. The current Certificate of Distinction is set to expire August 31, 2016.

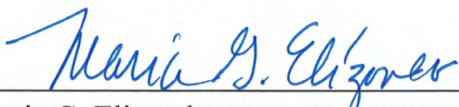
Certificate of Achievement

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, 2015. This is the thirteenth 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 District
Board of Trustees
For the Fiscal Year 2016**

**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, Audit, & 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, member of the Education and Workforce
Development Committee, 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 2016**

**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 2016**

**Roy De León
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 2016

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 2015 - 2016 Organization Chart Overview

College President

Dr. Shirley A. Reed

Dean of Cont Prof and Wkfce Ed
Juan Carlos Aguirre

Dir of Grant Dev, Mgmt, 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 Prgrms & 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 Montel*
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 Requena

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. Lela Salinas

Dir of Ctrs for Lrng Excellence
Teresa Garcia

Assoc. Dean of Inst. Research & Effectiveness
Laura Boyer Sanchez

Dir of Rsrch & Analytical Svcs
Serkan Cektek

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

23



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, 2015

Executive Director/CEO



FINANCIAL SECTION

Independent Auditor's Report

To the President and Board of Trustees
South Texas College

Report on the Financial Statements

We have audited the accompanying financial statements of South Texas College (the College) as of and for the years ended August 31, 2016 and 2015, 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.

Auditor's 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 auditor's 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 College'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Texas College as of August 31, 2016 and August 31, 2015 and the changes in financial position and cash flows thereof for the years then ended in conformity 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 District's Proportionate Share of the Net Pension Liability, and the Schedule of the District'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 an opinion on the financial statements that collectively comprise South Texas College's basic financial statements. The introductory section, supplementary schedules (schedules A-D) as described in the table of contents, and statistical section, 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Texas Comptroller of Public Accounts, State of Texas Single Audit Circular, respectively, and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, 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 South Texas College's internal control over financial reporting and compliance.

Long Chilton, LLP
LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 13, 2016



SOUTH TEXAS COLLEGE

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**South Texas College District
Management's Discussion and Analysis
August 31, 2016 and 2015**

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, 2016 and 2015. 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, 2016; 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 2016 financial highlights of the fiscal year are as follows:

- ◆ The District's total combined net position was \$371,277,775 at August 31, 2016, which was an increase of \$31,075,423. Of the total increase, \$22,687,481 was an increase in unrestricted with an ending balance of \$169,726,346 and may be used to meet the District's ongoing obligations. In addition, the budget adopted by the Board of Trustees for fiscal year 2017 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.

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- ◆ Capital assets, net of accumulated depreciation, at August 31, 2016, had an increase of \$12,357,958 from August 31, 2015, primarily due to an \$11,900,122 increase in construction in progress.
- ◆ During 2016, investments increased by \$172,835,864, however was offset by a decrease in cash and cash equivalent of \$164,099,021.
- ◆ 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 \$62,662,289, \$57,685,249, and \$59,803,233 in fiscal years 2016, 2015, and 2014, respectively, which consisted of federal, state, local and private grants that were provided as financial aid to students and other remissions and exemptions.
- ◆ In fiscal year 2016, state allocations received increased by \$3,219,035 due primarily to an increase in state contact hour funding of \$2,550,757, due to increased enrollment. State allocations totaling \$46,077,235 primarily consisted of \$38,447,426 of contact hour funding and \$4,641,377 of state group insurance. The contact hour allocations are received in ten monthly payments, September through December and March through August.

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 to be 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

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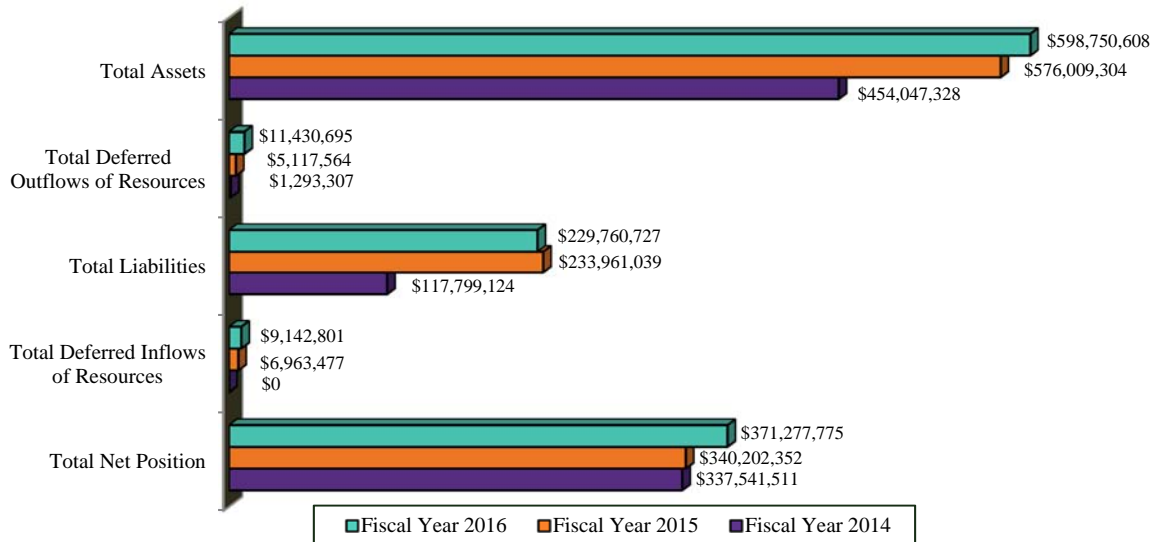
liabilities. The District's deferred outflows of resources include deferred charges on debt refunding and deferred outflows related to pensions. The District's deferred inflows of resources are related to pensions. The focus is to report the total net resources available to finance future services. Assets 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 changed in net position for the years ended August 31:

	Statements of Net Position		
	2016	2015	2014
Assets			
Current assets	\$ 156,003,555	\$ 213,118,516	\$ 187,531,297
Capital assets, net	212,000,692	199,642,734	199,806,529
Noncurrent assets	230,746,361	163,248,054	66,709,502
Total Assets	598,750,608	576,009,304	454,047,328
Deferred Outflows of Resources			
Deferred amount of debt refundings	716,152	1,004,730	1,293,307
Deferred outflows related to pension	10,714,543	4,112,834	-
Total Deferred Outflows of Resources	11,430,695	5,117,564	1,293,307
Liabilities			
Current liabilities	34,949,686	32,814,588	28,816,886
Noncurrent liabilities	194,811,041	201,146,451	88,982,238
Total Liabilities	229,760,727	233,961,039	117,799,124
Deferred Inflows of Resources			
Deferred inflows related to pension	9,142,801	6,963,477	-
Total Deferred Inflows of Resources	9,142,801	6,963,477	-
Net investment in capital assets	181,421,943	170,833,415	169,028,494
Restricted expendable	19,790,037	21,990,626	21,972,306
Restricted non-expendable	339,449	339,446	339,445
Unrestricted	169,726,346	147,038,865	146,201,266
Total Net Position	\$ 371,277,775	\$ 340,202,352	\$ 337,541,511

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**Statements of Net Position
Comparison - August 31, 2016, 2015 and 2014**



In 2016, total assets increased by \$22,741,304 or 4.0% from \$576,009,304 at August 31, 2015 to \$598,750,608 as of August 31, 2016. In 2015, total assets increased by \$121,961,976 or 26.9% from \$454,047,328 at August 31, 2014. The main drivers of the increase in assets in 2016 are capital assets that increased \$12,357,958 or 6.2% and a net increase of \$8,736,843 or 2.4% in cash, cash equivalents and investments. The increase in capital assets is primarily due to an increase of \$11,900,122 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 \$172,835,864 or 51,208.4% was offset by a decrease in cash and cash equivalents of \$164,099,021 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. The large increase in assets in 2015 of \$121,961,976 or 26.9% was mainly due to an overall increase of \$285,568,766 in cash and cash equivalents which was offset by a \$164,270,126 reduction in short term and other investments. This was attributable to the issuance of the South Texas College District Limited Tax Bonds, Series 2015 of \$99,912,079.

In 2016, the deferred outflows of resources increased 123.4% or \$6,313,131 from \$5,117,564 at August 31, 2015 to \$11,430,695 as of August 31, 2016. In 2015, there was a 295.7% or \$3,824,257 increase from \$1,293,307. The primary reason for the increase in 2016 is due to \$6,693,450 as a result of a difference in projected and actual investment earnings as administered by the Teacher Retirement System of Texas (TRS). In 2015, the increase was essentially due to implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), which resulted in recording deferred outflows related to pension in the amount of \$4,112,834.

When comparing liabilities from 2016 and 2015, total liabilities decreased by \$4,200,312 or 1.8% from \$233,961,039 at August 31, 2015 to \$229,760,727 at August 31, 2016. Total liabilities increased by \$116,161,915 or 98.6% during 2015 compared to August 31, 2014. Bonds payable and net pension liability comprise the majority of the noncurrent liabilities balance. The main

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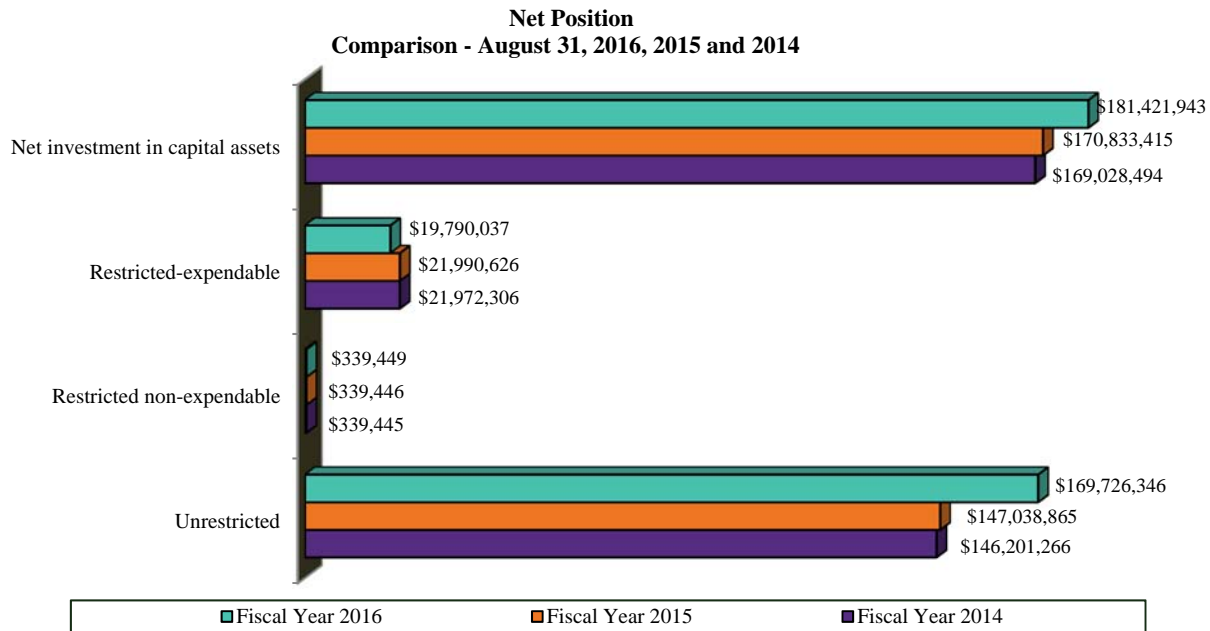
reason for the decrease in 2016 was a decrease of \$10,764,651 or 6.0% in noncurrent bonds payable attributed to debt service payments, which was offset by a \$4,414,779 or 19.4% increase in net pension liability primarily due to the difference in projected and actual investment earnings. In 2015, the primary reason for the increase in liabilities was due to the issuance of the South Texas College District Limited Tax Bonds, Series 2015 which resulted in an increase in total bonds payable of \$90,943,826. In addition to the bond issuance, the District was highly impacted by the implementation of GASB 68 (previously explained), which required the district to record a net pension liability of \$22,763,681 at August 31, 2015.

Deferred inflow of resources increased \$2,179,324 or 31.3% to \$9,142,801 at August 31, 2016 compared to \$6,963,477 at August 31, 2015. The \$2,179,324 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. Due to the implementation of GASB 68 reporting requirements during 2015, deferred inflows was recorded in the amount of \$6,963,477, as a result of differences between projected and actual earning on pension plan investments.

The District's already strong net position increased by \$31,075,423 or 9.1% from \$340,202,352 at August 31, 2015 to \$371,277,775 at August 31, 2016. The \$31,075,423 increase is attributed to \$26,559,559 in excess revenues over expenses and an increase in capital contributions of \$4,448,956 or 6,649.4%. Of the \$31,075,423 increase in net position, the unrestricted net position increased by \$22,687,481 and net investment in capital assets increased by \$10,588,528. In 2015 the increase in net position was \$2,660,841 from \$337,541,511 at August 31, 2014. The modest increase is directly related to the implementation of GASB Statement No. 68. The cumulative impact of the change in accounting principle was a \$25,791,345 reduction in net position. Disregarding the effect of GASB 68, the operational performance of the District resulted in a \$28,452,186 increase in net position, of which \$26,628,944 was an increase in unrestricted net position and \$1,804,921 in net investment in capital assets.

Approximately fifty percent of net position, \$181,421,943 in 2016 and \$170,833,415 in 2015, 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 5.3% in 2016 and 6.5% in 2015 of net position. The remaining unrestricted net position may be used for educational or general operations of the District, which were \$169,726,346 and \$147,038,865 as of August 31, 2016 and 2015.

**South Texas College District
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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 year 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:

**South Texas College District
Management's Discussion and Analysis
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Statements of Revenues, Expenses, and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 38,783,714	\$ 39,227,839	\$ 36,728,902
Operating expenses	<u>167,136,589</u>	<u>159,722,412</u>	<u>152,850,981</u>
Operating loss	(128,352,875)	(120,494,573)	(116,122,079)
Non-operating revenues and expenses	154,912,434	146,892,186	140,818,213
Capital contributions	4,515,864	66,908	105,190
Extraordinary item	-	<u>1,987,665</u>	<u>(2,655,340)</u>
Increase in net position	31,075,423	28,452,186	22,145,984
Net position-beginning of year, as restated	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	<u>\$ 371,277,775</u>	<u>\$ 340,202,352</u>	<u>\$ 337,541,511</u>

Operating revenue remained stable in 2016 and the District saw a slight decrease of \$444,125 or 1.1% to \$38,783,714 for the period ending August 31, 2016. The District's operating revenue increased \$2,498,937 or 6.8% during 2015 from \$36,728,902 at August 31, 2014 to \$39,227,839 at August 31, 2015. In 2015, the increase in operating revenues of \$2,498,937 primarily consisted of an increase of \$923,281 in federal grants and contracts, an increase of \$884,918 in tuition and fees, and an increase of \$663,092 in general operating revenues. This was mainly offset by a decrease of \$177,371 in state grants and contracts and a decrease of \$62,028 in auxiliary enterprises.

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 37.9% in 2016 and 37.7% in 2015 of total revenues.

Operating Expenses increased \$7,414,177 or 4.6% during 2016 to \$167,136,589 and \$6,871,431 or 4.5% in 2015 to \$159,722,412. For fiscal year 2016, the driving factors for the \$7,414,177 increase were instruction, academic support and institutional support expenditures. The primary drivers of the increase in expenditures in 2016 and 2015 were the 3% salary increase approved by the Board of Trustees for all faculty and staff, new faculty positions created as a result of an increase in enrollment, 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. Enrollment was up 3,586 students in 2016 compared to 2015 and 1,621 in 2015 compared to 2014. The increase in Institutional Support for both 2016 and 2015 was also impacted by additional marketing and

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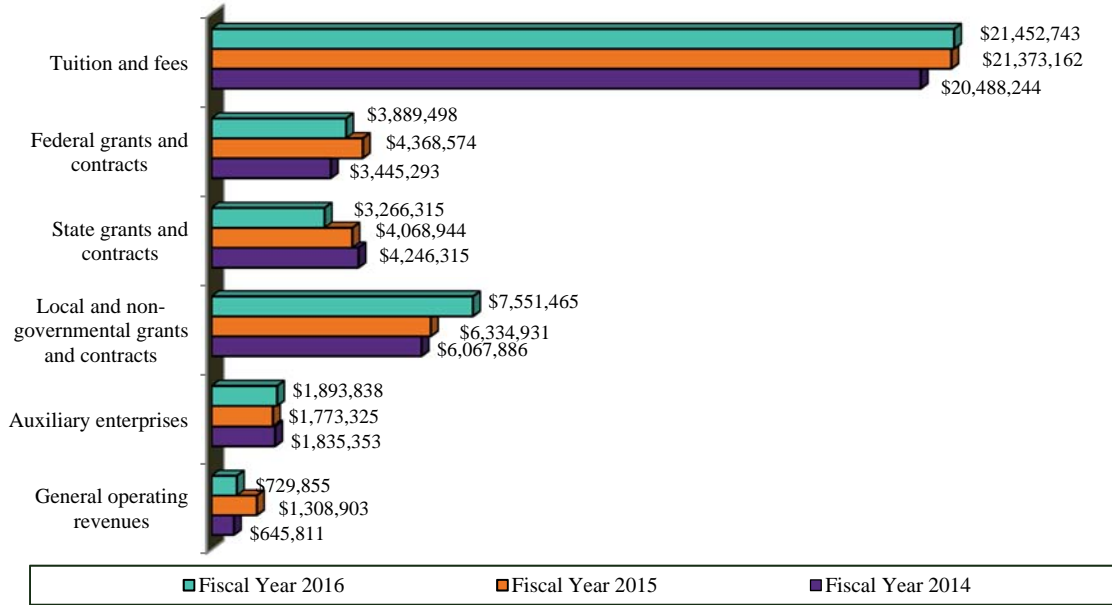
advertising expenses incurred due to a rebranding initiative to increase enrollment and improvements for the District's technology resources.

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

Operating Revenues	2016		2015		2014	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$62,662,289, \$57,685,249, and \$59,803,233)	\$ 21,452,743	55.32%	\$ 21,373,162	54.48%	\$ 20,488,244	55.78%
Federal grants and contracts	3,889,498	10.03%	4,368,574	11.14%	3,445,293	9.38%
State grants and contracts	3,266,315	8.42%	4,068,944	10.37%	4,246,315	11.56%
Local and non-governmental grants and contracts	7,551,465	19.47%	6,334,931	16.15%	6,067,886	16.52%
Auxiliary enterprises	1,893,838	4.88%	1,773,325	4.52%	1,835,353	5.00%
General operating revenues	729,855	1.88%	1,308,903	3.34%	645,811	1.76%
Total	\$ 38,783,714	100.00%	\$ 39,227,839	100.00%	\$ 36,728,902	100.00%

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**Operating Revenues
Comparison - Fiscal Years 2016, 2015 and 2014**

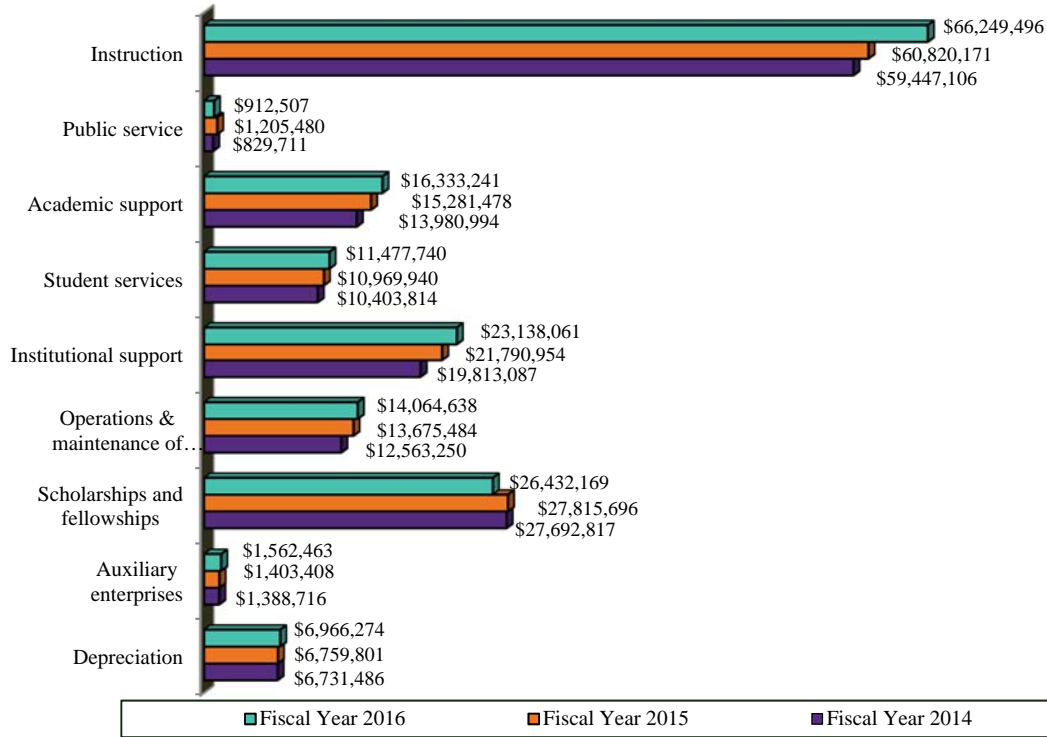


Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated below:

Operating Expenses by Function	2016		2015		2014	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 66,249,496	39.64%	\$ 60,820,171	38.08%	\$ 59,447,106	38.89%
Public service	912,507	0.55%	1,205,480	0.75%	829,711	0.54%
Academic support	16,333,241	9.77%	15,281,478	9.57%	13,980,994	9.15%
Student services	11,477,740	6.87%	10,969,940	6.87%	10,403,814	6.81%
Institutional support	23,138,061	13.84%	21,790,954	13.64%	19,813,087	12.96%
Operations and maintenance of plant	14,064,638	8.42%	13,675,484	8.56%	12,563,250	8.22%
Scholarships and fellowships	26,432,169	15.81%	27,815,696	17.42%	27,692,817	18.12%
Auxiliary enterprises	1,562,463	0.93%	1,403,408	0.88%	1,388,716	0.91%
Depreciation	6,966,274	4.17%	6,759,801	4.23%	6,731,486	4.40%
Total	\$ 167,136,589	100.00%	\$ 159,722,412	100.00%	\$ 152,850,981	100.00%

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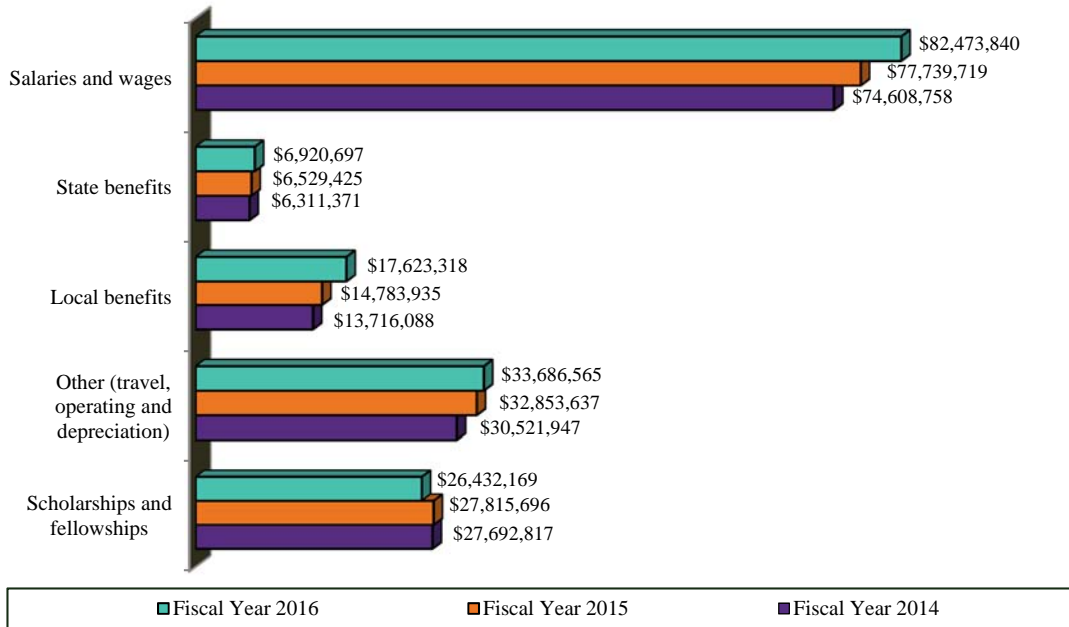
**Operating Expenses by Function
Comparison - Fiscal Years 2016, 2015 and 2014**



Operating Expenses by Classification	2016		2015		2014	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and wages	\$ 82,473,840	49.35%	\$ 77,739,719	48.67%	\$ 74,608,758	48.81%
State benefits	6,920,697	4.14%	6,529,425	4.09%	6,311,371	4.13%
Local benefits	17,623,318	10.54%	14,783,935	9.26%	13,716,088	8.97%
Other (travel, operating and depreciation)	33,686,565	20.16%	32,853,637	20.57%	30,521,947	19.97%
Scholarships and fellowships	26,432,169	15.81%	27,815,696	17.41%	27,692,817	18.12%
Total	\$ 167,136,589	100.00%	\$ 159,722,412	100.00%	\$ 152,850,981	100.00%

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**Operating Expenses by Classification
Comparison - Fiscal Years 2016, 2015 and 2014**



Net non-operating revenues and expenses increased by \$8,020,248 or 5.5% to \$154,912,434 in 2016 and \$6,073,973 or 4.3% to \$146,892,186 in 2015. The \$8,020,248 increase in 2016 is partly attributed to the \$3,741,592 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 \$3,219,035 or 7.5% in state allocation revenue and an increase of \$889,804 or 617.0% in investment income. The \$6,073,973 increase in 2015 was primarily attributed to an \$11,781,668 increase in ad-valorem tax collections. An increase in rates for current operations and debt services by \$0.03 and \$0.005 for fiscal year 2015 was approved related to the District Limited Tax Bond Series 2014 and 2015. The tax collections revenue was offset by a \$4,624,103 increase in expenses for interest on capital related debt attributed to the issuance of the two new bonds mentioned above.

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.

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Non-operating revenues consisted of the following:

Non-Operating Revenues	2016		2105		2014	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State allocations	\$ 46,077,235	28.10%	\$ 42,858,200	27.43%	\$ 42,766,020	29.50%
Ad-valorem taxes – maintenance and operations	46,781,602	28.52%	43,951,580	28.12%	33,983,319	23.44%
Ad-valorem taxes – debt service	15,016,847	9.15%	14,105,277	9.03%	12,291,870	8.48%
Federal revenue, non-operating	54,858,852	33.44%	54,881,496	35.12%	55,351,962	38.18%
Gifts	251,022	0.15%	305,146	0.19%	323,100	0.22%
Investment income (net of investment expenses)	1,034,010	0.63%	144,206	0.09%	214,915	0.15%
Other non-operating revenues	12,350	0.01%	24,282	0.02%	35,840	0.03%
Total	\$164,031,918	100.00%	\$156,270,187	100.00%	\$144,967,026	100.00%

Non-operating expenses consisted of the following:

Non-Operating Expenses	2016		2015		2014	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Interest on capital related debt	\$ 6,602,765	72.40%	\$ 5,964,767	63.60%	\$ 1,340,664	32.31%
Loss on sale/disposal/return of capital assets	-	- %	240,389	2.56%	10,154	0.25%
Non-capital construction costs	1,911,123	20.96%	1,731,576	18.46%	1,715,994	41.36%
Bond costs amortization	284,829	3.12%	1,166,614	12.44%	873,317	21.05%
Other non-operating expenses	320,767	3.52%	274,655	2.94%	208,684	5.03%
Total	9,119,484	100.00%	9,378,001	100.00%	4,148,813	100.00%
Net non-operating revenues (expenses)	\$154,912,434		\$ 146,892,186		\$ 140,818,213	

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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:

	Statements of Cash Flows		
	2016	2015	2014
Cash provided (used) by:			
Operating activities	\$ (119,556,190)	\$ (110,709,564)	\$ (116,819,299)
Non-capital financing activities	142,873,098	139,477,763	129,790,915
Capital and related financing activities	(15,491,937)	92,385,389	57,059,038
Investing activities	(171,923,992)	164,415,178	(33,355,670)
Net change in cash and cash equivalents	(164,099,021)	285,568,766	36,674,984
Cash and cash equivalents-September 1,	361,760,500	76,191,734	39,516,750
Cash and cash equivalents-August 31,	\$ 197,661,479	\$ 361,760,500	\$ 76,191,734

The Statements of Cash Flows indicates an overall decrease in cash and cash equivalents of \$164,099,021 at August 31, 2016 and an overall increase in cash and cash equivalents of \$285,568,766 at August 31, 2015.

Net cash used by operating activities increased by \$8,846,626 or 8.0% during 2016 and decreased \$6,109,735 or 5.2% during 2015. In 2016, the primary use of cash in operations was in payment of salaries and benefits, which increased by \$7,653,642 or 8.1% during 2016 to \$102,009,387, followed by payment to suppliers for goods and services which increased by \$2,443,279 or 9.5%. These increases were offset by an increase in receipts from students and other customers by \$951,120 or 4.1% and grants and contracts by \$810,958 or 5.8%. The primary reasons for the reduction in net cash used during 2015 are the following; the receipts from students and other customers increased by \$6,204,395 or 35.9% to \$23,489,191, the payments for non-operating construction costs decreased \$4,542,588 or 80.6% and the payments of salaries and benefits to or on behalf of employees increased by \$3,909,756 or 4.3% from \$90,445,989 in fiscal year 2014 to \$94,355,745 in fiscal year 2015.

Net cash provided by non-capital financing activities increased by \$3,395,335 or 2.4% during 2016 and \$9,686,848 or 7.5% during 2015. 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 2016, receipts from state allocations increased by \$2,968,653 or 7.7% to \$41,435,858, and ad-valorem taxes increased by \$2,531,366 or 5.8% to \$46,497,893, which was offset by a decrease of \$2,024,282 in proceeds from insurance claims. The primary reason for the \$9,686,848 increase in 2015 is due to the increase of \$9,767,877 or 28.6% in ad-

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August 31, 2016 and 2015**

valorem taxes for maintenance and operations from \$34,198,650 in fiscal year 2014 to \$43,966,527 in fiscal year 2015 due to the increase in tax rate and property values.

Net cash provided by capital and related financing activities decreased \$107,877,326 or 116.8% during 2016 and increased by \$35,326,351 or 61.9% during 2015. Capital and related financing activities include proceeds on issuance of capital debt and ad-valorem taxes for debt service and payment of capital debt, both principal and interest, as well as capital asset acquisitions. The primary reasons for the \$107,877,326 decrease during 2016 is due to the issuance of capital debt during 2015, which resulted in \$99,912,079 proceeds. There was no issuance of capital debt during 2016. The other major factor of the decrease is due to an \$8,689,253 increase in capital assets acquisitions during 2016. During 2015, the primary reason for the \$35,326,351 or 61.9% increase was the issuance of capital debt, which increased the proceeds by \$39,333,415 or 64.9% compared to fiscal year 2014 and a \$1,801,994 or 14.5% increase in ad-valorem taxes for debt services. These increases were offset by a \$5,021,441 or 272.9% increase in payments on capital debt-interests and fees and an increase in capital assets acquisitions of \$1,737,699 or 41.3% to \$5,947,805 during 2015.

Net cash used by investing activities increased \$336,339,170 or 204.6% during 2016 and decreased by \$197,770,848 or 592.9% during 2015. Investing activities include purchase of investments, proceeds from sale and maturity of investments, and receipts from interest on investments. Purchases of investments increased \$181,000,000 during 2016 and decreased by \$78,000,000 during 2015 from \$78,000,000 in fiscal year 2014 to \$0 in fiscal year 2015. Proceeds from sale and maturity of investments decreased \$156,111,580 or 95.0% during 2016 to \$8,164,136 and increased by \$119,893,906 or 270.1% during 2015, from \$44,381,810 in fiscal year 2014 to \$164,275,716 in fiscal year 2015.

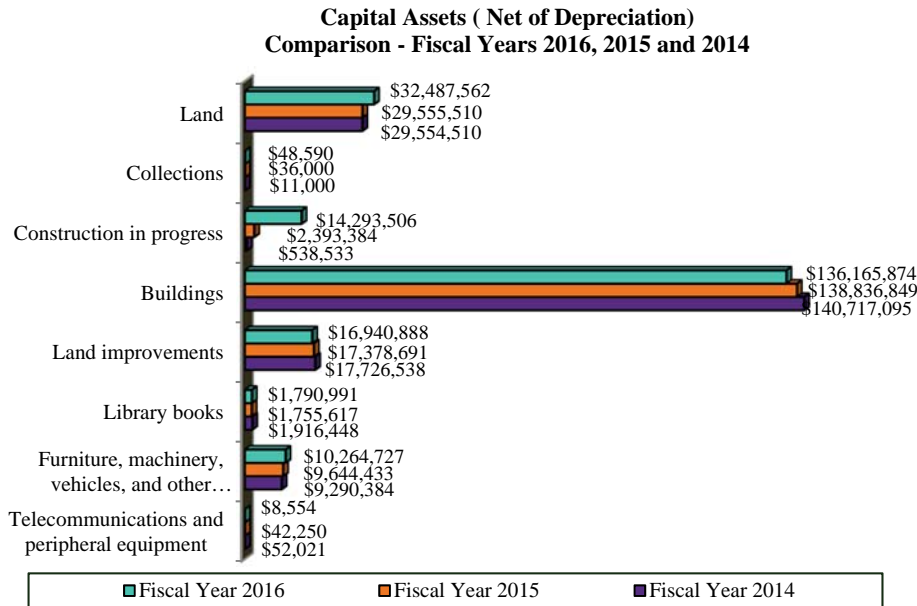
Capital Assets and Long-Term Debt Administration

The District had \$287,181,002 in capital assets and \$75,180,310 in accumulated depreciation at August 31, 2016.

	Capital Assets (Net of Depreciation)		
	2016	2015	2014
Land	\$ 32,487,562	\$ 29,555,510	\$ 29,554,510
Collections	48,590	36,000	11,000
Construction in progress	14,293,506	2,393,384	538,533
Buildings	136,165,874	138,836,849	140,717,095
Land improvements	16,940,888	17,378,691	17,726,538
Library books	1,790,991	1,755,617	1,916,448
Furniture, machinery, vehicles, and other equipment	10,264,727	9,644,433	9,290,384
Telecommunications and peripheral equipment	8,554	42,250	52,021
Net capital assets	\$ 212,000,692	\$ 199,642,734	\$ 199,806,529

**South Texas College District
Management's Discussion and Analysis
August 31, 2016 and 2015**

Below is a graphic illustration of capital assets, net of depreciation at August 31, 2016, 2015 and 2014.



In 2016 the increase in net capital assets of \$12,357,958 was due to the \$11,990,122 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 \$2,670,975 or 1.9% which was offset of additional land in the amount of \$2,932,052 or 9.9%. During fiscal year 2015, net capital assets decreased by \$163,795 which is attributed to a decrease of \$1,880,246 in buildings, net of depreciation, an increase of \$1,854,851 in construction in progress, and a decrease of \$347,847 in land improvements.

The bonds payable liability balances at August 31, 2016, 2015 and 2014 are as follows:

	Outstanding Debt – Bonds		
	2016	2015	2014
South Texas College District Tax Bonds, Series 2007 MTR	\$ 1,095,000	\$ 1,435,000	\$ 1,760,000
South Texas College District Tax Bonds, Series 2007 LTR	11,360,000	17,235,000	21,559,991
South Texas College District Tax Bonds, Series 2010 LTR	4,365,000	5,150,000	6,985,000
South Texas College District Tax Bonds, Series 2013 LTR	1,635,000	3,225,000	4,780,000
South Texas College District Tax Bonds, Series 2014 LT	53,750,000	53,750,000	53,750,000
South Texas College District Tax Bonds, Series 2015 LT	89,700,000	90,220,000	-
Total Bonds Payable	\$ 161,905,000	\$ 171,015,000	\$ 88,834,991

**South Texas College District
Management's Discussion and Analysis
August 31, 2016 and 2015**

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 17.4%, from 38,900 in fiscal year 2012 to 45,665 in fiscal year 2016. During the same period, the total contact hour generation has increased 14.3%, from 11,495,216 contact hours in 2012 to 13,137,424 contact hours in 2016.

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.

See Note No. 23 in the Notes to Financial Statements for contractual commitments for capital expenditures at August 31, 2016. In fiscal years 1997 through 2016, the District has set aside a total of \$107,710,860 for construction of facilities and a total of \$31,713,236 for deferred maintenance purposes. The amounts set aside are funded from current year revenue and net position.

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 2016 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

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**South Texas College District
Statements of Net Position
August 31, 2016 and 2015**

Exhibit 1

	FY 2016	FY 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 119,829,772	\$ 185,458,216
Restricted cash and cash equivalents	13,759,095	13,412,939
Short-term investments	6,513,991	25
Accounts receivable (net of allowance for doubtful accounts of \$4,125,941 in 2016 and \$3,988,629 in 2015)	3,768,908	3,840,486
Taxes receivable (net of allowance for doubtful accounts of \$2,152,745 in 2016 and \$1,898,374 in 2015)	10,038,889	9,570,923
Deposits in escrow	152,100	152,100
Prepaid expenses	1,940,800	683,827
Total Current Assets	156,003,555	213,118,516
Noncurrent Assets:		
Restricted cash and cash equivalents	64,072,612	162,889,345
Endowment investments	5,590	5,590
Long-term investments	81,212,027	-
Restricted short-term investments	75,081,272	331,900
Restricted long-term investments	10,360,499	-
Deferred bond issuance costs (net of related amortization of \$6,858 in 2016 and \$6,859 in 2015)	14,361	21,219
Capital assets, net (note 5)	212,000,692	199,642,734
Total Noncurrent Assets	442,747,053	362,890,788
Total Assets	598,750,608	576,009,304
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refundings	716,152	1,004,730
Deferred outflows related to pensions	10,714,543	4,112,834
Total Deferred Outflows of Resources	11,430,695	5,117,564
Total Assets & Deferred Outflows of Resources	\$ 610,181,303	\$ 581,126,868
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 4,816,762	\$ 4,294,012
Accrued liabilities	2,372,110	2,038,279
Accrued compensable absences - current portion	683,580	697,900
Funds held for others	459,136	430,280
Unearned revenue	15,853,447	14,889,466
Bonds payable - current portion	10,764,651	10,464,651
Total Current Liabilities	34,949,686	32,814,588
Noncurrent Liabilities:		
Accrued compensable absences	100,178	85,716
Bonds payable, net	167,532,403	178,297,054
Net pension liability	27,178,460	22,763,681
Total Noncurrent Liabilities	194,811,041	201,146,451
Total Liabilities	229,760,727	233,961,039

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

**South Texas College District
Statements of Net Position
August 31, 2016 and 2015**

Exhibit 1

	FY 2016	FY 2015
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions	9,142,801	6,963,477
Total Deferred Inflows of Resources	9,142,801	6,963,477
NET POSITION		
Net investment in capital assets	181,421,943	170,833,415
Restricted for:		
Expendable		
Student aid	3,028,124	2,544,086
Instructional programs	306,909	883,930
Institutional activities	68,308	315,558
Loans	1,162,853	1,085,968
Debt service	15,223,843	17,161,084
Non-expendable		
Endowment	339,449	339,446
Unrestricted	169,726,346	147,038,865
Total Net Position (Schedule D)	371,277,775	340,202,352
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 610,181,303	\$ 581,126,868

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, 2016 and 2015

Exhibit 2

	FY 2016	FY 2015
OPERATING REVENUES		
Tuition and fees (net of discounts of \$62,662,289 in 2016 and \$57,685,249 in 2015)	\$ 21,452,743	\$ 21,373,162
Federal grants and contracts	3,889,498	4,368,574
State grants and contracts	3,266,315	4,068,944
Local grants and contracts	1,201,088	1,099,573
Non-governmental grants and contracts	6,350,377	5,235,358
Auxiliary enterprises	1,893,838	1,773,325
General operating revenues	729,855	1,308,903
Total Operating Revenues (Schedule A)	38,783,714	39,227,839
OPERATING EXPENSES		
Educational and general		
Instruction	66,249,496	60,820,171
Public service	912,507	1,205,480
Academic support	16,333,241	15,281,478
Student services	11,477,740	10,969,940
Institutional support	23,138,061	21,790,954
Operations and maintenance of plant	14,064,638	13,675,484
Scholarships and fellowships	26,432,169	27,815,696
Auxiliary enterprises	1,562,463	1,403,408
Depreciation	6,966,274	6,759,801
Total Operating Expenses (Schedule B)	167,136,589	159,722,412
OPERATING LOSS	(128,352,875)	(120,494,573)
NON-OPERATING REVENUES (EXPENSES)		
State allocations	46,077,235	42,858,200
Ad-valorem taxes		
Taxes for maintenance and operations	46,781,602	43,951,580
Taxes for debt service	15,016,847	14,105,277
Federal revenue, non-operating	54,858,852	54,881,496
Gifts	251,022	305,146
Investment income (net of investment expenses)	1,034,010	144,206
Insurance proceeds	-	24,282
Interest on capital related debt	(6,602,765)	(5,964,767)
Gain (loss) on disposal of capital assets	12,350	(240,389)
Non-capital construction costs	(1,911,123)	(1,731,576)
Bond costs amortization	(284,829)	(1,166,614)
Other non-operating revenues (expenses)	(320,767)	(274,655)
Net Non-Operating Revenues (Expenses) (Schedule C)	154,912,434	146,892,186
Income Before Contributions and Extraordinary Item	26,559,559	26,397,613
Capital contributions	4,515,864	66,908
Extraordinary item	-	1,987,665
Increase In Net Position	31,075,423	28,452,186
NET POSITION		
Net Position-Beginning of Year	340,202,352	337,541,511
Cumulative Effect of Change in Accounting Principle (Note 2)	-	(25,791,345)
Net Position-End of Year	\$ 371,277,775	\$ 340,202,352

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, 2016 and 2015

Exhibit 3

	FY 2016	FY 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 24,440,311	\$ 23,489,191
Receipts from grants and contracts	14,792,306	13,981,348
Payments to suppliers for goods or services	(28,148,568)	(25,705,289)
Payments to or on behalf of employees	(102,009,387)	(94,355,745)
Payments for scholarships and fellowships	(26,445,371)	(27,776,990)
Payments for loans issued to students	(1,152,098)	(1,312,785)
Receipts from collection of loans to students	1,039,377	1,162,019
Other receipts	591,796	1,142,138
Payments for non-operating construction costs	(2,376,028)	(1,091,266)
Payments for non-operating transactions	(288,528)	(242,185)
Net cash used by operating activities	(119,556,190)	(110,709,564)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state allocations	41,435,858	38,467,205
Receipts from ad-valorem taxes-maintenance and operation	46,497,893	43,966,527
Receipts from non-operating federal revenue	54,858,852	54,881,496
Payments for collection of taxes for maintenance and operation	(122,685)	(122,911)
Receipts from gifts or grants for other than capital purposes	244,032	296,548
Receipts from student organizations and other agency transactions	3,080,466	2,953,780
Payments to student organizations and other agency transactions	(3,122,556)	(2,989,253)
Receipts from endowment interest	1,238	89
Proceeds from insurance claims	-	2,024,282
Net cash provided by non-capital financing activities	142,873,098	139,477,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds on issuance of capital debt	-	99,912,079
Refund of overpayment of issuance cost bond	10,607	8,983
Receipts from ad-valorem taxes-debt services	15,018,781	14,262,444
Payments for collection of taxes for debt service	(63,627)	(63,753)
Receipts from capital contracts, gifts and grants	1,582,000	-
Proceeds from sale/return of capital assets	28,350	-
Purchases of capital assets including payments for construction costs	(14,637,058)	(5,947,805)
Payments for deposit in escrow	-	(5,216)
Payments on capital debt-principal	(9,110,000)	(8,039,991)
Payments on capital debt-interest and fees	(8,320,990)	(6,861,191)
Bond issue costs paid on new capital debt issue	-	(880,161)
Net cash provided (used) by capital and related financing activities	(15,491,937)	92,385,389
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturity of investments	8,164,136	164,275,716
Receipts from interest on investments	911,872	139,462
Purchase of investments	(181,000,000)	-
Net cash provided (used) by investing activities	(171,923,992)	164,415,178
Increase (decrease) in cash and cash equivalents	(164,099,021)	285,568,766
Cash and cash equivalents-September 1,	361,760,500	76,191,734
Cash and cash equivalents-August 31,	\$ 197,661,479	\$ 361,760,500

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, 2016 and 2015

(Continued)

Exhibit 3

	FY 2016	FY 2015
Reconciliation of net operating loss to net cash used		
by operating activities:		
Operating loss	\$ (128,352,875)	\$ (120,494,573)
Adjustments to reconcile net operating loss to net cash used		
by operating activities:		
Depreciation expense	6,966,274	6,759,801
Payments made directly by state for benefits	4,641,377	4,390,995
Payments for non-operating construction costs	(1,911,123)	(1,741,127)
Payments for non-operating transactions	(288,528)	(242,185)
Changes in assets and liabilities:		
Receivables, net	165,278	(880,333)
Prepaid expenses	(1,256,973)	40,826
Deferred outflow	(6,601,709)	(1,952,249)
Accounts payable	(900,157)	725,051
Accrued liabilities	374,555	416,599
Compensable absences	142	66,761
Unearned revenues	1,013,446	425,642
Net pension liability	4,414,779	(5,188,249)
Deferred inflow	2,179,324	6,963,477
Net cash used by operating activities	\$ (119,556,190)	\$ (110,709,564)

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 as follows: "Raven" painting for \$14,100, "Costura" painting for \$900, "untitled" painting for \$555, "Vereda" painting for \$500, "America the Beautiful" painting for \$500, "Trinidad" painting for \$500, "Love Letters" painting for \$500, "Memoria de Mexico" painting for \$300, "Cielo Azul, Cielo Nublado" painting for \$250, "Looking for Magic" painting for \$225, and "WDYMYDGI" and "Yellow Blunderbuss" painting for \$80 each. 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 accompanying notes are an integral part of the financial statements.

South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2016 and 2015

(Continued)

Exhibit 3

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.

Non-cash investing, capital, and financing activities for fiscal year 2015:

Library books donated to the District during the fiscal year amounted to \$530.

During the fiscal year, General Motors donated the following vehicles to the Automotive Technology Department for a total of \$30,958: 2013 Chevrolet Camaro \$5,583, 2015 Chevrolet Suburban \$14,210, and 2015 GMC Sierra \$11,165.

During the fiscal year, a 2014 Honda Engine in the amount of \$5,000 was donated to the Precision Manufacturing Department.

A Start Smart Computer Learning Center station was donated to the Child Development Center at the Mid Valley Campus in the amount of \$5,420.

The Art Department received two works of art donations amounting to \$25,000. A painting entitled "Elvis" for \$5,000 and another painting entitled "Trafficked" for \$20,000.

In-kind contributions provided by vendors for the Valley Scholars Program during the fiscal year amounted to \$32,471.

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

Premium - MTR Bond Series 2007	1,666
Premium - LTR Bond Series 2007	204,458
Premium - LTR Bond Series 2010	248,625
Premium - LTR Bond Series 2013	85,165
Premium - LT Bond Series 2014	332,905
Premium - LT Bond Series 2015	(9,636,636)

The deferred loss ending balance as of August 31, 2015 is \$31,513, \$288,946, \$631,005, and \$53,266 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	643
LTR Bond Series 2007	6,216

Pledge contributions as of August 31, 2015, consisted of \$18,247 non-cash and \$7,000 cash.

Payments made directly by the state for benefits as of August 31, 2015, consisted of \$4,390,995.

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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 No. 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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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 Statement No. 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 are valued at their estimated fair value 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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Capital Assets (Continued)

excess of one year. Renovations of \$100,000 or more to buildings and infrastructure and land improvements that 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 \$14,681,006 and \$13,738,722 and federal, state, local, and private grants of \$1,172,441 and \$1,150,744 have been reported as unearned revenues at August 31, 2016, and 2015, respectively. Total unearned revenues were \$15,853,447 and \$14,889,466 at August 31, 2016, and 2015, 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.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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, 2016, the District incurred \$8,280,265 in interest cost expense and \$8,898 was capitalized. As of August 31, 2015, the District incurred \$6,943,018 in interest cost expense and \$8,760 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. Designation of Unrestricted Net Position

In fiscal year 2016, the District's Board of Trustees designated a total of \$2,000,000 of the unrestricted net position for the Enterprise Resource Planning (ERP) infrastructure maintenance and renewals. In fiscal year 2015, the District's Board of Trustees designated \$2,000,000 for the ERP infrastructure maintenance and renewals and \$2,000,000 for furniture replacements. The District's Board of Trustees also reassigned

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

X. Designation of Unrestricted Net Position (Continued)

\$2,000,000 of previously designated funds for health insurance premiums to the ERP infrastructure maintenance and renewals designation. In fiscal year 2014, the District's Board of Trustees designated \$7,500,000 for ERP infrastructure maintenance and renewals, \$4,000,000 for deferred maintenance of facilities, and a reserve of \$3,500,000 for the District's business continuity and disaster plan. In fiscal year 2013, the District's Board of Trustees designated \$2,000,000 of the unrestricted net position for the purpose of supplementing future employee health insurance costs. In fiscal year 2011 and fiscal year 2012, the District's Board of Trustees had designated \$5,000,000 and \$2,500,000, respectively, for the same purpose. As a result, the District has designated \$30,500,000 of the unrestricted net position at August 31, 2016.

Y. Prior-Year Reclassifications

A reclassification in the Statements of Net Position was necessary in the assets section to change the previous classification of restricted cash and cash equivalents from current assets to noncurrent assets and accounts receivable to taxes receivable. A reclassification was necessary in the liabilities section to change the previous classification of accrued compensable absences from noncurrent liabilities to current liabilities.

A reclassification in the Statement of Cash Flows was necessary to change the previous classification of receipts from students and other customers to receipts from grants and contracts in the classified format of cash flows from operating activities. A reclassification was necessary to change the previous classification of payments to suppliers for goods and services to payments for non-operating construction costs in the classified format of cash flows from operating activities, and to purchases of capital assets including payments for construction costs in the classified format of cash flows from capital and related financing activities.

A reclassification in the Schedule of Operating Expenses by Object was necessary to change the previous classification of depreciation expense-buildings and other real estate improvements to depreciation expense-books and depreciation expense-equipment and furniture.

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" by a national investment rating firm, (4) financial institution deposits, (5) no-load 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, (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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 3 – Authorized Investments (Continued)

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, 2016, and 2015, the carrying amount of South Texas College’s District bank deposits were \$114,784,416 and \$262,714,178, respectively, and total bank balances equaled \$118,450,805 and \$263,046,103, 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% 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:

	August 31, 2016	August 31, 2015
Bank Deposits		
Demand deposits	\$ 78,758,577	\$ 262,714,178
Money market deposits	27,525,839	-
Time deposits	8,500,000	-
Total bank deposits	114,784,416	262,714,178
Cash and Cash Equivalents		
Change funds on hand	9,450	9,450
Investment pools (TexPool)	82,867,613	99,036,872
Total Cash and Cash Equivalents	\$ 197,661,479	\$ 361,760,500

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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

Total deposits and investments at August 31, 2016, and 2015, are as follows:

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

<u>Type of Security</u>	Fair Value August 31, 2016	Fair Value August 31, 2015
Certificates of deposit	\$ 173,167,789	\$ 331,925
Endowment investment	5,590	5,590
Total Investments	173,173,379	337,515
Total Cash and Cash Equivalents	197,661,479	361,760,500
Total Cash and Cash Equivalents and Investments	\$ 370,834,858	\$ 362,098,015

Exhibit 1

Cash and cash equivalents	\$ 119,829,772	\$ 185,458,216
Restricted cash and cash equivalents-current	13,759,095	13,412,939
Short-term investments-current	6,513,991	25
Restricted cash and cash equivalents-noncurrent	64,072,612	162,889,345
Endowment investment	5,590	5,590
Long-term investments	81,212,027	-
Restricted short-term investments	75,081,272	331,900
Restricted long-term investments	10,360,499	-
Total Reconciliation to Exhibit 1	\$ 370,834,858	\$ 362,098,015

Endowment investment consists of a donated coin collection.

As of August 31, 2016, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Exposure</u>	<u>Exposure Permitted by Investment Policy</u>
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

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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

As of August 31, 2015, 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)	\$ 99,036,872	0.00	27.35%	50.00%
Certificates of Deposit	331,925	0.00	00.09%	100.00%
Total Fair Value	\$ 99,368,797			

Portfolio weighted average maturity 0.00

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, 2016, 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, 2015, 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.

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, 2016, the District’s cash and investments were in TexPool (22.34%) and certificates of deposit (48.99%). At August 31, 2015, the District’s cash and investments were in TexPool (27.35%) and certificates of deposit (0.09%).

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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

Public Accounts exercises oversight responsibility over TexPool. Oversight responsibility is demonstrated by financial interdependency, ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in the TexPool portfolios and other persons who do not have a business relationship with TexPool. The Advisory Board members review the TexPool's investments policy and management fee structure.

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2016, was as follows:

	Balance September 1, 2015	Increases	Decreases	Balance August 31, 2016
<u>Not Depreciated:</u>				
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	<u>31,984,894</u>	<u>16,165,950</u>	<u>1,321,186</u>	<u>46,829,658</u>
<u>Buildings and Other Capital Assets:</u>				
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	<u>239,768,752</u>	<u>4,503,393</u>	<u>3,920,801</u>	<u>240,351,344</u>
<u>Accumulated Depreciation:</u>				
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	<u>72,110,912</u>	<u>6,966,274</u>	<u>3,896,876</u>	<u>75,180,310</u>
Net Buildings and Other Capital Assets	<u>167,657,840</u>	<u>(2,462,881)</u>	<u>23,925</u>	<u>165,171,034</u>
Total Capital Assets, Net	<u>\$ 199,642,734</u>	<u>\$ 13,703,069</u>	<u>\$ 1,345,111</u>	<u>\$ 212,000,692</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
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	<u>\$ 167,657,840</u>	<u>\$ (2,462,881)</u>	<u>\$ 23,925</u>	<u>\$ 165,171,034</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 5 – Capital Assets (Continued)

For comparison purposes, capital assets activity for the year ended August 31, 2015, was as follows:

	Balance September 1, 2014	Increases	Decreases	Balance August 31, 2015
<u>Not Depreciated:</u>				
Land	\$ 29,554,510	\$ 1,000	\$ -	\$ 29,555,510
Collections	11,000	25,000	-	36,000
Construction in progress	538,533	3,967,513	2,112,662	2,393,384
Subtotal	<u>30,104,043</u>	<u>3,993,513</u>	<u>2,112,662</u>	<u>31,984,894</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	171,016,621	1,256,495	-	172,273,116
Land improvements	25,771,050	856,165	-	26,627,215
Total Buildings and Other Land Improvements	196,787,671	2,112,660	-	198,900,331
Library books	5,576,242	69,372	254,718	5,390,896
Furniture, machinery, vehicles, and other equipment	25,014,373	2,537,922	632,572	26,919,723
Telecommunications and peripheral equipment	9,924,043	-	1,366,241	8,557,802
Total Buildings and Other Capital Assets	<u>237,302,329</u>	<u>4,719,954</u>	<u>2,253,531</u>	<u>239,768,752</u>
<u>Accumulated Depreciation:</u>				
Buildings	30,299,526	3,136,741	-	33,436,267
Land improvements	8,044,512	1,204,012	-	9,248,524
Library books	3,659,794	227,739	252,254	3,635,279
Furniture, machinery, vehicles, and other equipment	15,723,989	2,181,537	630,236	17,275,290
Telecommunications and peripheral equipment	9,872,022	9,771	1,366,241	8,515,552
Total Accumulated Depreciation	<u>67,599,843</u>	<u>6,759,800</u>	<u>2,248,731</u>	<u>72,110,912</u>
Net Buildings and Other Capital Assets	<u>169,702,486</u>	<u>(2,039,846)</u>	<u>4,800</u>	<u>167,657,840</u>
Total Capital Assets, Net	<u>\$ 199,806,529</u>	<u>\$ 1,953,667</u>	<u>\$ 2,117,462</u>	<u>\$ 199,642,734</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
Buildings	\$ 140,717,095	\$ (1,880,246)	\$ -	\$ 138,836,849
Land improvements	17,726,538	(347,847)	-	17,378,691
Library books	1,916,448	(158,367)	2,464	1,755,617
Furniture, machinery, vehicles, and other equipment	9,290,384	356,385	2,336	9,644,433
Telecommunications and peripheral equipment	52,021	(9,771)	-	42,250
Total Net Buildings and Other Capital Assets	<u>\$ 169,702,486</u>	<u>\$ (2,039,846)</u>	<u>\$ 4,800</u>	<u>\$ 167,657,840</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 5 – Capital Assets (Continued)

Construction in progress as of August 31, 2015, including capitalized interest of \$49,989, consists of the following:

Project	Balance September 1, 2014	Additions/ Deductions	Completed/ Reclassifications	Balance August 31, 2015
Pecan Annex Grant / Accountability Improvements	\$ 19,793	\$ 99,149	\$ 118,942	\$ -
Pecan Student Services Admission Office Improvements	48,260	395,645	443,905	-
Pecan AECHS Service Drive and Sidewalk	-	2,474	-	2,474
Pecan AECHS Portable Infrastructure	-	10,729	-	10,729
Pecan South Academic Labs Additional Seating	-	23,300	23,300	-
Pecan Ceramic Art Kilns Renovation	-	150,816	-	150,816
Pecan Health & Wellness Spots Field Lighting	-	15,253	-	15,253
Pecan Relocation of Portable Buildings Infrastructure	-	115,311	-	115,311
Pecan Enrollment Center Improvements	-	4,990	-	4,990
Pecan Plaza Police Department Renovation	44,806	12,410	57,216	-
Pecan Plaza Cashier / Continuing Education Renovation	98,596	125,711	224,307	-
Pecan Plaza Emergency Generator & Wiring Improvements	-	23,031	-	23,031
Nursing Allied Health Parking Lot Expansion	43,240	449,576	492,816	-
Starr Parking Lot Light and South Drive	107,403	2,420	109,823	-
Starr Crisis Management Center	-	3,000	-	3,000
Bond 2014 Pecan Campus	53,276	542,735	-	596,011
Bond 2014 Nursing Allied Health Campus	24,664	562,369	253,527	333,506
Bond 2014 Technology Campus	16,030	156,710	-	172,740
Bond 2014 Mid Valley Campus	32,048	429,076	-	461,124
Bond 2014 Starr Campus	24,149	303,416	-	327,565
Bond 2014 Regional Center for Public Safety Excellence	4,182	7,403	-	11,585
Bond 2014 La Joya Jimmy Carter Teaching Site	1,513	7,974	-	9,487
Pecan Building M, N, and L Repainting Purple areas	7,459	(7,459)	-	-
Pecan Plaza Resurface Parking Lot and Replace Lighting	-	72,323	-	72,323
Technology West Academic Building Re-Roofing	-	44,513	-	44,513
Technology Cooling Tower Replacement/Improvements	13,114	410,711	388,826	34,999
Nursing Allied Health Irrigation System Upgrade	-	1,390	-	1,390
District Wide Upgrades for Parking Lot	-	2,537	-	2,537
Total	\$ 538,533	\$ 3,967,513	\$ 2,112,662	\$ 2,393,384

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 6 – Long Term Liabilities

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	

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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, 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.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 6 – Long Term Liabilities (Continued)

For comparison purposes, the long-term liabilities activity for the year ended August 31, 2015, was as follows:

	Balance September 1, 2014	Additions	Reductions	Balance August 31, 2015	Current Portion
Bonds					
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 1,760,000	\$ -	\$ 325,000	\$ 1,435,000	\$ 340,000
South Texas College District Limited Tax Refunding Bonds, Series 2007	21,559,991	-	4,324,991	17,235,000	5,875,000
South Texas College District Limited Tax Refunding Bonds, Series 2010	6,985,000	-	1,835,000	5,150,000	785,000
South Texas College District Limited Tax Refunding Bonds, Series 2013	4,780,000	-	1,555,000	3,225,000	1,590,000
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	-	90,220,000	520,000
General Obligation Bonds Subtotal	88,834,991	90,220,000	8,039,991	171,015,000	9,110,000
Net Pension Liability	-	33,628,125	10,864,444	22,763,681	-
Accrued Compensable Absences	716,855	115,194	48,433	783,616	697,900
Total Liabilities	\$ 89,551,846	\$ 123,963,319	\$ 18,952,868	\$ 194,562,297	\$ 9,807,900
Bonds Detail					
Total Bonds Payable	\$ 88,834,991	\$ 90,220,000	\$ 8,039,991	\$ 171,015,000	\$ 9,110,000
Premium on Bonds Payable	8,982,888	9,692,079	928,263	17,746,705	1,354,651
Total Bonds Payable, Net	\$ 97,817,879	\$ 99,912,079	\$ 8,968,254	\$ 188,761,705	\$ 10,464,651
Less Bonds Payable - Current Portion				(10,464,651)	
Total Noncurrent Bonds Payable, Net				\$ 178,297,054	

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 6 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2015, on the above bond issues are as follows:

	Deferred Bond Issuance Cost	Bond Premium	Deferred Loss
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 2,576	\$ 6,664	\$ 31,513
South Texas College District Limited Tax Refunding Bonds, Series 2007	18,643	613,376	288,946
South Texas College District Limited Tax Refunding Bonds, Series 2010	-	994,499	631,005
South Texas College District Limited Tax Refunding Bonds, Series 2013	-	170,328	53,266
South Texas College District Limited Tax Bonds, Series 2014	-	6,325,202	-
South Texas College District Limited Tax Bonds, Series 2015	-	9,636,636	-
Total	\$ 21,219	\$ 17,746,705	\$ 1,004,730

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, 2015, the District did not have a liability.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 7 – Debt and Lease Obligations and Rental Agreements

As of August 31, 2016, bonds payable are 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:

Fiscal Year	General Obligation Bond		
	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

For comparison purposes, as of August 31, 2015, bonds payable were due in annual installments varying from \$340,000 to \$6,455,000 with interest rates from 2.0% to 5.6% and the final installment due in 2035. The principal and interest expense requirements for the next five years and beyond are summarized below for bonds issued:

Fiscal Year	General Obligation Bond		
	Principal	Interest	Total
2016	\$ 9,110,000	\$ 8,320,990	\$ 17,430,990
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
2021-2025	39,535,000	27,320,631	66,855,631
2026-2030	41,595,000	18,144,325	59,739,325
2031-2035	47,685,000	6,893,750	54,578,750
Total	\$ 171,015,000	\$ 88,782,570	\$ 259,797,570

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

Fund Group	August 31, 2016	August 31, 2015
Unrestricted Current Funds	\$ 391,163	\$ 432,318

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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:

<u>Year Ended</u>	<u>August 31, 2016 Minimum Future Lease Payments</u>	<u>August 31, 2015 Minimum Future Lease Payments</u>
2016	\$ -	\$ 362,095
2017	319,201	311,088
2018	232,812	219,327
2019	137,328	124,331
2020	66,287	64,022
Total	<u>\$ 755,628</u>	<u>\$ 1,080,863</u>

During fiscal year 2016, the District did not enter into any lease agreements. No future receipts are expected for fiscal years 2017 and 2018.

Note 8 – Bonds Payable

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

	<u>2016</u>	<u>2015</u>
\$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	\$ 1,095,000	\$ 1,435,000

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 8 – Bonds Payable (Continued)

	2016	2015
<p>\$23,589,991 South Texas College District Limited Tax Refunding Bonds, Series 2007 due in varying installments through 2018, interest at 4.0% - 5.0%. 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</p>	11,360,000	17,235,000
<p>\$19,550,011 South Texas Junior College District Limited Tax Refunding Bonds, Series 2010 due in varying installments through 2019, interest at 3.0% - 5.6%. 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</p>	4,365,000	5,150,000
<p>\$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</p>	1,635,000	3,225,000

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 8 – Bonds Payable (Continued)

	2016	2015
\$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	89,700,000	90,220,000
Total Bonds Payable	\$ 161,905,000	\$ 171,015,000

Bonds Payable are due in annual installments varying from \$350,000 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.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

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.state.tx.us/about/documents/cafr.pdf#CAFR>; 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 (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) 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 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 9 – Employees’ Retirement Plan (Continued)

	<u>Contribution Rates</u>	
	<u>FY 2015</u>	<u>FY 2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2015 Member contributions		\$ 3,941,645
FY 2015 State contributions		\$ 1,750,093
FY 2015 District contributions		\$ 2,276,652

The District’s contribution to the TRS pension plan in fiscal year ended 2016 were \$4,323,891 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 2016 were \$1,876,247.

- 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.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 9 – Employees’ Retirement Plan (Continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll Growth Rate	3.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**Includes inflation rate of 2.5%*

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. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumptions and methods had a minor impact on the results of the actuarial valuation and the related pension liability.

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

F. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 9 – Employees’ Retirement Plan (Continued)

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 Systems target asset allocation as of August 31, 2015 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 Liked 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 2015 Comprehensive Annual Financial Report

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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 2015 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:	\$ 42,538,525	\$ 27,178,460	\$ 14,346,99

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

At August 31, 2016, the District reported a liability of \$27,178,460 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	\$ 27,178,460
State’s proportionate share that is associated with the District	20,886,258
Total	\$ 48,064,718

The net pension liability was measured as of August 31, 2015, 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, 2014 thru August 31, 2015.

At the measurement date of August 31, 2015, the District’s proportion of the collective net pension liability was 0.0768868% which was a decrease of 0.0083341% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2016, the District recognized pension expense of \$2,975,956 and revenue of \$2,975,956 for support provided by the State.

For the year ended August 31, 2015, the District recognized pension expense of \$3,844,482 and revenue of \$1,740,382 for support provided by the State.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 9 – Employees’ Retirement Plan (Continued)

At August 31, 2016, and 2015, 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:

	FY16		FY15	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 292,787	\$ 1,044,492	\$ 352,048	\$ -
Changes in actuarial assumptions	1,230,588	969,608	1,479,665	-
Difference between projected and actual investment earnings	6,693,450	5,218,133	-	6,957,510
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	-	1,910,568	-	5,967
Contributions paid to TRS subsequent to the measurement date	2,497,718	-	2,281,121	-
Total	\$ 10,714,543	\$ 9,142,801	\$ 4,112,834	\$ 6,963,477

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
2017	\$ (422,713)
2018	(422,713)
2019	(422,713)
2020	1,316,667
2021	(374,956)
Thereafter	(599,551)

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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 2016, 2015, and 2014. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2016, 2015, and 2014 respectively. The District contributes 1.9% for fiscal years 2016, 2015, and 2014, 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 of 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, 2016	August 31, 2015	August 31, 2014
Payroll for All District employees	\$ 82,473,840	\$ 77,739,719	\$ 74,608,758
Total payroll for TRS	\$ 63,586,601	\$ 58,805,553	\$ 55,705,206
Total payroll for ORP	\$ 12,521,213	\$ 12,438,910	\$ 12,424,455
State contributions	\$ 403,073	\$ 398,918	\$ 398,495
District contributions	441,081	442,126	444,511
Total Contributions	\$ 844,154	\$ 841,044	\$ 843,006
Member Contributions	\$ 832,661	\$ 827,188	\$ 826,227

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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 Government Code 609.001.

As of August 31, 2016, the District has 96 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 92 participated in 2015. A total of \$514,982 and \$458,958 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2016 and 2015, respectively.

As of August 31, 2016, the District has 81 employees participating in Section 457 Deferred Compensation Plan (DCP) and 77 participated in 2015. A total of \$183,085 and \$152,775 in payroll deductions have been invested in Section 457 Deferred Compensation Plan (DCP) during the fiscal years 2016 and 2015, 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, 2016	August 31, 2015
Compensable absences-beginning	\$ 783,616	\$ 716,855
Net additions and reductions	142	66,761
Total Compensable Absences	\$ 783,758	\$ 783,616
Current portion	\$ 683,580	\$ 697,900

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

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 12 – Pending Lawsuits and Claims

A. Litigation

On August 31, 2016, 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, 2016, 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, 2016, and 2015 were as follows:

	August 31, 2016	August 31, 2015
Student receivables	\$ 5,024,598	\$ 5,030,058
Federal receivables	1,304,226	1,776,464
Interest receivables	132,126	11,227
Accounts receivables		
Bookstore and auxiliary	52,496	55,410
State, local and private	982,388	677,281
Pledges receivable	-	25,247
Contractors	-	285
Agency	125	2,076
Other receivables	398,890	251,067
Subtotal	7,894,849	7,829,115
Allowance for doubtful accounts-student	(4,125,941)	(3,988,629)
Total Accounts Receivable, Net	\$ 3,768,908	\$ 3,840,486
	August 31, 2016	August 31, 2015
Taxes receivables	\$ 12,191,634	\$ 11,469,297
Allowance for doubtful accounts-taxes	(2,152,745)	(1,898,374)
Total Taxes Receivable, Net	\$ 10,038,889	\$ 9,570,923

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

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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

Payables

Payables at August 31, 2016, and 2015 were as follows:

	August 31, 2016		August 31, 2015	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor payable				
Vendors	\$ 2,129,930	\$ -	\$ 3,394,882	\$ -
Construction	2,241,107	-	605,636	-
Construction retainage	302,909	-	99,313	-
Salaries & benefits	-	2,039,147	-	1,664,591
Students payable	84,943	-	98,144	-
Accrued interest	-	332,963	-	373,688
Other Payables	57,873	-	96,037	-
Total Payables	\$ 4,816,762	\$ 2,372,110	\$ 4,294,012	\$ 2,038,279

Note 14 – Funds Held for Others

At August 31, 2016, and 2015, the District held, in trust funds, amounts of \$459,136 and \$430,280, 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 2016 and 2015, for which monies have not been received nor funds expended totaled \$5,345,839 and \$5,806,184, respectively.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 15 – Contract and Grant Awards (Continued)

These amounts are comprised of the following:

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Federal contracts and grant awards	\$ 2,842,913	\$ 4,691,444
State contracts and grant awards	2,113,626	861,640
Local contracts and grant awards	4,950	-
Private contracts and grant awards	384,350	253,100
Total	<u>\$ 5,345,839</u>	<u>\$ 5,806,184</u>

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 \$576.54 per month for the year ended August 31, 2016 and \$537.66 per month for the year ended August 31, 2015 for United Health Select of Texas. The state's contribution totaled \$4,641,377 for the year ended August 31, 2016 and \$4,390,995 for the year ended August 31, 2015.

The cost of providing those benefits for sixty-five retirees in the year ended August 31, 2016, was \$229,171 and for fifty-four retirees in the year ended August 31, 2015, was \$39,965. The state contribution for the fiscal year ended August 31, 2015 included a fiscal year 2014 state reduction in allocation for retirees and an increase for active employees. For 1,330 active employees, the cost of providing benefits was \$4,412,206 for the year ended August 31, 2016. Active employee benefits for 1,267 active employees cost \$4,351,030 for the year ended August 31, 2015. 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:

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Full time employees	1,330	1,267
Number of retirees	65	54
Active employee-state	\$ 4,412,206	\$ 4,351,030
Retiree-state	229,171	39,965
Total State Contributions	<u>4,641,377</u>	<u>4,390,995</u>
District contributions	7,051,007	5,964,248
Total Health Insurance Cost	<u>\$ 11,692,384</u>	<u>\$ 10,355,243</u>

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

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, 2016	August 31, 2015
Assessed valuation of the District	\$ 43,541,107,619	\$ 40,017,479,312
Less: Exemptions	(10,236,614,928)	(9,052,319,887)
Less: Abatements	-	-
Net Assessed Valuation of the District	\$ 33,304,492,691	\$ 30,965,159,425

	Fiscal Year 2016			Fiscal Year 2015		
	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, 2016, and 2015 amounted to \$62,070,301 and \$57,971,360, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 17 – Ad Valorem Tax (Continued)

	August 31, 2016			August 31, 2015		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$43,240,701	\$13,898,809	\$57,139,510	\$40,662,182	\$13,070,003	\$53,732,185
Delinquent taxes collected	1,922,309	664,350	2,586,659	1,908,390	703,726	2,612,116
Penalties & interest collected	1,333,901	457,131	1,791,032	1,358,187	479,135	1,837,322
Total Gross Collections	46,496,911	15,020,290	61,517,201	43,928,759	14,252,864	58,181,623
Tax Appraisal & Collection Fees	(760,560)	(63,604)	(824,164)	(726,878)	(63,604)	(790,482)
Bad Debt Expense	(175,685)	(78,686)	(254,371)	(148,655)	(78,021)	(226,676)
Total Net Collections	\$45,560,666	\$14,878,000	\$60,438,666	\$43,053,226	\$14,111,239	\$57,164,465

Tax collections for the year ended August 31, 2016, and 2015, were 94.79% and 95.72%, 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 – 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, 2016 and 2015.

Note 19 – 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 2016.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 20 – 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>.

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, 2016, 2015, and 2014 were \$286,511, \$354,889 and \$24,442, respectively. The State's contribution to SRHP for the years ended August 31, 2016, 2015, and 2014 were \$229,171, \$39,965, and \$277,357, respectively. The state's contribution for fiscal year ended August 31, 2015 included a fiscal year 2014 state reduction in allocation.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 21 – Auxiliary Operations

The District currently outsources its auxiliary bookstore operations to Barnes and Noble College Booksellers, Inc. The Dr. Ramiro R. Casso Nursing Allied Health campus cafeteria operations are outsourced to Domine Catering, LLP.

Note 22 – 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 \$5,000,000 of general liability insurance for fiscal years 2016 and 2015, property insurance covering the District's buildings and properties including commercial inland marine in an aggregate amount of \$324,371,892 and \$227,546,974 for fiscal years 2016 and 2015 respectively, business income with extra expense coverage of \$34,100,000 and \$34,000,000 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 2016 and 2015 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 2016 and 2015.

Note 23 – Construction and Improvement Commitments

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

<u>Project</u>	<u>Contracted Amount</u>	<u>Spent to Date</u>	<u>Commitments</u>
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.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 23 – Construction and Improvement Commitments (Continued)

Construction and improvement commitments for August 31, 2015, were as follows:

<u>Project</u>	<u>Contracted Amount</u>	<u>Spent to Date</u>	<u>Commitments</u>
Pecan Campus	\$ 2,385,937	\$ 2,039,812	\$ 346,125
Technology Campus	1,692,000	1,286,250	405,750
Nursing Allied Campus	716,438	688,967	27,471
Mid Valley Campus	-	-	-
Starr Campus	145,012	110,752	34,260
District Wide	199,843	199,843	-
Total	\$ 5,139,230	\$ 4,325,624	\$ 813,606

At August 31, 2015, the District had \$813,606 of remaining contractual commitments in construction and improvement projects.

Note 24 – 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, \$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 and \$126,801 was deposited into an escrow account for the thirty foot portion of the Quince Avenue roadway dedication at the District’s West 15 acre parking lot. As a result, the District has deposited \$152,100 into an escrow account at August 31, 2016.

Note 25 – 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 \$1,235, \$86 and \$381, in fiscal years 2016, 2015, and 2014, respectively.

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

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015**

Note 25 – Endowments (Continued)

The fund balances of the endowments were as follows:

Endowment	August 31, 2016	August 31, 2015
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	1,053	1,051
Roberto Gutierrez Sr. Endowment	906	905
Edwynne G. Cooper Endowment	5,590	5,590
Total Endowments	\$ 339,449	\$ 339,446

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, 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. At August 31, 2015, the market value of the Trust was \$3,471,942. The Trust made a distribution to the District in the amount of \$187,900 in fiscal year 2015. The funds are presented in Restricted Expendable Net Position.

Note 26 – Pledges of Gifts

The District records pledges of gifts when an unconditional promise to pay is received. At August 31, 2016 the District did not have pledges receivable to report. At August 31, 2015, pledges receivable totaled \$25,247, which consisted of non-cash gifts of \$18,247 and \$7,000 in cash gifts. All the pledges are expected to be received within the next fiscal year. Pledges receivable are recorded on the statement of financial position as assets net of allowance for uncollectible accounts.

Note 27 – Extraordinary Item

In fiscal year 2016, the District did not have an extraordinary item to report. In fiscal year 2015, the District reported an extraordinary item of \$1,987,655, net of \$2,000,000 for insurance proceeds and \$12,335 for cost of repairs at the Pecan Campus, Technology Campus, and Pecan Plaza located in McAllen for hail damaged roofs and related equipment that occurred in fiscal year 2012.

South Texas College District
Notes to the Basic Financial Statements
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Note 28 – Subsequent Events

On May 26, 2015, the Board of Trustees approved the Tax Abatement Agreement with Duke Energy Renewables Wind, LLC. The agreement is for eighty-five percent (85%) abatement of property taxes for a period of 10 years. Duke Energy Renewables Wind, LLC will make annual payments of \$65,000 to the District in lieu of abated taxes on December 31 of each year, beginning in Levy 2016. Phase III and V of Los Vientos Wind Facility Project will be abated and will reduce the District's tax revenue collection for fiscal year 2017.

The Board of Trustees of South Texas College District approved the final settlement offered by the Texas Higher Education Coordinating Board (THECB) regarding the audit on Continuing Education Formula Funding which will result in a reduction of contact hour state allocations in the amount of \$1,157,805. The amounts withheld began in August 2016 and will continue until July 2017 according to the revised THECB's Community Colleges Ten Pay Schedule. A total of \$115,780 was reduced from the contact hour state allocations in fiscal year 2016 and a total of \$1,042,025 will be reduced from the contact hour state allocations in fiscal year 2017.

Note 29 – Recent Accounting Pronouncements – Governmental Accounting Standards Board

New Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The District has implemented this Statement for the fiscal year ended August 31, 2016 to comply with GASB requirements. The adoption of this Statement did not have a material impact on the District's financial statements.

In June 2015, GASB issued Statement 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 Statement 67 and 68*. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. The District has implemented this Statement for the fiscal year ended August 31, 2016 to comply with GASB requirements. The adoption of this Statement did not have a material impact on the District's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and address the use authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or the other event is not specified within a source of authoritative GAAP. This Statement

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 29 – Recent Accounting Pronouncements – Governmental Accounting Standards Board (Continued)

supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The District has implemented this Statement for fiscal year ended August 31, 2016 to comply with GASB requirements. The adoption of this Statement did not have a material impact on the District's financial statements.

Pending Pronouncements

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

In June 2015, 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 is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting for Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflow of resources and expenses. This Statement is effective for fiscal years beginning after June 15, 2017.

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. This Statement 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. This Statement is effective for financial statements for periods beginning after December 15, 2015.

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

South Texas College District
Notes to the Basic Financial Statements
August 31, 2016 and 2015

Note 29 – Recent Accounting Pronouncements – Governmental Accounting Standards Board (Continued)

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 is effective for periods beginning after December 15, 2015.

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 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. This Statement is effective for periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015.

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 is effective for periods beginning after June 15, 2016.

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.

South Texas College District
Notes to the Basic Financial Statements
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**Note 29 – Recent Accounting Pronouncements – Governmental Accounting Standards Board
(Continued)**

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. This Statement is effective for periods beginning after June 15, 2016.

The District has not yet completed the process of evaluating the impact of GASB Statements Nos. 74, 75, 77, 78, 79, 80, 81, and 82 on its financial statements.

South Texas College District
Schedule of District's Proportionate Share of Net Pension Liability
For the Years Ended August 31, 2016 and 2015

Exhibit 4

Fiscal Year ending August 31st,*	<u>FY 2016**</u>	<u>FY 2015**</u>
District's proportionate share of collective net pension liability (%)	0.0008%	0.0009%
District's proportionate share of collective net pension liability (\$)	\$ 27,178,460	\$ 22,763,681
State's proportionate share of net pension liability associated with District	<u>20,886,258</u>	<u>17,659,066</u>
Total	<u>\$ 48,064,718</u>	<u>\$ 40,422,747</u>
District's covered-employee payroll	\$ 63,586,601	\$ 58,805,553
District's proportionate share of collective net pension liability as a percentage of covered-employee payroll	42.74%	38.71%
Plan fiduciary net position as percentage of total pension liability	<u>78.43%</u>	<u>83.25%</u>

* 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

Changes of Benefit Term:

There were no benefit changes recognized in the total pension liability as of August 31,

Changes of Assumptions:

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. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumptions and methods had a minor impact on the results of the actuarial valuation and the related pension liability.

**South Texas College District
Schedule of District Contributions
For the Years Ended August 31, 2016 and 2015**

Exhibit 5

Fiscal Year ending August 31st,*	<u>FY 2016**</u>	<u>FY 2015**</u>
Legally required contributions	\$ 4,323,891	\$ 3,998,779
Actual contributions	<u>4,323,891</u>	<u>3,998,779</u>
Contributions Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 District's covered-employee payroll amount	 \$ 63,586,601	 \$ 58,805,553
Contributions as a percentage of covered-employee payroll	6.8%	6.8%

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

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

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2016 (With Totals for the Year Ended August 31, 2015)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2016 Total	FY 2015 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 43,924,077	\$ -	\$ 43,924,077	\$ -	\$ 43,924,077	\$ 40,421,346
Out-of-district resident tuition	1,149,552	-	1,149,552	-	1,149,552	1,131,976
Non-resident tuition	2,491,137	-	2,491,137	-	2,491,137	2,295,557
TPEG state (set aside) *	1,815,232	-	1,815,232	-	1,815,232	1,757,169
State funded continuing education	1,049,217	-	1,049,217	-	1,049,217	1,200,780
TPEG non-credit (set aside) *	66,971	-	66,971	-	66,971	76,645
State funded workforce development	196,231	-	196,231	-	196,231	214,738
TPEG non-credit (set aside) *	12,525	-	12,525	-	12,525	13,706
Non-state funded continuing education	370,560	-	370,560	-	370,560	573,053
TPEG non-credit (set aside) *	23,652	-	23,652	-	23,652	36,578
Non-state funded workforce development	41,514	-	41,514	-	41,514	47,176
TPEG non-credit (set aside) *	2,650	-	2,650	-	2,650	3,014
Total Tuition	51,143,318	-	51,143,318	-	51,143,318	47,771,738
Fees:						
Student registration fee	8,450,106	-	8,450,106	-	8,450,106	7,840,673
Laboratory fees	1,403,445	-	1,403,445	-	1,403,445	1,296,718
Incidental fees	23,118,163	-	23,118,163	-	23,118,163	22,149,282
Total Fees	32,971,714	-	32,971,714	-	32,971,714	31,286,673
Scholarship Allowances and Discounts:						
Bad debt allowance	(1,199,160)	-	(1,199,160)	-	(1,199,160)	(1,229,525)
Remissions and exemptions	(25,558,024)	-	(25,558,024)	-	(25,558,024)	(21,008,769)
TPEG allowances	(1,254,467)	-	(1,254,467)	-	(1,254,467)	(1,377,693)
Local grants to students	(457,340)	-	(457,340)	-	(457,340)	(414,943)
Private grants to students	(1,271,413)	-	(1,271,413)	-	(1,271,413)	(1,262,178)
State grants to students	(1,475,644)	-	(1,475,644)	-	(1,475,644)	(1,830,604)
Federal grants to students	(31,446,241)	-	(31,446,241)	-	(31,446,241)	(30,561,537)
Total Scholarship Allowances and Discounts	(62,662,289)	-	(62,662,289)	-	(62,662,289)	(57,685,249)
Total Net Tuition and Fees	21,452,743	-	21,452,743	-	21,452,743	21,373,162
Additional Operating Revenues:						
Federal grants and contracts	242,129	3,647,369	3,889,498	-	3,889,498	4,368,574
State grants and contracts	6,725	3,259,590	3,266,315	-	3,266,315	4,068,944
Local grants and contracts	-	1,201,088	1,201,088	-	1,201,088	1,099,573
Non-governmental grants and contracts	3,902,003	2,448,374	6,350,377	-	6,350,377	5,235,358
General operating revenues	547,917	181,938	729,855	-	729,855	1,308,903
Total Additional Operating Revenues	\$ 4,698,774	\$ 10,738,359	\$ 15,437,133	\$ -	\$ 15,437,133	\$ 16,081,352

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2016 (With Totals for the Year Ended August 31, 2015)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2016 Total	FY 2015 Total
Auxiliary Enterprises:						
Bookstore	\$ -	\$ -	\$ -	\$ 580,506	\$ 580,506	\$ 552,238
Food service	-	-	-	699,523	699,523	686,452
Vending commissions	-	-	-	141,310	141,310	147,088
Copier commissions	-	-	-	9,172	9,172	14,219
Child care center	-	-	-	360,234	360,234	287,586
General conferences	-	-	-	97,093	97,093	79,194
Other	-	-	-	6,000	6,000	6,548
Total Auxiliary Enterprises	-	-	-	1,893,838	1,893,838	1,773,325
Total Operating Revenues	\$ 26,151,517	\$ 10,738,359	\$ 36,889,876	\$ 1,893,838	\$ 38,783,714	\$ 39,227,839
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$1,921,030 and \$1,887,112 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2016 and 2015, respectively.

South Texas College District
Schedule of Operating Expenses by Object
Year Ended August 31, 2016 (With Totals for the Year Ended August 31, 2015)

Schedule B

	Operating Expenses				FY 2016 Total	FY 2015 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted-Educational Activities						
Instruction	\$ 47,653,954	\$ -	\$ 8,842,220	\$ 4,670,099	\$ 61,166,273	\$ 56,183,934
Public service	196,099	-	51,229	204,855	452,183	195,795
Academic support	8,213,822	-	1,630,104	3,083,911	12,927,837	11,993,972
Student services	6,995,569	-	1,601,142	1,614,285	10,210,996	9,708,891
Institutional support	10,799,341	-	2,661,169	8,128,146	21,588,656	20,322,907
Operation and maintenance of plant	5,607,869	-	2,010,526	6,439,652	14,058,047	13,659,537
Total Unrestricted Educational Activities	79,466,654	-	16,796,390	24,140,948	120,403,992	112,065,036
Restricted-Educational Activities						
Instruction	488,888	4,216,921	100,231	277,183	5,083,223	4,636,237
Public service	146,328	-	18,618	295,378	460,324	1,009,685
Academic support	1,359,715	767,503	351,426	926,760	3,405,404	3,287,506
Student services	273,158	777,019	-	216,567	1,266,744	1,261,049
Institutional support	245,687	1,159,254	38,152	106,312	1,549,405	1,468,047
Operation and maintenance of plant	6,591	-	-	-	6,591	15,947
Scholarships and fellowships	-	-	-	26,432,169	26,432,169	27,815,696
Total Restricted Educational Activities	2,520,367	6,920,697	508,427	28,254,369	38,203,860	39,494,167
Total Educational Activities	81,987,021	6,920,697	17,304,817	52,395,317	158,607,852	151,559,203
Auxiliary Enterprises	486,819	-	318,501	757,143	1,562,463	1,403,408
Depreciation expense-buildings and other real estate improvements	-	-	-	4,413,964	4,413,964	4,340,753
Depreciation expense-books	-	-	-	222,295	222,295	227,740
Depreciation expense-equipment and furniture	-	-	-	2,330,015	2,330,015	2,191,308
Total Operating Expenses	\$ 82,473,840	\$ 6,920,697	\$ 17,623,318	\$ 60,118,734	\$ 167,136,589	\$ 159,722,412
					(Exhibit 2)	(Exhibit 2)

South Texas College District
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2016 (With Totals for the Year Ended August 31, 2015)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2016 Total	FY 2015 Total
NON-OPERATING REVENUES:					
State allocations:					
Education and general state support	\$ 37,642,320	\$ -	\$ -	\$ 37,642,320	\$ 35,334,195
Education and general state support BAT	805,106	-	-	805,106	562,474
State group insurance	-	4,641,377	-	4,641,377	4,390,995
State retirement matching	1,099,709	2,279,320	-	3,379,029	2,138,430
Hazlewood reimbursement	69,403	-	-	69,403	38,951
Professional nursing shortage reduction	-	(460,000)	-	(460,000)	393,155
Total State Allocations	39,616,538	6,460,697	-	46,077,235	42,858,200
Ad-valorem taxes-maintenance and operations	46,781,602	-	-	46,781,602	43,951,580
Ad-valorem taxes-debt service	-	15,016,847	-	15,016,847	14,105,277
Federal revenue, non operating	-	54,858,852	-	54,858,852	54,881,496
Gifts	-	251,022	-	251,022	305,146
Investment income (net of investment expenses)	1,028,127	1,253	4,630	1,034,010	144,206
Gain on disposal of capital assets	12,350	-	-	12,350	-
Insurance proceeds	-	-	-	-	24,282
Total Non-Operating Revenues	87,438,617	76,588,671	4,630	164,031,918	156,270,187
NON-OPERATING EXPENSES:					
Interest on capital related debt	6,602,765	-	-	6,602,765	5,964,767
Loss on disposal of capital assets	-	-	-	-	240,389
Non-capital construction costs	1,911,123	-	-	1,911,123	1,731,576
Bond costs amortization	284,829	-	-	284,829	1,166,614
Other non-operating expenses	23,160	297,607	-	320,767	274,655
Total Non-Operating Expenses	8,821,877	297,607	-	9,119,484	9,378,001
Net Non-Operating Revenues	\$ 78,616,740	\$ 76,291,064	\$ 4,630	\$ 154,912,434	\$ 146,892,186
				(Exhibit 2)	(Exhibit 2)

South Texas College District
Schedule of Net Position by Source and Availability
Year Ended August 31, 2016 (With Totals for the Year Ended August 31, 2015)

	Detail by Source					FY 2016 Total
	Unrestricted	Restricted		Net Investment in Capital Assets		
		Expendable	Non-Expendable			
Current:						
Unrestricted	\$ 85,533,204	\$ -	\$ -	\$ -		\$ 85,533,204
Board designated	30,500,000	-	-	-		30,500,000
Restricted						
Student Aid	-	3,028,124	-	-		3,028,124
Instructional Programs	-	306,909	-	-		306,909
Institutional Activities	-	68,308	-	-		68,308
Auxiliary enterprises	3,310,007	-	-	-		3,310,007
Loan	-	1,162,853	-	-		1,162,853
Endowment:						
Quasi:						
Unrestricted	-	-	-	-		-
Restricted	-	-	-	-		-
Endowment						
True	-	-	339,449	-		339,449
Term (per instructions at maturity)	-	-	-	-		-
Life income contracts	-	-	-	-		-
Annuities	-	-	-	-		-
Plant:						
Unexpended	27,926,559	-	-	-		27,926,559
Renewals & replacements	22,456,576	-	-	-		22,456,576
Debt service	-	15,223,843	-	-		15,223,843
Investment in plant	-	-	-	181,421,943		181,421,943
Total Net Position, August 31, 2016	169,726,346	19,790,037	339,449	181,421,943		371,277,775
						(Exhibit 1)
Total Net Position, August 31, 2015	147,038,865	21,990,626	339,446	170,833,415		340,202,352
Cumulative Effect of Change in Accounting Principle	-	-	-	-		-
						(Exhibit 1)
Net Increase (Decrease) in Net Position	\$ 22,687,481	\$ (2,200,589)	\$ 3	\$ 10,588,528		\$ 31,075,423
						(Exhibit 2)

Note: The Unexpended Plant Fund is earmarked in the fiscal year 2016 board approved budget for construction projects.
The Renewals & Replacements Plant Fund is earmarked in the fiscal year 2016 board approved budget for deferred maintenance projects.

Schedule D

Available for Current Operations

Yes	No
\$ 85,533,204	\$ -
-	30,500,000
-	3,028,124
-	306,909
-	68,308
3,310,007	-
-	1,162,853
-	-
-	-
-	339,449
-	-
-	-
-	-
-	27,926,559
-	22,456,576
-	15,223,843
-	181,421,943
88,843,211	282,434,564
74,906,035	265,296,317
-	-
<u>\$ 13,937,176</u>	<u>\$ 17,138,247</u>

**South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016**

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Expenditures and Pass Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
FSEOG	84.007	594423	\$ 639,608
Federal Work-Study Program	84.033		551,515
Federal Pell Grant Program	84.063		53,667,729
Total Student Financial Aid Cluster			<u>54,858,852</u>
Higher Education_Institutional Aid	84.031	P031S140067-15	286,819
Childcare Access Means Parents In School	84.335		216,566
Pass-Through From:			
Texas Workforce Commission			
Adult Education-Basic Grants to States	84.002	2315AEL000	47,131
Adult Education-Basic Grants to States	84.002	2316AEL000	7,980
Adult Education-Basic Grants to States	84.002	2916AEL013	2,169
Subtotal			<u>57,280</u>
Texas Higher Education Coordinating Board			
Career and Technical Education-Basic Grants	84.048	14909	1,474,895
Total U.S. Department of Education			<u>56,894,412</u>
U.S Department of Agriculture			
Pass-Through From:			
Texas A & M University Kingsville			
Hispanic Serving Institutions Education Grants	10.223	12-0109	4,508
University of Texas Rio Grande Valley			
Hispanic Serving Institutions Education Grants	10.223	015-38422-24061	21,063
Texas Department of Agriculture			
Child and Adult Care Food Program	10.558	03264	52,321
Total U.S. Department of Agriculture			<u>77,892</u>
U.S. Department of Defense			
Direct Programs:			
Military Spouse Career Advancement	12.000		6,216
Pass-Through From:			
University of Texas Pan American			
Basic, Applied and Advanced Research in Science and Engineering	12.630	'911NF-11-1-0150	48,417
Total U.S. Department of Defense			<u>54,633</u>
U.S. Department of Labor			
Pass-Through From:			
Texas Workforce Commission			
Employment Service/Wagner-Peyser Funded Activities	17.207	2315WPB001	131,948
WIA Cluster			
Pass-Through From:			
Texas Workforce Commission			
WIA/WIOA Adult Program	17.258	2315AEL000	118,577
WIOA Youth Formula Grants	17.259	2316AEL000	153,706
WIA/WIOA Dislocated Worker Formula Grants	17.278	2315WSW000	87,983
Total WIA Cluster			<u>\$ 360,266</u>

South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

(Continued)

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Expenditures and Pass Through Disbursements
Pass-Through From:			
Lower Rio Grande Valley Workforce Development Board Worforce Innovation Fund	17.283		\$ 29,180
Total U.S. Department of Labor			<u><u>521,394</u></u>
U.S. Department of Veterans' Affairs			
Direct Programs:			
Post 9/11 Veterans Educational Assistance, Recovery Act Vocational and Educational Counseling for Servicemembers and Veterans	64.027		1,001,330
	64.125		172,193
Total U.S. Department of Veterans' Affairs			<u><u>1,173,523</u></u>
U.S. Department of Health & Human Services			
Pass-Through From:			
Texas Workforce Commission			
Temporary Assistance for Needy Families	93.558	2314SSF000	(29,463)
Temporary Assistance for Needy Families	93.558	2116SMP000	39,197
Subtotal			<u>9,734</u>
Lower Rio Grande Valley Workforce Development Board			
Child Care Development Block Grant	93.575	15-OPSP-012	16,762
Total U.S. Department of Health & Human Services			<u><u>26,496</u></u>
Total Federal Financial Assistance			<u><u>\$ 58,748,350</u></u>

South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

(Continued)

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Expenditures and Pass Through Disbursements
Note 1: Federal Assistance Reconciliation			
Federal Grants and Contracts Revenue - per Schedule A			3,647,369
Add: Indirect/Administrative Cost Recoveries - per Schedule A			242,129
Add: Non Operating Federal Revenue from Schedule C			54,858,852
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets			\$ <u><u>58,748,350</u></u>

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.

Note 3: Expenditures not subject to federal single audit

None

Note 4: Nonmonetary Federal Assistance

None

Note 5: Amounts Passed Through by the College

None

**South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2016**

Schedule F

Grantor Agency/Program Title	Contract Number	Total Expenditures
Texas Higher Education Coordinating Board		
Nursing Shortage Regular Program		\$ 99,493
Texas College Workstudy Program		155,587
TEXAS Grant I - Renewal Year		129,213
Texas Educational Opportunity Grant - Initial Year		925,110
Texas Educational Opportunity Grant - Renewal Year		1,133,730
Texas-STEM Challenge Scholarship Program	15149	276,000
Accelerate Texas-Adult Basic Education Innovation	14938	119,378
Accelerate Texas-Mentor College	15131	78,145
Comprehensive College Readiness and Success Models for 60x30TX	17435	86
Texas Education Agency		139,296
Catch the Next Puente Integrated Reading/Writing Program	15309	50,000
Work-Study Mentorship Program		23,043
Total Texas Higher Education Coordinating Board		3,129,081
University of Texas at Austin		
Texas Education Consortium of Male Students of Color		2,899
University of Texas - San Antonio		
TexPREP Program		19,880
Texas Workforce Commission		
Jobs and Education for Texans	5535-19	2,056
Skills Development Fund #20	2314SDF000	44,873
Skills Development Fund #21	2315SDF000	157,992
Skills Development Fund #22	2316SDF000	6,595
Skills for Small Business Program	2315SSD000	2,432
Total Texas Workforce Commission		213,948
Total State Financial Assistance		\$ 3,365,808

South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2016

(Continued)

Schedule F

Grantor Agency/Program Title	Contract Number	Total Expenditures
Note 1: State Assistance Reconciliation		
State Revenues - per Schedule A		\$ 3,259,590
Add: Indirect/Administrative Cost Recoveries - per Schedule A		6,725
Total State Revenues per Statement of Revenues, Expenses and Changes in Net Assets		3,266,315
Reconciling Item:		
Add: Revenue classified as Non Operating		
Professional Nursing Shortage Reduction and Difference		99,493
Total State Revenues per Schedule of Expenditures of State Awards		\$ 3,365,808

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: Expenditures not subject to federal single audit

None

Note 4: Nonmonetary Federal Assistance

None

Note 5: Amounts Passed Through by the College

None



STATISTICAL SECTION

**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2016 and 2015**

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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**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2016 and 2015**

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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.

Debt Capacity

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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.

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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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**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2016 and 2015**

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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,			
	2016	2015	2014	2013
Net Position				
Net investment in capital assets	\$ 181,421,943	\$ 170,833,415	\$ 169,028,494	\$ 162,064,429
Restricted expendable	19,790,037	21,990,626	21,972,306	20,325,155
Restricted non-expendable	339,449	339,446	339,445	339,444
Unrestricted	169,726,346	147,038,865	146,201,266	133,119,225
Total Net Position	\$ 371,277,775	\$ 340,202,352	\$ 337,541,511	\$ 315,848,253

For the Fiscal Year Ended August 31,

2012	2011	2010	2009	2008	2007
\$ 156,914,256	\$ 147,207,945	\$ 136,773,512	\$ 113,996,844	\$ 99,425,786	\$ 81,439,837
17,978,771	17,161,889	16,906,861	14,027,153	12,741,856	10,581,497
340,664	346,360	346,050	346,041	332,230	330,880
117,854,250	92,402,854	75,665,289	74,119,953	69,192,197	67,223,004
\$ 293,087,941	\$ 257,119,048	\$ 229,691,712	\$ 202,489,991	\$ 181,692,069	\$ 159,575,218

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

	For the Fiscal Year Ended August 31,			
	2016	2015	2014	2013
Operating Revenues				
Tuition and fees (net of discounts)	\$ 21,452,743	\$ 21,373,162	\$ 20,488,244	\$ 21,051,377
Federal grants and contracts	3,889,498	4,368,574	3,445,293	4,630,302
State grants and contracts	3,266,315	4,068,944	4,246,315	5,160,704
Local grants and contracts	1,201,088	1,099,573	1,118,054	1,270,376
Non-governmental grants and contracts	6,350,377	5,235,358	4,949,832	3,113,960
Auxiliary enterprises	1,893,838	1,773,325	1,835,353	1,810,240
General operating revenues	729,855	1,308,903	645,811	621,264
Total Operating Revenues	38,783,714	39,227,839	36,728,902	37,658,223
Non-Operating Revenues				
State allocations	46,077,235	42,858,200	42,766,020	38,977,829
Ad-valorem taxes - maintenance & operations	46,781,602	43,951,580	33,983,319	32,403,363
Ad-valorem taxes - debt service	15,016,847	14,105,277	12,291,870	12,030,232
Federal revenue, non-operating	54,858,852	54,881,496	55,351,962	57,151,307
Gifts	251,022	305,146	323,100	351,843
Investment income (net of investment expenses)	1,034,010	144,206	214,915	389,519
Gain on disposal of capital assets	12,350	-	-	-
Insurance proceeds	-	24,282	-	-
Other non-operating revenues	-	-	35,840	-
Total Non-Operating Revenues	164,031,918	156,270,187	144,967,026	141,304,093
Total Revenues	\$ 202,815,632	\$ 195,498,026	\$ 181,695,928	\$ 178,962,316

For the Fiscal Year Ended August 31,

	2012	2011	2010	2009	2008	2007
\$	19,583,509	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311	\$ 15,075,608	\$ 12,657,625
	4,748,007	6,172,207	8,979,526	7,015,595	6,508,073	5,057,914
	6,794,060	6,335,567	6,711,706	5,412,226	4,292,294	3,068,738
	1,293,135	1,380,691	1,255,944	1,129,509	741,390	922,667
	2,740,134	2,796,686	2,200,618	1,594,568	1,555,367	1,192,509
	1,872,734	1,877,501	1,666,738	1,403,045	1,300,682	874,962
	439,642	545,846	1,988,232	2,280,483	1,129,049	1,493,987
	37,471,221	37,390,206	39,956,379	35,396,737	30,602,463	25,268,402
	37,017,673	36,676,953	37,514,938	33,173,275	32,857,808	30,311,961
	33,244,142	33,798,861	34,314,946	33,731,408	30,822,108	27,439,614
	12,276,741	12,187,090	12,197,541	12,212,764	12,319,291	11,151,789
	61,950,136	66,972,554	59,089,947	34,498,524	28,470,310	25,966,042
	418,605	309,868	663,193	775,113	519,842	351,586
	417,075	327,497	388,426	1,335,180	2,627,475	4,653,487
	2,793	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	145,327,165	150,272,823	144,168,991	115,726,264	107,616,834	99,874,479
\$	182,798,386	\$ 187,663,029	\$ 184,125,370	\$ 151,123,001	\$ 138,219,297	\$ 125,142,881

(Continued)

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

For the Fiscal Year Ended August 31,

	2016	2015	2014	2013
Operating Revenues				
Tuition and fees (net of discounts)	10.58%	10.93%	11.28%	11.76%
Federal grants and contracts	1.92%	2.24%	1.90%	2.59%
State grants and contracts	1.61%	2.08%	2.34%	2.88%
Local grants and contracts	0.59%	0.56%	0.61%	0.71%
Non-governmental grants and contracts	3.13%	2.68%	2.72%	1.74%
Auxiliary enterprises	0.93%	0.91%	1.01%	1.01%
General operating revenues	0.36%	0.67%	0.35%	0.35%
Total Operating Revenues	19.12%	20.07%	20.21%	21.04%
Non-Operating Revenues				
State allocations	22.72%	21.92%	23.54%	21.78%
Ad-valorem taxes - maintenance & operations	23.07%	22.48%	18.70%	18.11%
Ad-valorem taxes - debt service	7.40%	7.22%	6.77%	6.72%
Federal revenue, non-operating	27.05%	28.07%	30.46%	31.93%
Gifts	0.12%	0.16%	0.18%	0.20%
Investment income (net of investment expenses)	0.51%	0.07%	0.12%	0.22%
Gain on disposal of capital assets	0.01%	-	-	-
Insurance proceeds	-	0.01%	-	-
Other non-operating revenues	-	-	0.02%	-
Total Non-Operating Revenues	80.88%	79.93%	79.79%	78.96%
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,

2012	2011	2010	2009	2008	2007
10.71%	9.74%	9.31%	10.96%	10.90%	10.11%
2.60%	3.29%	4.88%	4.64%	4.71%	4.05%
3.72%	3.38%	3.64%	3.58%	3.10%	2.45%
0.71%	0.74%	0.68%	0.75%	0.54%	0.74%
1.50%	1.49%	1.20%	1.06%	1.13%	0.95%
1.02%	1.00%	0.91%	0.93%	0.94%	0.70%
0.24%	0.28%	1.08%	1.51%	0.82%	1.19%
20.50%	19.92%	21.70%	23.43%	22.14%	20.19%
20.25%	19.55%	20.37%	21.95%	23.77%	24.22%
18.19%	18.01%	18.65%	22.32%	22.30%	21.93%
6.71%	6.49%	6.62%	8.08%	8.91%	8.91%
33.89%	35.69%	32.09%	22.83%	20.60%	20.75%
0.23%	0.17%	0.36%	0.51%	0.38%	0.28%
0.23%	0.17%	0.21%	0.88%	1.90%	3.72%
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
79.50%	80.08%	78.30%	76.57%	77.86%	79.81%
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,			
	2016	2015	2014	2013
Operating Expenses				
Instruction	\$ 66,249,496	\$ 60,820,171	\$ 59,447,106	\$ 57,766,578
Research	-	-	-	4,516
Public service	912,507	1,205,480	829,711	903,735
Academic support	16,333,241	15,281,478	13,980,994	12,775,912
Student services	11,477,740	10,969,940	10,403,814	10,090,241
Institutional support	23,138,061	21,790,954	19,813,087	21,108,957
Operations and maintenance of plant	14,064,638	13,675,484	12,563,250	9,486,934
Scholarships and fellowships	26,432,169	27,815,696	27,692,817	28,724,249
Auxiliary enterprises	1,562,463	1,403,408	1,388,716	1,383,521
Depreciation	6,966,274	6,759,801	6,731,486	6,589,876
Total Operating Expenses	167,136,589	159,722,412	152,850,981	148,834,519
Non-Operating Expenses				
Interest on capital related debt	6,602,765	5,964,767	1,340,664	1,513,884
Loss on sale/disposal/return on capital assets	-	240,389	10,154	217
Non-capital construction costs	1,911,123	1,731,576	1,715,994	849,455
Bond costs amortization	284,829	1,166,614	873,317	566,261
Other non-operating expenses	320,767	274,655	208,684	290,477
Total Non-Operating Expenses	9,119,484	9,378,001	4,148,813	3,220,294
Total Expenses	\$ 176,256,073	\$ 169,100,413	\$ 156,999,794	\$ 152,054,813

Notes:

Other non-operating expenses were segregated into separate categories for FY 2008 - FY 2016.

The segregation is not reflected in the previous years.

For the Fiscal Year Ended August 31,

2012	2011	2010	2009	2008	2007
\$ 53,899,805	\$ 57,359,050	\$ 55,454,200	\$ 48,698,353	\$ 42,291,067	\$ 37,853,111
67,273	6,303	-	-	-	-
736,507	640,673	2,460,617	2,637,239	2,924,649	1,795,019
11,551,178	12,035,474	9,565,508	9,271,172	8,241,265	8,089,561
9,681,946	9,939,104	10,264,591	9,070,935	8,057,220	7,727,628
19,494,885	20,293,881	19,044,676	17,197,508	15,303,315	14,169,127
9,459,757	10,270,614	10,437,077	10,356,102	9,336,528	8,712,299
31,873,082	39,320,494	37,212,122	23,176,417	19,424,919	15,819,630
1,418,145	1,421,243	1,524,084	1,498,378	655,258	422,150
6,414,932	6,265,826	5,923,105	5,848,873	5,391,971	5,285,190
144,597,510	157,552,662	151,885,980	127,754,977	111,626,192	99,873,715
1,821,871	2,054,633	2,986,702	3,186,226	3,046,995	4,926,778
-	3,500	4,698	77,747	-	-
1,400,934	464,503	2,268,529	1,038,216	735,663	-
536,677	496,724	353,037	353,037	353,211	-
500,835	396,032	673,262	706,561	426,718	1,712,405
4,260,317	3,415,392	6,286,228	5,361,787	4,562,587	6,639,183
\$ 148,857,827	\$ 160,968,054	\$ 158,172,208	\$ 133,116,764	\$ 116,188,779	\$ 106,512,898

(Continued)

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

	For the Fiscal Year Ended August 31,			
	2016	2015	2014	2013
Operating Expenses				
Instruction	37.59%	35.97%	37.86%	37.99%
Research	-	-	-	-
Public service	0.52%	0.71%	0.53%	0.59%
Academic support	9.27%	9.03%	8.91%	8.40%
Student services	6.51%	6.49%	6.63%	6.64%
Institutional support	13.13%	12.88%	12.62%	13.88%
Operations and maintenance of plant	7.98%	8.09%	8.00%	6.24%
Scholarships and fellowships	15.00%	16.45%	17.64%	18.89%
Auxiliary enterprises	0.88%	0.83%	0.88%	0.91%
Depreciation	3.95%	4.00%	4.29%	4.34%
Total Operating Expenses	94.83%	94.45%	97.36%	97.88%
Non-Operating Expenses				
Interest on capital related debt	3.75%	3.53%	0.85%	1.00%
Loss on sale/disposal/return on capital assets	-	0.14%	0.01%	-
Non-capital construction costs	1.08%	1.03%	1.09%	0.56%
Bond costs amortization	0.16%	0.69%	0.56%	0.37%
Other non-operating expenses	0.18%	0.16%	0.13%	0.19%
Total Non-Operating Expenses	5.17%	5.55%	2.64%	2.12%
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 2016.

The segregation is not reflected in the previous years.

(Continued)

For the Fiscal Year Ended August 31,

2012	2011	2010	2009	2008	2007
36.22%	35.63%	35.13%	36.58%	36.40%	35.54%
0.05%	-	-	-	-	-
0.49%	0.40%	1.56%	1.98%	2.52%	1.69%
7.76%	7.48%	6.06%	6.96%	7.09%	7.59%
6.50%	6.17%	6.50%	6.82%	6.93%	7.26%
13.10%	12.61%	12.06%	12.92%	13.17%	13.30%
6.35%	6.38%	6.61%	7.78%	8.04%	8.18%
21.41%	24.43%	23.57%	17.41%	16.72%	14.85%
0.95%	0.88%	0.97%	1.13%	0.56%	0.40%
4.31%	3.89%	3.75%	4.39%	4.64%	4.96%
97.14%	97.87%	96.21%	95.97%	96.07%	93.77%
1.22%	1.28%	1.70%	2.39%	2.63%	4.63%
-	-	-	0.06%	-	-
0.94%	0.29%	1.44%	0.78%	0.63%	-
0.36%	0.31%	0.22%	0.27%	0.30%	-
0.34%	0.25%	0.43%	0.53%	0.37%	1.60%
2.86%	2.13%	3.79%	4.03%	3.93%	6.23%
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
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	-	-
2006	90/150	59	76	6	-	-

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
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	-	-
2006	85/120	202	202	6	-	-

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
\$	1,362/1,422	\$ 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%
	865/900	1,069/1,104	0.00%	0.00%

	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase From Prior Year Out-of-State	Increase From Prior Year International
\$	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%
	2,581/2,616	2,581/2,616	0.00%	0.00%

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)
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
2006-07	28,988,038,504	4,927,692,437	402,263,572	23,658,082,495

Sources:
Hidalgo County and Starr County Tax Assessor & Collector

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

Direct Rate

Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
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
81.61%	0.1100	0.0448	0.1548



SOUTH TEXAS COLLEGE

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

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		FTSE (a&b)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (a&b)	Total Contact Hours	State Appropriation per Contact Hour
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
2006-07	23,228,528	11,921	1,949	5,221,392	1,876,011	7,097,403	3.27

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			
		2016	2015	2014	2013
OXY USA Inc.	Oil & Gas	\$ 379,446,207	\$ 480,051,211	\$ 417,907,900	\$ 379,637,700
AEP Texas Central Co.	Electric Utility	294,682,640	261,746,510	240,344,300	193,373,940
Los Vientos Windpower III, LLC	Electric Utility	227,904,960	-	-	-
Simon Property Group - McAllen No.2	Development	115,303,024	85,303,024	61,802,878	51,503,892
H. E. Butt Grocery Company	Grocery Chain	105,032,930	104,974,764	99,587,906	97,514,949
Day Surgery at Renaissance LLC ¹	Healthcare	94,283,759	96,644,921	87,177,604	88,878,995
Wal-Mart Stores ²	Retail Store	83,501,468	111,616,706	110,650,697	87,206,008
CPG Mercedes LP	Real Estate	71,900,000	71,900,000	59,259,989	59,589,853
Sharyland Utilities LP	Electric Utility	64,409,510	67,452,860	56,941,250	51,663,190
Cantera Operating LLC	Real Estate	63,232,029	64,113,853	-	-
Calpine Construction Finance Co. LP	Electric Utility	61,014,790	65,093,830	64,184,330	73,089,400
Frontera Generation LTD	Land & Improvements	60,508,140	67,964,220	63,178,400	69,157,000
Rio Grande Regional Hospital	Hospital	54,415,269	54,415,269	56,328,437	56,871,910
NET Mexico Pipeline	Pipeline	50,433,870	-	-	-
Universal Health Services	Healthcare	46,786,593	46,786,593	52,246,584	53,599,944
Southwestern Bell Telephone	Telephone Utility	-	51,319,700	53,302,090	54,950,030
Palm Crossing Town Center LLC	Real Estate	-	41,915,932	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	86,226,095	110,119,062
Legend Natural Gas LLP	Oil & Gas	-	-	62,055,660	78,265,270
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	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	-
Totals		1,772,855,189	1,671,299,393	1,571,194,120	1,505,421,143
Total Taxable Assessed Value		\$ 33,304,492,691	\$ 30,965,159,425	\$ 30,246,199,691	\$ 29,645,534,071

Sources:

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

South Texas College CAFR (FY Ended August 31, 2016): Note 17 - Ad Valorem Tax

Notes:

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

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

Taxable Assessed Value (TAV) by Tax Year

2012	2011	2010	2009	2008	2007
\$ 570,009,910	\$ -	\$ -	\$ -	\$ -	\$ -
186,023,180	174,591,370	174,591,370	173,471,710	159,251,780	181,625,710
-	-	-	-	-	-
50,708,897	50,944,799	50,944,799	-	51,557,233	43,530,337
100,817,846	114,289,734	114,289,734	117,156,504	95,953,669	89,443,353
-	-	-	-	-	-
85,068,298	104,810,618	104,810,618	107,262,492	-	-
59,589,853	60,625,220	60,625,220	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
69,200,480	87,490,000	87,490,000	97,713,920	113,654,620	119,471,740
70,561,190	82,100,300	82,100,300	82,417,210	99,208,230	98,233,700
52,965,623	66,677,559	66,677,559	67,737,830	61,468,351	74,762,587
-	-	-	-	-	-
54,844,645	83,905,804	83,905,804	86,464,634	88,442,154	93,134,843
70,080,780	93,005,380	93,005,380	98,438,720	110,118,990	104,595,695
-	-	-	-	-	-
123,772,278	233,251,590	233,251,590	310,057,070	358,107,640	252,759,270
66,012,120	-	-	-	-	-
52,344,210	194,500,240	194,500,240	456,481,610	219,565,590	66,770,720
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	60,688,959
-	-	-	56,191,760	62,130,020	70,971,140
-	-	-	-	95,159,294	74,757,151
-	-	-	-	-	377,813,720
-	-	-	-	51,796,170	47,858,470
1,660,145,960	2,304,938,724	2,304,938,724	2,568,832,545	2,210,972,983	1,756,417,395
\$ 29,518,175,339	\$ 30,089,658,977	\$ 30,304,183,226	\$ 28,933,493,707	\$ 26,529,232,568	\$ 23,658,082,495

(Continued)

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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2016	2015	2014	2013
OXY USA Inc.	Oil & Gas	1.14%	1.55%	1.38%	1.28%
AEP Texas Central Co.	Electric Utility	0.88%	0.85%	0.79%	0.65%
Los Vientos Windpower III, LLC	Electric Utility	0.68%	-	-	-
Simon Property Group - McAllen No.2	Development	0.35%	0.28%	0.20%	0.17%
H. E. Butt Grocery Company	Grocery Chain	0.32%	0.34%	0.33%	0.33%
Day Surgery at Renaissance LLC ¹	Healthcare	0.28%	0.31%	0.29%	0.30%
Wal-Mart Stores ²	Retail Store	0.25%	0.36%	0.37%	0.29%
CPG Mercedes LP	Real Estate	0.22%	0.23%	0.20%	0.20%
Sharyland Utilities LP	Electric Utility	0.19%	0.22%	0.19%	0.17%
Cantera Operating LLC	Real Estate	0.19%	0.21%	-	-
Calpine Construction Finance Co. LP	Electric Utility	0.18%	0.21%	0.21%	0.25%
Frontera Generation LTD	Land & Improvements	0.18%	0.22%	0.21%	0.23%
Rio Grande Regional Hospital	Hospital	0.16%	0.18%	0.19%	0.19%
NET Mexico Pipeline	Pipeline	0.15%	-	-	-
Universal Health Services	Healthcare	0.14%	0.15%	0.17%	0.18%
Southwestern Bell Telephone	Telephone Utility	-	0.17%	0.18%	0.19%
Palm Crossing Town Center LLC	Real Estate	-	0.14%	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	0.29%	0.37%
Legend Natural Gas LLP	Oil & Gas	-	-	0.21%	0.26%
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	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	-
Totals		5.31%	5.42%	5.21%	5.06%

Sources:

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

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year					
2012	2011	2010	2009	2008	2007
1.93%	-	-	-	-	-
0.63%	0.58%	0.58%	0.60%	0.64%	0.77%
-	-	-	-	-	-
0.17%	0.17%	0.17%	-	0.21%	0.18%
0.34%	0.38%	0.38%	0.40%	0.39%	0.38%
-	-	-	-	-	-
0.29%	0.35%	0.35%	0.37%	-	-
0.20%	0.20%	0.20%	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.23%	0.29%	0.29%	0.34%	0.46%	0.50%
0.24%	0.27%	0.27%	0.28%	0.40%	0.42%
0.18%	0.22%	0.22%	0.23%	0.25%	0.32%
-	-	-	-	-	-
0.19%	0.28%	0.28%	0.30%	0.36%	0.39%
0.24%	0.31%	0.31%	0.34%	0.44%	0.44%
-	-	-	-	-	-
0.42%	0.77%	0.77%	1.07%	1.45%	1.07%
0.22%	-	-	-	-	-
0.18%	0.64%	0.64%	1.57%	0.89%	0.28%
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%	0.26%
-	-	-	0.19%	0.25%	0.30%
-	-	-	-	0.38%	0.32%
-	-	-	-	-	1.60%
-	-	-	-	0.21%	0.20%
5.62%	7.64%	7.64%	8.83%	8.93%	7.43%

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
2016	\$ 60,279,269	\$ 188,410	\$ 60,467,679	\$ 57,139,510	94.79%
2015	56,134,038	751,000	56,885,039	53,732,185	95.72%
2014	45,078,972	140,262	45,219,233	42,542,880	94.37%
2013	44,351,826	(54,151)	44,297,675	41,562,746	93.71%
2012	44,227,775	(113,655)	44,114,120	41,368,696	93.54%
2011	44,806,807	(46,923)	44,759,884	41,594,864	92.83%
2010	44,968,114	140,584	45,108,698	41,700,948	92.73%
2009	43,218,654	1,421,779	44,640,433	41,017,803	94.91%
2008	40,856,871	677,561	41,534,432	38,370,024	93.91%
2007	36,625,083	213,600	36,838,683	34,032,590	92.92%

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)
\$ -	\$ -	\$ 695,518	\$ 57,835,028	95.65%
-	1,401,132 *	299,637 *	55,432,953	97.45%
1,237,304 *	387,717	135,668	44,303,568	97.98%
1,702,280	213,581	101,772	43,580,378	98.38%
1,913,886	136,239	81,535	43,500,356	98.61%
2,377,699	102,801	72,804	44,148,169	98.63%
2,757,831	81,413	67,965	44,608,157	98.89%
3,073,460	60,493	55,382	44,207,138	99.03%
2,787,199	45,715	47,289	41,250,227	99.32%
2,530,195	36,172	41,552	36,640,509	99.46%

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

	For the Year Ended August 31,			
	2016	2015	2014	2013
General Bonded Debt				
General obligation bonds	\$ 178,297,054	\$ 188,761,705	\$ 97,817,879	\$ 47,249,685
Notes	-	-	-	-
Less: Funds restricted for debt service	(15,223,843)	(17,161,084)	(17,635,362)	(16,294,897)
Net General Bonded Debt	163,073,211	171,600,621	80,182,517	30,954,788
Other Debt				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Outstanding Debt	\$ 178,297,054	\$ 188,761,705	\$ 97,817,879	\$ 47,249,685

General Bonded Debt Ratios

Per Capita (a)	\$ 179.27	\$ 191.20	\$ 90.61	\$ 35.43
Per FTSE (b)	6,205	6,730	3,143	1,345
As a percentage of taxable assessed value (c)	0.49%	0.55%	0.27%	0.10%
As a percentage of personal income (d)	0.76%	0.87%	0.43%	0.17%

Total Outstanding Debt Ratios

Per Capita (a)	\$ 196.01	\$ 210.33	\$ 110.54	\$ 54.08
Per FTSE (b)	6,784	7,403	3,835	2,054
As a percentage of taxable assessed value (c)	0.54%	0.61%	0.32%	0.16%
As a percentage of personal income (d)	0.83%	0.96%	0.52%	0.26%

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,

2012	2011	2010	2009	2008	2007
\$ 56,569,741	\$ 65,994,008	\$ 73,749,384	\$ 81,837,974	\$ 89,621,562	\$ 97,140,150
-	-	-	-	-	-
(14,493,499)	(13,204,788)	(11,946,974)	(10,475,704)	(8,974,272)	(7,125,560)
42,076,242	52,789,220	61,802,410	71,362,270	80,647,290	90,014,590

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ 56,569,741	\$ 65,994,008	\$ 73,749,384	\$ 81,837,974	\$ 89,621,562	\$ 97,140,150

\$ 48.87	\$ 62.23	\$ 73.95	\$ 83.42	\$ 99.23	\$ 118.92
2,041	2,603	3,023	4,472	5,463	7,551
0.14%	0.18%	0.20%	0.25%	0.30%	0.38%
0.35%	0.62%	0.75%	0.83%	0.98%	0.74%

\$ 65.70	\$ 77.80	\$ 88.24	\$ 95.66	\$ 110.27	\$ 128.33
2,745	3,254	3,608	5,129	6,071	8,149
0.19%	0.22%	0.24%	0.28%	0.34%	0.41%
0.47%	0.77%	0.90%	0.96%	1.09%	0.80%

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
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%
2007	23,658,082,495	118,290,412	(7,125,560)	111,164,852	(11,135,516)	100,029,336	3.39%

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)
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)
2007	756,956 (7)	30,153 (7)	23,070 (1)	26,612	18,316 (1)	13,854 (1)

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 (1,7) (i)	Starr County Unemployment Rate (1,7) (j)	District Unemployment Rate (k)	State Unemployment Rate (1,7) (l)	National Unemployment Rate (1) (m)
\$ 23,484	\$ 21,362,291	8.40%	14.10%	11.25%	5.00%	5.00%
21,942	19,692,331	8.00%	13.20%	10.60%	4.50%	5.20%
21,133	18,700,338	9.15%	13.45%	11.30%	5.10%	5.70%
20,428	17,848,250	10.80%	15.00%	12.90%	6.35%	7.30%
14,126	12,162,373	11.70%	14.70%	13.20%	7.05%	8.20%
10,078	8,548,442	12.60%	16.80%	14.70%	8.50%	9.10%
9,839	8,222,816	12.10%	17.90%	15.00%	8.50%	9.60%
9,995	8,550,752	11.60%	17.80%	14.70%	8.30%	9.80%
10,131	8,233,808	7.90%	10.90%	9.40%	5.10%	6.10%
16,085	12,175,637	6.20%	8.10%	7.15%	4.30%	4.70%

Statistical Supplement 13
Principal Employers
(unaudited)

Employer	2016		Employer	2007	
	Number of Employees	Percentage of Total Employment		Number of Employees	Percentage of Total Employment
Wal-Mart ¹	5,842	1.76%	Edinburg Consolidated I.S.D.	3,600	1.71%
H-E-B ²	4,656	1.40%	McAllen Independent School District	3,451	1.64%
Pharr-San Juan-Alamo I.S.D.	4,100	1.23%	Edinburg Regional Medical Center	3,000	1.42%
McAllen Consolidated I.S.D.	3,900	1.17%	University of Texas - Pan American	2,850	1.35%
Edinburg Consolidated I.S.D.	3,600	1.08%	Hidalgo County	2,211	1.04%
Doctor's Hospital at Renaissance	3,400	1.02%	City of McAllen	1,801	0.85%
Hidalgo County	3,163	0.95%	Wal-Mart ³	1,760	0.83%
Edinburg Regional Medical Center	3,000	0.90%	McAllen Medical Center	1,700	0.80%
University of Texas Rio Grande Valley	2,850	0.86%	South Texas College	1,664	0.78%
Weslaco I.S.D.	2,817	0.85%	U.S. Customs & Border Patrol	1,609	0.76%
Totals	37,328	11.22%	Totals	23,646	11.18%

Sources:
Hidalgo County 2015 CAFR
Starr County

Notes:
Total employment as of August 2016 for the district was 332,169. Based on latest economic indicators, provided by the Texas Workforce Commission for Texas Labor Market Information for August 2016.

- (1) Total number of employees includes 19 Wal-Mart stores in Hidalgo County and 1 Wal-Mart store in Starr County.
- (2) Total number of employees includes 19 H-E-B stores in Hidalgo County and 1 H-E-B store in Starr County.
- (3) Partial information received from retail store.

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Faculty										
Full-Time	598	586	420	530	526	552	446	437	428	409
Part-Time	397	135	177	146	192	197	194	170	252	229
Total	995	721	597	676	718	749	640	607	680	638
Percent										
Full-Time	60.1%	81.3%	70.4%	78.4%	73.3%	73.7%	69.7%	72.0%	62.9%	64.1%
Part-Time	39.9%	18.7%	29.6%	21.6%	26.7%	26.3%	30.3%	28.0%	37.1%	35.9%
Staff and Administrators										
Full-Time	846	808	794	698	710	720	718	675	596	574
Part-Time	415	522	547	446	426	408	428	428	404	475
Total	1,261	1,330	1,341	1,144	1,136	1,128	1,146	1,103	1,000	1,049
Percent										
Full-Time	67.1%	60.8%	59.2%	61.0%	62.5%	63.8%	62.7%	61.2%	59.6%	54.7%
Part-Time	32.9%	39.2%	40.8%	39.0%	37.5%	36.2%	37.3%	38.8%	40.4%	45.3%
FTSE per Full-time Faculty	43.9	43.5	60.7	43.4	39.2	36.7	45.8	36.5	34.5	29.1
FTSE per Full-Time Staff Member	31.1	31.6	32.1	33.0	29.0	28.2	28.5	23.6	24.8	20.8
FTSE*	26,282	25,498	25,508	23,007	20,612	20,282	20,442	15,956	14,762	11,921
Average Annual Faculty Salary**	\$ 43,234	\$ 55,811	\$ 66,383	\$ 56,701	\$ 52,051	\$ 52,435	\$ 56,880	\$ 52,830	\$ 44,391	\$ 39,688

Sources:
South Texas College District Office of Human Resources

Notes:
*FTSE was obtained from Statistical Supplement 6.
**Average annual faculty salary includes annualized salaries for faculty under nine month contract.

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

Student Classification	Academic									
	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	23,509	69.16%	20,911	67.79%	20,746	68.59%	20,391	68.40%	19,655	66.60%
31-60 hours	8,549	25.15%	7,996	25.92%	8,353	27.62%	8,391	28.15%	8,771	29.72%
> 60 hours	1,936	5.69%	1,942	6.29%	1,147	3.79%	1,030	3.45%	1,087	3.68%
Total	33,994	100.00%	30,849	100.00%	30,246	100.00%	29,812	100.00%	29,513	100.00%

Semester Hour Load	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	83	0.24%	79	0.26%	85	0.28%	105	0.35%	92	0.31%
3-5 semester hours	9,918	29.18%	8,377	27.15%	8,239	27.24%	7,729	25.93%	7,336	24.86%
6-8 semester hours	8,376	24.64%	7,416	24.04%	7,016	23.20%	6,867	23.03%	6,431	21.79%
9-11 semester hours	6,465	19.02%	6,274	20.34%	5,829	19.27%	5,838	19.58%	5,854	19.84%
12-14 semester hours	7,686	22.61%	7,483	24.26%	7,545	24.95%	7,991	26.80%	8,690	29.44%
15-17 semester hours	1,300	3.82%	1,084	3.51%	1,347	4.45%	1,136	3.81%	997	3.38%
18 & over	166	0.49%	136	0.44%	185	0.61%	146	0.50%	113	0.38%
Total	33,994	100.00%	30,849	100.00%	30,246	100.00%	29,812	100.00%	29,513	100.00%

Average course load 7.58 8.36 8.39 8.44 8.57

Tuition Status	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	31,881	93.78%	29,057	94.19%	28,868	95.44%	28,649	96.10%	28,611	96.94%
Texas Resident (out-of-District)	682	2.01%	683	2.21%	597	1.97%	682	2.29%	548	1.86%
Non-Resident Tuition	1,431	4.21%	1,109	3.60%	781	2.59%	481	1.61%	354	1.20%
Total	33,994	100.00%	30,849	100.00%	30,246	100.00%	29,812	100.00%	29,513	100.00%

Sources:
CBM001

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

Continuing Education

Student Classification (Contact Hours)	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Continuing Education (CE)	1,426	21.43%	5,798	98.98%	4,972	99.00%	2,314	97.02%	859	95.87%
CE Not State Funded	5,229	78.57%	60	1.02%	50	1.00%	71	2.98%	37	4.13%
Inter-Institutional	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%	896	100.00%

Contact Hour Load	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	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	1	0.01%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
6-8 semester hours	67	1.01%	92	1.57%	169	3.37%	295	12.37%	100	11.16%
9-11 semester hours	39	0.59%	2	0.03%	3	0.06%	-	0.00%	-	0.00%
12-14 semester hours	238	3.58%	233	3.98%	192	3.82%	209	8.76%	186	20.76%
15-17 semester hours	27	0.40%	11	0.19%	9	0.18%	30	1.26%	12	1.34%
18 & over	6,283	94.41%	5,520	94.23%	4,649	92.57%	1,851	77.61%	598	66.74%
Total	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%	896	100.00%

Average course load 66.05 66.55 73.87 72.03 49.04

Tuition Status	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	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 course(s) only	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Non-contact course(s) only	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%	896	100.00%
Total	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%	896	100.00%

Sources:
CBM00A Item #21 Tuition Status of CE Students

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

Academic

Gender	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	18,999	55.89%	17,476	56.65%	17,102	56.54%	17,160	57.56%	16,877	57.18%
Male	14,995	44.11%	13,373	43.35%	13,144	43.46%	12,652	42.44%	12,636	42.82%
Total	33,994	100.00%	30,849	100.00%	30,246	100.00%	29,812	100.00%	29,513	100.00%

Ethnic Origin	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	979	2.88%	880	2.85%	825	2.73%	769	2.58%	591	2.00%
Hispanic	31,865	93.74%	28,829	93.45%	28,257	93.42%	27,582	92.52%	26,815	90.86%
African American	85	0.25%	90	0.29%	66	0.22%	65	0.22%	62	0.21%
Asian	265	0.78%	259	0.84%	247	0.82%	227	0.76%	156	0.53%
Foreign	100	0.29%	76	0.25%	67	0.22%	82	0.27%	64	0.22%
Native American	18	0.05%	16	0.05%	11	0.04%	26	0.09%	7	0.02%
Unknown	682	2.01%	699	2.27%	773	2.55%	1,061	3.56%	1,818	6.16%
Total	33,994	100.00%	30,849	100.00%	30,246	100.00%	29,812	100.00%	29,513	100.00%

Age	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	14,501	42.66%	11,954	38.75%	11,693	38.66%	10,783	36.17%	9,540	32.32%
18 - 21	10,955	32.22%	10,508	34.06%	10,248	33.88%	10,281	34.49%	10,479	35.51%
22 - 24	3,164	9.31%	3,136	10.17%	3,079	10.18%	3,039	10.19%	3,085	10.45%
25 - 35	3,901	11.48%	3,775	12.24%	3,704	12.25%	4,019	13.48%	4,545	15.40%
36 - 50	1,309	3.85%	1,311	4.25%	1,343	4.44%	1,489	5.00%	1,675	5.68%
51 & over	164	0.48%	165	0.53%	179	0.59%	201	0.67%	189	0.64%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	33,994	100.00%	30,849	100.00%	30,246	100.00%	29,812	100.00%	29,513	100.00%

Average Age	21.0	20.7	21.2	21.2	22.0
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Sources:
CBM001

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

Continuing Education

Gender	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	3,613	54.29%	3,069	52.39%	2,418	48.15%	1,039	43.56%	429	47.88%
Male	3,042	45.71%	2,789	47.61%	2,604	51.85%	1,346	56.44%	467	52.12%
Total	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%	896	100.00%

Ethnic Origin	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	148	2.22%	109	1.86%	91	1.81%	10	0.42%	44	4.91%
Hispanic	3,688	55.42%	3,755	64.10%	3,369	67.08%	1,255	52.62%	282	31.47%
African American	11	0.16%	6	0.10%	14	0.28%	3	0.13%	1	0.11%
Asian	10	0.15%	26	0.44%	15	0.30%	5	0.21%	1	0.11%
Foreign	-	0.00%	1	0.02%	-	0.00%	-	0.00%	-	0.00%
Native American	3	0.05%	5	0.09%	3	0.06%	2	0.08%	1	0.11%
Unknown	2,795	42.00%	1,956	33.39%	1,530	30.47%	1,110	46.54%	567	63.29%
Total	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%	896	100.00%

Age	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	5,159	77.52%	4,275	72.98%	3,625	72.18%	927	38.87%	19	2.12%
18 - 21	447	6.72%	456	7.78%	485	9.66%	259	10.86%	97	10.83%
22 - 24	129	1.94%	124	2.12%	147	2.93%	143	6.00%	53	5.92%
25 - 35	323	4.85%	404	6.90%	306	6.09%	418	17.52%	263	29.35%
36 - 50	461	6.93%	480	8.19%	324	6.45%	481	20.17%	358	39.96%
51 & over	136	2.04%	119	2.03%	135	2.69%	157	6.58%	106	11.82%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	6,655	100.00%	5,858	100.00%	5,022	100.00%	2,385	100.00%	896	100.00%

Average Age 19.0 20.1 21.70 27.00 36.20

Sources:
CBM00A

Statistical Supplement 17

Transfers to Senior Institutions

Students as of Fall 2015

(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	2,454	483	87	3,024	52.17%
2 South Texas College	396	577	118	1,091	18.82%
3 Texas A&M University - Kingsville	274	24	7	305	5.26%
4 Texas A&M University	249	33	14	296	5.11%
5 The University of Texas at San Antonio	202	37	12	251	4.33%
6 The University of Texas at Austin	175	19	5	199	3.43%
7 Texas State University	142	26	6	174	3.00%
8 Texas A&M University - Corpus Christi	62	13	1	76	1.31%
9 Texas State Technical College - Harlingen	38	15	3	56	0.97%
10 Texas A&M International University	43	6	4	53	0.91%
11 University of Houston	34	5	-	39	0.67%
12 Sam Houston State University	30	2	-	32	0.55%
13 Texas Tech University	23	3	1	27	0.47%
14 Austin Community College	19	4	2	25	0.43%
15 Blinn College	15	4	1	20	0.35%
16 ACCD - Northwest Vista College	18	2	-	20	0.35%
17 University of North Texas	17	2	-	19	0.33%
18 The University of Texas at Arlington	16	3	-	19	0.33%
19 Del Mar College	7	5	1	13	0.22%
20 Texas Southmost College	7	4	-	11	0.19%
21 Texas A&M University System Health Science Center	7	4	-	11	0.19%
22 Laredo Community College	3	7	-	10	0.17%
23 ACCD - San Antonio College	5	2	2	9	0.16%
24 Stephen F. Austin State University	6	2	-	8	0.14%
25 West Texas A&M University	8	-	-	8	0.14%
	4,250	1,282	264	5,796	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				
	2016	2015	2014	2013	2012
Academic buildings	23	23	23	23	24
Square footage	949,435	949,435	949,435	949,435	1,023,096
Academic portable buildings	35	43	43	43	44
Square footage	53,446	71,305	71,305	71,305	72,865
Libraries	3	3	3	3	3
Square footage	105,507	105,507	105,507	105,507	105,507
Number of volumes	141,913	139,465	141,500	138,221	142,163
Administrative and support buildings	13	13	13	13	12
Square footage	305,970	305,970	305,970	305,970	232,309
Administrative and support portable buildings	14	12	12	12	9
Square footage	18,556	15,124	15,124	15,124	13,404
Dining facilities	5	5	5	5	5
Square footage	15,343	15,343	15,343	15,343	15,343
Average daily customers	993	1,544	1,401	1,052	1,005
Fitness facilities	2	2	2	2	2
Square footage	37,432	37,432	37,432	37,432	37,432
Plant facilities	1	1	1	1	1
Square footage	11,754	11,754	11,754	11,754	11,754
Transportation					
Automobiles - instructional	25	30	32	29	29
Light trucks/vans	41	41	35	24	21
Light trucks/vans - instructional	24	29	29	28	28
Heavy trucks/backhoe	3	2	1	1	1
Heavy trucks/backhoe - instructional	5	6	5	5	5
Golf and forklift	29	28	27	18	14
Trailer	1	1	1	1	1
Shuttle buses	6	3	3	2	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,			
	2016	2015	2014	2013
Operating Revenues				
Tuition and fees (net of discounts)	\$ 21,452,743	\$ 21,373,162	\$ 20,488,244	\$ 21,051,377
Federal grants and contracts	3,889,498	4,368,574	3,445,293	4,630,302
State grants and contracts	3,266,315	4,068,944	4,246,315	5,160,704
Local grants and contracts	1,201,088	1,099,573	1,118,054	1,270,376
Non-governmental grants and contracts	6,350,377	5,235,358	4,949,832	3,113,960
Auxiliary enterprises	1,893,838	1,773,325	1,835,353	1,810,240
General operating revenues	729,855	1,308,903	645,811	621,264
Total Operating Revenues	38,783,714	39,227,839	36,728,902	37,658,223
Operating Expenses				
Instruction	66,249,496	60,820,171	59,447,106	57,766,578
Research	-	-	-	4,516
Public service	912,507	1,205,480	829,711	903,735
Academic support	16,333,241	15,281,478	13,980,994	12,775,912
Student services	11,477,740	10,969,940	10,403,814	10,090,241
Institutional support	23,138,061	21,790,954	19,813,087	21,108,957
Operations and maintenance of plant	14,064,638	13,675,484	12,563,250	9,486,934
Scholarships and fellowships	26,432,169	27,815,696	27,692,817	28,724,249
Auxiliary enterprises	1,562,463	1,403,408	1,388,716	1,383,521
Depreciation	6,966,274	6,759,801	6,731,486	6,589,876
Total Operating Expenses	167,136,589	159,722,412	152,850,981	148,834,519
Operating Loss	\$ (128,352,875)	\$ (120,494,573)	\$ (116,122,079)	\$ (111,176,296)

Notes:

Other non-operating expenses were segregated into separate categories for FY 2008 - FY 2016.
The segregation is not reflected in the previous years.

For the Fiscal Year Ended August 31,

2012	2011	2010	2009	2008	2007
\$ 19,583,509	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311	\$ 15,075,608	\$ 12,657,625
4,748,007	6,172,207	8,979,526	7,015,595	6,508,073	5,057,914
6,794,060	6,335,567	6,711,706	5,412,226	4,292,294	3,068,738
1,293,135	1,380,691	1,255,944	1,129,509	741,390	922,667
2,740,134	2,796,686	2,200,618	1,594,568	1,555,367	1,192,509
1,872,734	1,877,501	1,666,738	1,403,045	1,300,682	874,962
439,642	545,846	1,988,232	2,280,483	1,129,049	1,493,987
37,471,221	37,390,206	39,956,379	35,396,737	30,602,463	25,268,402
53,899,805	57,359,050	55,454,200	48,698,353	42,291,067	37,853,111
67,273	6,303	-	-	-	-
736,507	640,673	2,460,617	2,637,239	2,924,649	1,795,019
11,551,178	12,035,474	9,565,508	9,271,172	8,241,265	8,089,561
9,681,946	9,939,104	10,264,591	9,070,935	8,057,220	7,727,628
19,494,885	20,293,881	19,044,676	17,197,508	15,303,315	14,169,127
9,459,757	10,270,614	10,437,077	10,356,102	9,336,528	8,712,299
31,873,082	39,320,494	37,212,122	23,176,417	19,424,919	15,819,630
1,418,145	1,421,243	1,524,084	1,498,378	655,258	422,150
6,414,932	6,265,826	5,923,105	5,848,873	5,391,971	5,285,190
144,597,510	157,552,662	151,885,980	127,754,977	111,626,192	99,873,715
\$ (107,126,289)	\$ (120,162,456)	\$ (111,929,601)	\$ (92,358,240)	\$ (81,023,729)	\$ (74,605,313)

(Continued)

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

	For the Fiscal Year Ended August 31,			
	2016	2015	2014	2013
Non-Operating Revenues (Expenses)				
State allocations	\$ 46,077,235	\$ 42,858,200	\$ 42,766,020	\$ 38,977,829
Ad-valorem taxes				
Taxes for maintenance & operations	46,781,602	43,951,580	33,983,319	32,403,363
Taxes for debt service	15,016,847	14,105,277	12,291,870	12,030,232
Federal revenue, non-operating	54,858,852	54,881,496	55,351,962	57,151,307
Gifts	251,022	305,146	323,100	351,843
Investment income (net of investment expenses)	1,034,010	144,206	214,915	389,519
Insurance proceeds	-	24,282	-	-
Interest and capital related debt	(6,602,765)	(5,964,767)	(1,340,664)	(1,513,884)
Gain on disposal of capital assets	12,350	-	-	-
Loss on sale/disposal/return on capital assets	-	(240,389)	(10,154)	(217)
Non-capital construction costs	(1,911,123)	(1,731,576)	(1,715,994)	(849,455)
Bond costs amortization	(284,829)	(1,166,614)	(873,317)	(566,261)
Other non-operating revenues (expenses)	(320,767)	(274,655)	(172,844)	(290,477)
Net Non-Operating Revenues (Expenses)	154,912,434	146,892,186	140,818,213	138,083,799
Income before contributions, endowment and extraordinary item	26,559,559	26,397,613	24,696,134	26,907,503
Capital contributions	4,515,864	66,908	105,190	83,298
Additions (deductions) to permanent and term endowment	-	-	-	-
Special item	-	-	-	-
Extraordinary item	-	1,987,665	(2,655,340)	(4,230,489)
Increase in net position	31,075,423	28,452,186	22,145,984	22,760,312
Net position - beginning of year, as restated	340,202,352	337,541,511	315,848,253	293,087,941
Cumulative effect of change in accounting principle	-	(25,791,345)	(452,726)	-
Net Position - End of Year	\$ 371,277,775	\$ 340,202,352	\$ 337,541,511	\$ 315,848,253

(Continued)

For the Fiscal Year Ended August 31,

2012	2011	2010	2009	2008	2007
\$ 37,017,673	\$ 36,676,953	\$ 37,514,938	\$ 33,173,275	\$ 32,857,808	\$ 30,311,961
33,244,142	33,798,861	34,314,946	33,731,408	30,822,108	27,439,614
12,276,741	12,187,090	12,197,541	12,212,764	12,319,291	11,151,789
61,950,136	66,972,554	59,089,947	34,498,524	28,470,310	25,966,042
418,605	309,868	663,193	775,113	519,842	351,586
417,075	327,497	388,426	1,335,180	2,627,475	4,653,487
-	-	-	-	-	-
(1,821,871)	(2,054,633)	(2,986,702)	(3,186,226)	(3,046,995)	(4,926,778)
2,793	-	-	-	-	-
-	(3,500)	(4,698)	(77,747)	-	-
(1,400,934)	(464,503)	(2,268,529)	(1,038,216)	(735,663)	-
(536,677)	(496,724)	(353,037)	(353,037)	(353,211)	-
(500,835)	(396,032)	(673,262)	(706,561)	(426,718)	(1,712,405)
141,066,848	146,857,431	137,882,763	110,364,477	103,054,247	93,235,296
33,940,559	26,694,975	25,953,162	18,006,237	22,030,518	18,629,983
22,740	732,061	1,248,559	2,407,855	86,333	308,894
(4,700)	300	-	9,690	-	-
-	-	-	374,140	-	-
2,010,294	-	-	-	-	-
35,968,893	27,427,336	27,201,721	20,797,922	22,116,851	18,938,877
257,119,048	229,691,712	202,489,991	181,692,069	159,575,218	140,636,341
-	-	-	-	-	-
\$ 293,087,941	\$ 257,119,048	\$ 229,691,712	\$ 202,489,991	\$ 181,692,069	\$ 159,575,218

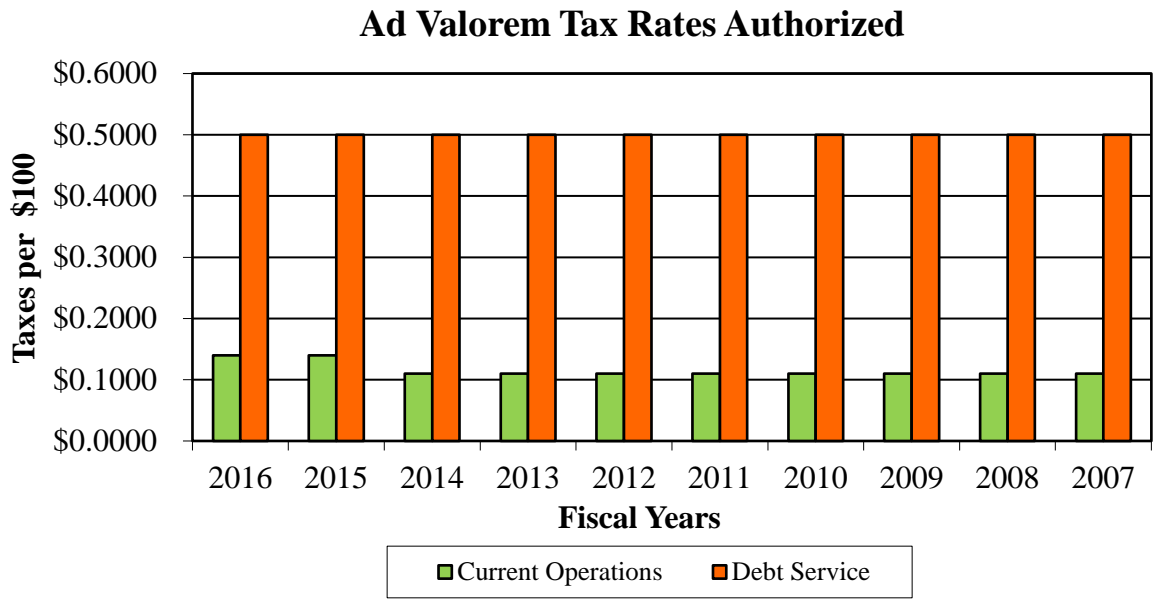


SOUTH TEXAS COLLEGE

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

Fiscal Year	Current Operations	Debt Service	Total
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
2007	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 2015	Tax Year 2014	Tax Year 2013	Tax Year 2012
South Texas College	100.00%	\$0.185000	\$0.185000	\$0.150000	\$0.150700
HIDALGO COUNTY					
Cities:					
Alamo	100.00%	0.588100	0.598970	0.598970	0.598970
Alton	-	0.454000	0.459100	0.462400	0.479900
Donna	100.00%	0.982828	1.142421	1.252376	1.252300
Edcouch	-	0.928600	0.928600	0.970500	0.999900
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	-	0.856600	0.986700	0.991600	0.990000
Granjeno	-	0.425100	0.423000	0.425300	0.425300
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.543500	0.570000	0.567800	0.567800
La Villa	100.00%	0.783600	0.783600	0.783600	0.783600
McAllen	99.99%	0.476300	0.476300	0.431300	0.431300
Mercedes	100.00%	0.755000	0.760000	0.775000	0.785000
Mission	99.74%	0.498800	0.518800	0.528800	0.528800
Palmview	-	0.475100	0.479000	0.466500	0.466500
Penitas	100.00%	0.506000	0.459500	0.434500	0.410000
Pharr	100.00%	0.654000	0.680000	0.680000	0.680000
Progreso	100.00%	0.806100	0.793000	0.812600	0.538900
San Juan	99.98%	0.699300	0.699300	0.738600	0.738600
Sullivan City	-	0.466800	0.447800	0.416000	0.383800
Weslaco	100.00%	0.676700	0.676700	0.686700	0.696700
School Districts:					
Donna ISD	99.99%	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%	1.530000	1.530000	1.556400	1.556400
La Joya ISD	99.99%	1.311000	1.311000	1.311000	1.311000
La Villa ISD	100.00%	1.303800	1.303800	1.303800	1.303800
Lyford CISD	2.04%	1.280000	1.280000	1.220000	1.330000
McAllen ISD	99.99%	1.155000	1.165000	1.165000	1.165000
Mercedes ISD	100.00%	1.380000	1.380000	1.290000	1.290000
Mission CISD	99.97%	1.367200	1.330000	1.300000	1.300000
Monte Alto ISD	100.00%	1.350000	1.350000	1.350000	1.350000
PSJA ISD	100.00%	1.399200	1.359200	1.359200	1.359200
Progreso ISD	100.00%	1.370000	1.370000	1.327500	1.370000
Sharyland ISD	100.00%	1.335500	1.335500	1.285500	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 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008	Tax Year 2007	Tax Year 2006
\$0.150700	\$0.149700	\$0.149100	\$0.149800	\$0.154000	\$0.154800
0.585480	0.591910	0.591910	0.591910	0.592850	0.592850
0.482500	0.485000	0.049500	0.497400	0.499900	0.426600
1.252300	1.125979	1.038320	0.989999	0.989999	0.989999
0.884200	0.854200	0.854200	0.901200	0.899000	0.899000
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.990000	0.904200	0.904200	0.904220	0.741851	0.792720
0.425300	0.375700	0.037200	0.311100	0.281000	0.304900
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.545200	0.532300	0.517600	0.567800	0.560100	0.586200
0.622400	0.623400	0.623400	0.839600	0.772400	0.851600
0.431300	0.421300	0.421300	0.421300	0.421300	0.421300
0.785000	0.790000	0.790000	0.805000	0.850000	0.870000
0.538800	0.556600	0.556600	0.566600	0.556600	0.556600
0.460000	0.453400	0.443800	0.467964	0.352146	0.337009
0.362500	0.329600	0.308500	0.338900	0.275000	0.300000
0.680000	0.680000	0.680000	0.683120	0.683120	0.683120
0.499900	0.455300	0.455300	0.414700	0.422200	0.413900
0.738600	0.738600	0.738600	0.699300	0.699300	0.699300
0.353500	0.322000	0.323200	0.326000	0.326000	0.300000
0.696700	0.696700	0.696700	0.696700	0.696700	0.699500
1.258200	1.258200	1.177900	1.200000	1.200000	1.530000
1.258000	1.258000	1.258000	1.258000	1.258000	1.543400
1.239800	1.239800	1.219800	1.189800	1.115200	1.445200
1.586400	1.586400	1.436400	1.350000	1.320000	1.540000
1.311000	1.311000	1.311000	1.321600	1.252000	1.582000
1.303800	1.224800	1.224800	1.224800	1.224800	1.517800
1.330000	0.000000	0.000000	0.000000	0.000000	0.000000
1.165000	1.165000	1.165000	1.145000	1.145000	1.478000
1.290000	1.290000	1.290000	1.290000	1.290000	1.570000
1.300000	1.300000	1.280000	1.240000	1.180000	1.457400
1.350000	1.350000	1.220000	1.240000	1.186000	1.427300
1.359200	1.359200	1.301300	1.271000	1.211300	1.519400
1.430000	1.430000	1.310000	1.340000	1.239000	1.604600
1.200000	1.200000	1.200000	1.185000	1.185000	1.545100
0.049200	0.049200	0.049200	0.049200	0.049200	0.039200
1.317000	1.317000	1.317000	1.317000	1.255200	1.548800
1.139700	1.139700	1.139700	1.139700	1.104700	1.341800

(Continued)

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

Governmental Subdivision	Percent Applicable*	Tax Year 2015	Tax Year 2014	Tax Year 2013	Tax Year 2012
HIDALGO COUNTY					
Special Districts:					
Hidalgo County	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage District #1	99.99%	0.095100	0.095700	0.095700	0.075000
EMS District #1	-	0.185000	0.016500	0.015400	0.014300
EMS District #2	-	0.036100	0.036100	0.036100	0.036100
EMS District #3	-	0.030000	0.030000	0.030000	0.030000
EMS District #4	-	0.027200	0.272000	0.026700	0.026200
Donna Irrigation #1	-	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	-	0.550000	0.550000	0.580000	0.580000
Engleman Water District #6	-	0.000000	0.000000	0.000000	0.230000
Kennedy County GCD	-	0.015300	0.015300	0.015300	0.015300
Brush County GCD	-	0.026020	0.026020	0.027000	0.029894
Red Sands Groundwater CD	-	0.169000	0.169000	0.169000	0.169000
STARR COUNTY					
Cities:					
Roma	100.00%	0.523055	0.523055	0.519030	0.516500
Rio Grande City	100.00%	0.514749	0.514749	0.514080	0.514160
Escobares City	-	0.403517	0.403517	0.364809	0.340000
School Districts					
Rio Grande City CISD	100.00%	1.438400	1.447200	1.440600	1.442600
Roma ISD	100.00%	1.553660	1.459090	1.459090	1.459090
San Isidro ISD	-	1.271800	1.260000	1.130000	1.130000
Special Districts:					
Starr County Memorial					
Hospital District	-	0.248092	0.262775	0.256915	0.251238
Starr County	100.00%	0.561000	0.561700	0.524600	0.551100
F&M & FC	-	0.217400	0.217400	0.254600	0.228100

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

(Continued)

Tax Year 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008	Tax Year 2007	Tax Year 2006
0.590000	0.590000	0.590000	0.590000	0.590000	0.590000
0.073300	0.072500	0.072500	0.070000	0.049200	0.043100
0.013400	0.013400	0.013200	0.013200	0.014700	0.015700
0.033600	0.031100	0.028400	0.029000	0.028000	0.027400
0.010000	0.008800	0.008000	0.007500	0.008600	0.010300
0.024500	0.024500	0.024000	0.021800	0.022800	0.024100
0.210000	0.210000	0.210000	0.210000	0.210000	0.210000
0.510000	0.510000	0.000000	0.480000	0.000000	0.540000
0.220000	0.220000	0.210000	0.280000	0.270000	0.274600
0.015300	0.012500	0.015000	0.020000	0.000000	0.000000
0.030000	0.000000	0.000000	0.000000	0.000000	0.000000
0.169000	0.000000	0.000000	0.000000	0.000000	0.000000
0.508710	0.508710	0.446330	0.444620	0.453780	0.394940
0.507459	0.506460	0.350000	0.292292	0.292292	0.292292
0.340000	0.322050	0.300000	0.300000	0.000000	0.000000
1.479500	1.489500	1.413000	1.418900	1.418900	1.599800
1.459920	1.464760	1.416680	1.437683	1.234090	1.521000
1.040000	1.030000	1.040000	1.040000	1.040000	1.370000
0.237531	0.204604	0.193676	0.200178	0.196300	0.133400
0.510100	0.460100	0.520400	0.514200	0.514200	0.441000
0.189100	0.239100	0.178800	0.185000	0.185000	0.168200

Statistical Supplement 22
Computation of Direct and Overlapping Debt
August 31, 2016
(unaudited)

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Alamo, City of	\$ 11,190,000 *		08/31/2016	100.00%	\$ 11,190,000
Donna ISD	83,535,000 *		08/31/2016	99.99%	83,526,647
Donna, City of	47,790,000 *		08/31/2016	100.00%	47,790,000
Edcouch-Elsa ISD	46,844,250 *		08/31/2016	100.00%	46,844,250
Edinburg CISD	147,530,000 *		08/31/2016	100.00%	147,530,000
Edinburg, City of	45,625,000 *		08/31/2016	100.00%	45,625,000
Hidalgo County	198,210,000 *		08/31/2016	100.00%	198,210,000
Hidalgo County DD #1	145,305,000 *		08/31/2016	99.99%	145,290,470
Hidalgo ISD	36,115,000 *		08/31/2016	100.00%	36,115,000
Hidalgo, City of	4,490,000 *		08/31/2016	100.00%	4,490,000
La Joya ISD	246,101,728 *		08/31/2016	99.99%	246,077,118
La Joya, City of	1,340,000 *		08/31/2016	100.00%	1,340,000
La Villa ISD	4,840,000 *		08/31/2016	100.00%	4,840,000
La Villa, City of	1,795,000 *		08/31/2016	100.00%	1,795,000
Lyford CISD	6,466,582 *		08/31/2016	2.04%	131,918
McAllen ISD	96,701,000 *		08/31/2016	99.99%	96,691,330
McAllen, City of	96,240,000 *		08/31/2016	99.99%	96,230,376
Mercedes ISD	73,942,580 *		08/31/2016	100.00%	73,942,580
Mercedes, City of	23,295,000 *		08/31/2016	100.00%	23,295,000
Mission CISD	123,463,222 *		08/31/2016	99.97%	123,426,183
Mission, City of	43,335,000 *		08/31/2016	99.74%	43,222,329
Monte Alto ISD	13,830,000 *		08/31/2016	100.00%	13,830,000
Penitas, City of	5,498,000 *		08/31/2016	100.00%	5,498,000
Pharr, City of	31,980,000 *		08/31/2016	100.00%	31,980,000
Pharr-San Juan-Alamo ISD	350,745,000 *		08/31/2016	100.00%	350,745,000
Progreso ISD	26,470,000 *		08/31/2016	100.00%	26,470,000
Progreso , City of	1,869,000 *		08/31/2016	100.00%	1,869,000
Rio Grande City CISD	106,580,000 *		08/31/2016	100.00%	106,580,000
Rio Grande City, City of	26,655,000 *		08/31/2016	100.00%	26,655,000
Roma ISD	56,470,000 *		08/31/2016	100.00%	56,470,000
Roma, City of	7,724,000 *		08/31/2016	100.00%	7,724,000
San Juan, City of	20,145,000 *		08/31/2016	99.98%	20,140,971

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Sharyland ISD	112,981,999 *		08/31/2016	100.00%	112,981,999
Starr County	1,980,239 *		08/31/2016	100.00%	1,980,239
Valley View ISD	45,114,764 *		08/31/2016	100.00%	45,114,764
Weslaco ISD	64,349,000 *		08/31/2016	100.00%	64,349,000
Weslaco, City of	75,290,000 *		08/31/2016	100.00%	75,290,000
Total Net Overlapping Debt:					2,425,281,173
South Texas College			08/31/2016		161,905,000
Total Direct and Overlapping Debt:					\$ 2,587,186,173

Sources:
Municipal Advisory Council of Texas

Notes:
*Gross Debt



SOUTH TEXAS COLLEGE

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SPECIAL REPORTS SECTION

INDEPENDENT AUDITOR'S 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 years ended August 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2016.

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.

Long Chilton, LLP
LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 13, 2016

INDEPENDENT AUDITOR'S 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, 2016. The College's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Long Chilton, LLP
LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 13, 2016

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 Federal 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, 2016. The College's major state programs are identified in the summary of auditor's 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.

Auditor's 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, 2016.

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, we considered the College's internal control over compliance with the 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Long Chilton, LLP
LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 13, 2016

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

• Material weakness (es) identified?

___ yes X no

• Significant deficiency (ies) identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

• Material weakness (es) identified?

___ yes X no

• Significant deficiency (ies) identified?

___ yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the Uniform
Guidance?

___ yes X no

State Awards

Internal control over major programs:

• Material weakness (es) identified?

___ yes X no

• Significant deficiency (ies) identified?

___ yes X none reported

SOUTH TEXAS COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 For the Year Ended August 31, 2016

Section I - Summary of Auditor's Results

State Awards (Continued)

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required to
 be reported in accordance with the State of Texas
 Single Audit Circular? ___ yes X no

Identification of major programs:

Federal major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program</u>
84.007	Student Financial Aid Cluster
84.033	FSEOG
84.063	Federal College Work Study
	Pell Grant

State major programs:

Texas Educational Opportunity Grant Program
 (TEOG) Renewal and Initial Year

Dollar threshold used to distinguish
 between Type A and Type B programs:

Federal	\$1,762,450
State	\$300,000

Auditee qualified as low-risk auditee? X yes ___ no

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For the Year Ended August 31, 2016

Section II – Financial Statement Findings

None.

Section III – Federal/State Award Findings and Questioned Costs

Federal

None.

State

None.

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEAR FINDINGS FEDERAL AND STATE
For the Year Ended August 31, 2016

Schedule of Status of Prior Year Findings - Federal

No prior year findings.

Schedule of Status of Prior Year Findings - State

No prior year findings.

SOUTH TEXAS COLLEGE
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2016

FEDERAL

Not Applicable.

STATE

Not Applicable.



SOUTH TEXAS COLLEGE

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**SOUTH TEXAS
COLLEGE**