

# South Texas College District Comprehensive Annual Financial Report

Fiscal Years Ended  
August 31, 2011 and 2010

Serving Hidalgo County and Starr County, Texas





**South Texas College**  
**South Texas College District**  
**Comprehensive Annual Financial Report**  
**Fiscal Years Ended August 31, 2011 and 2010**



*Prepared by the Business Office*

**Hidalgo County and Starr County, Texas**

• 3201 W. Pecan, McAllen, TX 78501 • 956.872.8311 • [www.southtexascollege.edu](http://www.southtexascollege.edu) •



# *Introductory Section*



**South Texas College District**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010**

**TABLE OF CONTENTS**

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents -----	i-iv
Transmittal Letter -----	1-22
Administrative Officers -----	23
Board of Trustees -----	24-25
Organizational Chart -----	26
GFOA Certificate of Achievement -----	27
 <b>FINANCIAL SECTION</b>	
Independent Auditor’s Report -----	29-30
Management’s Discussion and Analysis -----	31-49
 <b>Basic Financial Statements:</b>	
<i>Exhibit 1</i>	
Statements of Net Assets -----	50
<i>Exhibit 2</i>	
Statements of Revenues, Expenses and Changes in Net Assets -----	51
<i>Exhibit 3</i>	
Statements of Cash Flows -----	52-54
Notes to the Financial Statements -----	55-86

**South Texas College District**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010**

**TABLE OF CONTENTS** *(Continued)*

	<u>Page No.</u>
<b>Supplementary Information:</b>	
<i>Schedule A</i>	
Schedule of Operating Revenues -----	87-88
<i>Schedule B</i>	
Schedule of Operating Expenses by Object -----	89
<i>Schedule C</i>	
Schedule of Non-Operating Revenues and Expenses -----	90
<i>Schedule D</i>	
Schedule of Net Assets by Source and Availability -----	92-93
<i>Schedule E</i>	
Schedule of Expenditures of Federal Awards -----	94-96
<i>Schedule F</i>	
Schedule of Expenditures of State Awards -----	97-98
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
<i>Statistical Information</i> -----	99
<i>Statistical Supplement 1</i>	
Net Assets by Component (Unaudited) -----	100-101
<i>Statistical Supplement 2</i>	
Revenues by Source (Unaudited) -----	102-105
<i>Statistical Supplement 3</i>	
Program Expenses by Function (Unaudited) -----	106-109
<i>Statistical Supplement 4</i>	
Tuition and Fees (Unaudited) -----	110

**South Texas College District**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010**

**TABLE OF CONTENTS** *(Continued)*

	<u>Page No.</u>
<i>Statistical Supplement 5</i>	
Assessed Value and Taxable Assessed Value of Property (Unaudited) -----	111
<i>Statistical Supplement 6</i>	
State Appropriation Per FTSE and Contact Hour (Unaudited) -----	113
<i>Statistical Supplement 7</i>	
Principal Taxpayers (Unaudited) -----	114-117
<i>Statistical Supplement 8</i>	
Property Tax Levies and Collections (Unaudited) -----	118-119
<i>Statistical Supplement 9</i>	
Ratios of Outstanding Debt (Unaudited) -----	120-121
<i>Statistical Supplement 10</i>	
Legal Debt Margin Information (Unaudited) -----	122-123
<i>Statistical Supplement 11</i>	
Pledged Revenue Coverage (Unaudited) -----	125
<i>Statistical Supplement 12</i>	
Demographic and Economic Statistics – Taxing District (Unaudited) -----	126-127
<i>Statistical Supplement 13</i>	
Principal Employers (Unaudited) -----	128
<i>Statistical Supplement 14</i>	
Faculty, Staff, and Administrators Statistics (Unaudited) -----	129
<i>Statistical Supplement 15</i>	
Enrollment Details (Unaudited) -----	130-131
<i>Statistical Supplement 16</i>	
Student Profile (Unaudited) -----	132-133
<i>Statistical Supplement 17</i>	
Transfers to Senior Institutions (Unaudited) -----	134

**South Texas College District**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010**

**TABLE OF CONTENTS** *(Continued)*

	<u>Page No.</u>
<i>Statistical Supplement 18</i>	
Capital Asset Information (Unaudited) -----	135
<i>Statistical Supplement 19</i>	
Changes in Net Assets (Unaudited ) -----	136-139
<i>Statistical Supplement 20</i>	
Ad Valorem Tax Rates Authorized (Unaudited) -----	141
<i>Statistical Supplement 21</i>	
Property Tax Rates – All Direct and Overlapping Governments (Unaudited) -----	142-145
<i>Statistical Supplement 22</i>	
Computation of Direct and Overlapping Debt (Unaudited) -----	146-147

**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 <i>Government Auditing Standards</i> -----	149-150
Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Federal Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 -----	151-152
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 -----	153-154
Schedule of Findings and Questioned Costs – Federal and State -----	155-157
Schedule of Findings and Questioned Costs Status of Prior Year Findings – Federal and State -----	158
Corrective Action Plan -----	159





# South Texas College District

---

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

December 7, 2011

To: President Shirley A. Reed, M.B.A., 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 years ended August 31, 2011 and 2010, 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, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

State statutes require every community college to submit audited annual financial reports to the Texas Higher Education Coordinating Board by January 1<sup>st</sup> of each year.

Long Chilton, LLP, Certified Public Accountants, have issued an unqualified opinion on South Texas College District’s financial statements for the year ended August 31, 2011. The independent auditors’ report is included in the financial section of this report.

This letter of transmittal complements and should be read in conjunction with Management’s Discussion and Analysis which immediately follows the independent auditor’s report and which provides a narrative introduction, overview and analysis of the basic financial statements.



## **Comprehensive Annual Financial Report**

The South Texas College District Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2011 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 assets, revenues, expenses, changes in net assets and cash flows and replaces the fund-group perspective previously required.

The District maintains its accounts and prepares its financial statements in accordance with generally accepted accounting principles in the United States of America (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.

The District's financial statements are prepared using the economic resources measurement focus. The notes to the financial statements expand on and explain the financial statements and the accounting principles applied.

### **Profile of the District**

South Texas College District is a political subdivision of the state of Texas located in Hidalgo and Starr Counties. The District offers academic, general occupational, developmental and continuing adult education programs through a network of locations in Hidalgo and Starr Counties. South Texas College 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 also offers certificates and institutional awards. It is also approved for veteran's educational training in Certificate and Associate of Applied Science degree programs by the Texas Education Agency. South Texas College District's offerings are approved by the Texas Higher Education Coordinating Board.

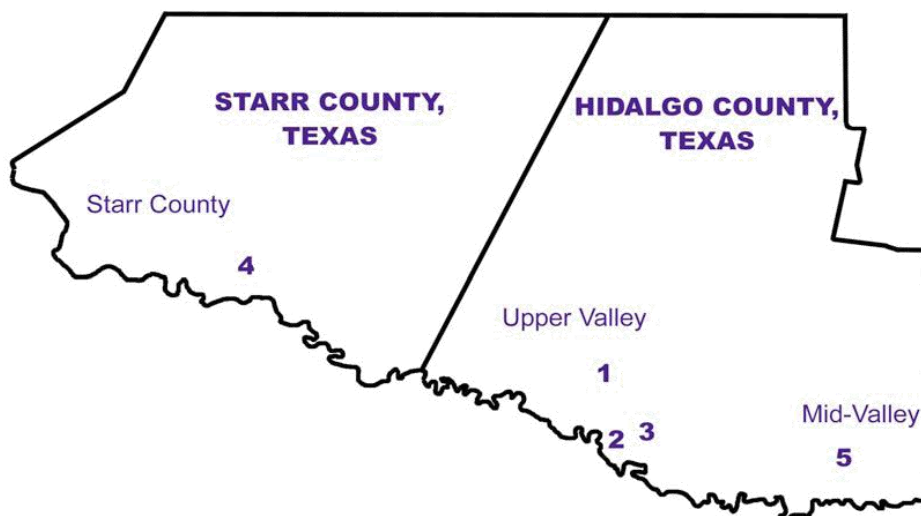
In fiscal year 2003, the District received approval from the Texas Higher Education Coordinating Board to be one of three community colleges in Texas to grant baccalaureate degrees in applied science and applied technology. On December 7, 2004, South Texas College District was approved as a Level II bachelor degree granting institution by the Commission on Colleges of the Southern Association of Colleges and Schools, and began offering the Bachelor of Applied Technology in Technology Management in Fall of 2005.

Today the District is the only community college in Texas accredited to offer three Bachelor of Applied Technology (BAT) degrees, a Bachelor's of Applied Technology in Technology Management, a Bachelor's of Applied Technology in Computer and Information Technologies and a Bachelor's of Applied Technology in Medical and Health Management, which was approved in 2011.

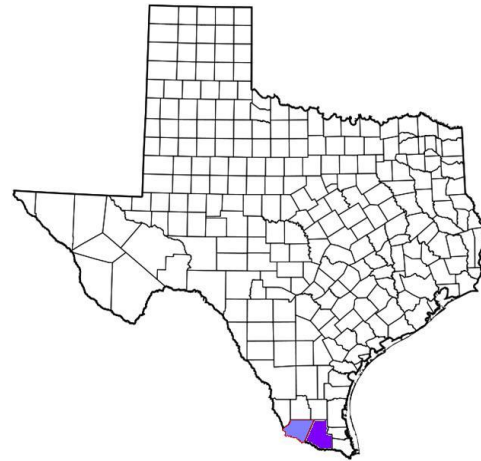
The District was created on September 1, 1993, by Texas Senate Bill 251, now codified as Section 130.0311, as amended, Texas Education Code, to serve Hidalgo and Starr Counties. It is the only community college in Texas to have been established prior to a taxing district being approved by local voters. 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 Board of Trustees serves 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 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 college from South Texas Community College District to South Texas College District to reflect the expanded scope and mission of the District.

South Texas College District has six campuses conveniently located throughout Hidalgo and Starr Counties. The six 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, (5) the Mid-Valley Campus and (6) eSTC. The Pecan Campus in McAllen, the Mid-Valley Campus in Weslaco and 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. The sixth campus, eSTC, is the newly established online virtual campus. In addition, South Texas College District has Workforce Training Centers at the Technology Campus, the Mid-Valley and Starr County campuses. More than 1,800 faculty and staff serve South Texas College District's five campuses.



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



The Vision, Purpose, Core Values, Guiding Principles, and Strategic Directions constitute the Comprehensive Mission for South Texas College, as follows:

**Vision**

A better quality of life for our communities.

**Purpose**

South Texas College is a world-class comprehensive institution of higher learning providing premier educational and workforce programs and services in response to the needs of the region.

**Core Values**

Student Success, Learning, Excellence, Integrity, Community, Opportunity.

**Guiding Principles**

- Be a premier learning-centered higher education institution where student and community success are paramount;
- Serve as the cornerstone for the economic vitality of South Texas;
- Foster an environment for the students and community to achieve a better quality of life;
- Nurture a culture where collaboration is valued and achievement is recognized.

**Strategic Directions**

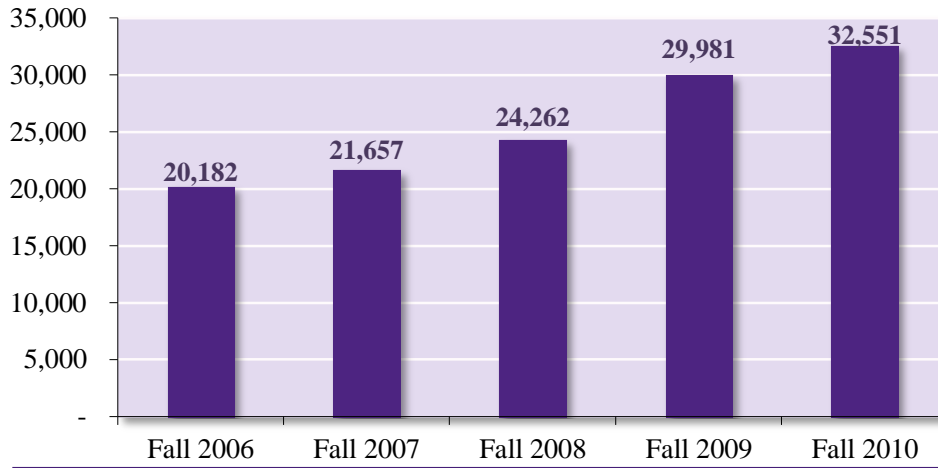
- South Texas College commits to student learning as the foundation of student success through excellence in teaching and service, faculty and staff empowerment, professional development, and accountability.
- South Texas College proudly provides opportunities to all students with high expectations for their success.
- South Texas College leads the transformation of the region to a “college-going” culture whereby attending and completing higher education is expected for all.
- South Texas College serves as the catalyst for regional economic prosperity and social mobility.
- South Texas College models professionalism through integrity, mutual respect, civility, trust, and collaboration.
- South Texas College champions a culture of excellence based on evidence.

South Texas College District has experienced continuous growth since its inception in the Fall of 1993. South Texas College District’s Fall 2010 enrollment had a seven percent increase over the District’s Fall 2009 enrollment. The District’s Technology Campus in McAllen saw its biggest enrollment increase in history with an increase of thirty-one percent over Fall 2009. South Texas College District also saw a large increase in enrollment at its Mid-Valley Campus in Weslaco, which is expanding hands-on training in welding, manufacturing and other technical professions. To meet the demands of its increasing enrollment, South Texas College District has been busy expanding facilities at many of its campuses, including 900 parking spaces and 14 new portable buildings at the Pecan Campus in McAllen.

The following tables and graphs illustrate the District’s enrollment data over the last five years.

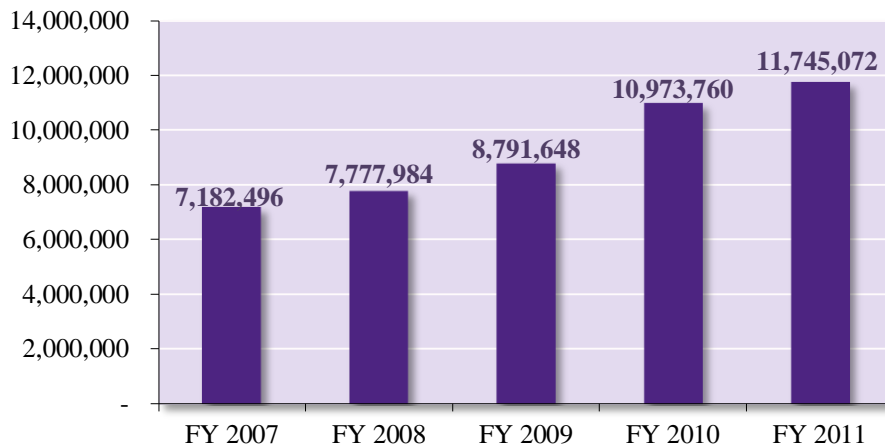
<b>FALL SEMESTER ENROLLMENT</b>					
	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
	<b>Fall</b>	<b>Fall</b>	<b>Fall</b>	<b>Fall</b>	<b>Fall</b>
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Academic</b>					
Headcount	18,460	19,808	21,666	26,368	28,006
Full-time equivalent	12,819	13,765	14,913	18,599	19,944
<b>Continuing Education</b>					
Headcount	1,722	1,849	2,596	3,613	4,545
Full-time equivalent	574	798	667	1,246	900

**Fall Semester Enrollment  
Total Academic and Continuing Education Headcount**



<b>ANNUAL ENROLLMENT - ACADEMIC</b>					
	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Unduplicated credit hours	350,242	381,140	424,869	537,540	561,301
Unduplicated contact hours	7,182,496	7,777,984	8,791,648	10,973,760	11,745,072
Unduplicated full-time equivalent	11,675	12,705	14,162	17,918	18,710
Unduplicated headcount	25,423	27,940	30,796	36,211	36,871

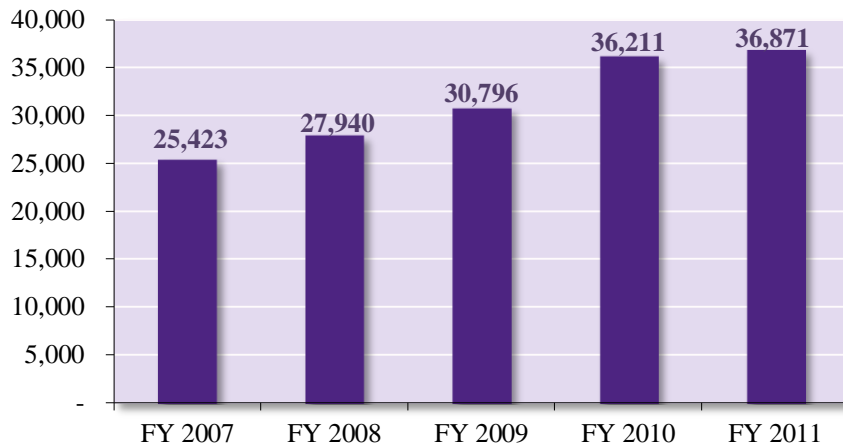
**Unduplicated Contact Hours**



---

## Annual Unduplicated Headcount

---



South Texas College District has more than 60 articulation agreements in place with colleges across the country. During fiscal year 2011, South Texas College District and the University of Texas Pan-American (UTPA), signed six additional articulation agreements. These articulation agreements will ensure a seamless transfer to UTPA by any South Texas College District graduate who earns an Associate of Science or an Associate of Arts degree in the fields of business administration, chemistry, communication arts, computer science, criminal justice and music.

Additionally, the District and the University of Texas at Brownsville (UTB) signed articulation agreements covering 19 academic programs. The agreements allow graduates who earn an Associate of Art or an Associate of Science degree to transfer seamlessly to UTB to continue their studies toward a bachelor's degree.

South Texas College District has developed three intensive academic programs for students interested in pursuing degrees in the medical, engineering and computer science fields. These programs are the Dual Enrollment Medical Science Academy, the Dual Enrollment Engineering Academy and the Dual Enrollment Computer Science Academy which started in Fall 2010. 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. South Texas College District also offers dual enrollment programs with 19 school districts at over 52 high school sites throughout Hidalgo and Starr Counties. Approximately 8,800 students enrolled in the program during the Spring 2011 semester.

The Continuing, Professional and Workforce Education (CPWE) program provides opportunities for lifelong learners to upgrade their skills, change careers or seek personal enrichment. The CPWE Division has programs on a variety of topics including an Alternative Teaching Certificate Program, GED training and continuing professional development courses in Human Resources and Grant Writing.

South Texas College District is one of the few community colleges in Texas to offer Certificate Programs and Associate Degrees completely online. South Texas College District offers fifteen online Associate Degrees and five online Certificates in the following fields: Interdisciplinary Studies, Education, Anthropology, Psychology, Social Work, Sociology, Business Administration, Criminal Justice, Language and Cultural Studies, Mexican American Studies, Human Resources Specialist, English, Accounting Clerk, Computer Applications Specialist, Management, Human Resources Assistant and Marketing.

South Texas College District's Mid-Valley Campus Child Development Center has earned accreditation from the National Accreditation Commission for Early Care and Education Programs (NAC). South Texas College District's center is the first nationally-accredited day care south of Corpus Christi. The District's day care facility serves as a lab setting for current and future early childhood professionals to practice the skills taught in courses at South Texas College District.

With a total of approximately 723 full-time and adjunct instructors, South Texas College District's faculty is among the most qualified at any community college in the nation. There are 651 faculty members with master's degrees, 48 hold double master's, 138 have doctorate degrees, and 1 holds a double doctorate degree. In certificate and other programs, there are 142 faculty members holding bachelor degrees, 2 double bachelor degree, 54 with associate degrees, 4 double associate degrees, and 6 with certificates. Several instructors fall into more than one category.

## **Local Economy**

Located near the Texas-Mexico border, South Texas College District serves Hidalgo and Starr Counties. Starr County was formed in 1848 out of Nueces County. It covers approximately 1,229 square miles with a 2011 estimated population of 69,258. Hidalgo County was formed in 1852 from portions of Cameron and Starr Counties. It covers approximately 1,583 square miles with an estimated population of 864,900 in 2011. Both counties are located in the Rio Grande Valley of South Texas and border the Republic of Mexico, served by 9 international bridges.

McAllen Metropolitan Statistical Area (MSA) is the 8<sup>th</sup> fastest growing MSA by percentage in the State of Texas growing 36.1% from 2000 to 2010. Texas is the second largest economy in the United States during the past decade according to National Journal magazine, with cities such as McAllen continuing to grow and add business. The McAllen MSA is one of only four metropolitan areas that were among the top 20 metropolitan areas during both the recession and the recovery period. Despite of the current rate of unemployment, the Rio Grande Valley continues to grow and create jobs. (Source: McAllen Economic Development Corporation)

- The unemployment rate for Hidalgo County increased from 12.1% in 2010 to 12.6% in 2011.
- The unemployment rate for Starr County decreased from 17.9% in 2010 to 16.8% in 2011.
- Per capita income in Hidalgo County increased from \$12,119 in 2010 to \$12,229 in 2011.
- Per capita income in Starr County increased from \$8,072 in 2010 to \$8,164 in 2011.



- Sales tax receipts in Hidalgo County increased 11.6% from 2010 to 2011.
- Sales tax receipts in Starr County increased 9.3% from 2010 to 2011.

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 is among the most successful along the U.S. Mexico border. The principal cities of McAllen, Brownsville and Harlingen combine to form the northern half of among the most rapidly growing regions in the United States. (Source: McAllen Chamber of Commerce)

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

- According to an article from GoodNewsMcAllen.com, the U.S. Census Bureau provided information stating that the City of McAllen's median household earnings are up twenty-two percent from their levels in 2000, the last time the national census was performed. Additionally, the article stated that McAllen competes well with cities like Corpus Christi, Lubbock, Laredo, Brownsville, Waco, El Paso and the entire state when it comes to earning power and educational attainment. (Source: goodnewsmcallen.com)
- On May 2, 2011, *Forbes Magazine* recognized McAllen-Edinburg-Mission as No. 4 in its annual "Nation's Best Cities for Jobs" list. This ranking was in the medium size city category. Texas displayed more vibrancy than any other state with all three top ranking cities, Austin in the large metropolitan area, El Paso in the mid-sized city category and Killeen-Temple-Fort Hood in the small city category. *Forbes* ranked all 398 current metropolitan statistical areas, based on employment data from the Bureau of Labor Statistics reported from November 1999 to January 2011. Rankings are based on recent growth trends, mid-term growth and long-term growth and momentum. (Source: <http://www.forbes.com/sites/joelkotkin/2011/05/02/the-best-cities-for-jobs/>)
- As the United States continues to report job losses and a slow economic recovery, the city of McAllen outperforms those negative trends. Most of McAllen's success is attributed to the boom in the retail and restaurant sector. *QSR Magazine* ranked the city as the number one mid-market city in the nation for top emerging restaurant markets in 2011. While maintaining its reputation as a manufacturing and international trade powerhouse, McAllen and its abundant resources have assisted ten new companies in introducing their operations into the market in 2011. With this group of companies setting up their locations in the McAllen MSA in 2011, over 700 jobs are scheduled to be created in the industrial sector in the coming years. (Source: McAllen Economic Development Corporation)
- A master planning process is underway for a research and education park in the Rio South Texas region. The park will be located on 400 acres of public and private land near the McAllen Foreign Trade Zone and located across from Reynosa, Mexico, one of the nation's most active trade zones. The driving force behind the park is a subcommittee made-up of affiliates of the North American Advanced Manufacturing Research and Education Initiative (NAAMREI), which the District is a member. NAAMREI partners

focus on transforming the region into a world leader for advanced and rapid response manufacturing. The master plan is expected to be completed by Fall 2011. (Source: South Texas College District)

- The housing indicators remained weak in McAllen midway through 2011. Housing construction is down approximately 25% for the quarter and year-to-date (new single-family residence building permits). Existing home sales are down as well, with 2<sup>nd</sup> quarter sales down by over 30% and sales for the year-to-date down by about 25%. Prices remain generally favorable, increasing by 1.5% on average in the 2<sup>nd</sup> quarter, and nearly 3% for the year-to-date compared to the first six months a year ago. (Sources: McAllen Chamber of Commerce, <http://www.mcallen.org/Business-Community/Economic-Pulse>)
- In 2011, McAllen made the list in the “Top 100 places to Live” in the United States. *RelocateAmerica’s* research team compiled the data on the factors most important in a community based on site nominations and issues most important to relocating consumers and homeowners for the year ahead. Rankings included communities that are well positioned for economic recovery, already experiencing strong economic recovery or have proven overall economic stability. Factors such as employment, education, community leadership and overall quality of life were strongly considered. (Sources: McAllen Economic Development Corporation, [relocateamerica.com](http://relocateamerica.com))
- Employment in the McAllen metro was up by an estimated 1.3% in June (about 2,900 jobs added over the last 12 months). Employment in the first six months of the year is up about 1.5% on average compared to the first six months of 2010. (Source: McAllen Chamber of Commerce)
- *Expansion Solutions Magazine* ranked McAllen as one of the top locations for logistics. This ranking was based on the available and emerging infrastructure that helps companies efficiently and rapidly move products throughout the world. (Source: McAllen Economic Development Corporation)
- According to GoodNewsMcAllen.com, the unemployment rate in McAllen for August decreased following a state-wide downward trend in joblessness with 1,300 more city residents employed over last month. The Texas Workforce Commission shows that the City of McAllen unemployment rate went down to 8.3 percent from 8.7 in July. The 8.3 percent rate is the lowest recorded in three months. The City of McAllen’s unemployment rate for August was the lowest among Rio Grande Valley cities and the second lowest among all border cities in the state. In addition, McAllen was a bit lower than the state and national rates and lower than cities such as Houston [8.4], Fort Worth [8.8], Dallas [8.9], Waco [9.0], El Paso [9.8] and Beaumont [10.8]. (Source: [goodnewsmcallen.com](http://goodnewsmcallen.com))
- McAllen ranked among the top 20 strongest Metropolitan areas in recovery in the recession due to its average rank across a series of four indicators: employment change; unemployment rate change; gross metropolitan product change; and housing price index change. (Source: McAllen Economic Development Corporation)

- The McAllen-Edinburg-Mission MSA ranked first among the nation's top 100 largest metro areas for job creation during the fourth quarter of 2010. Ranked by housing prices, gross metropolitan product and employment, McAllen-Edinburg-Mission MSA placed among the nation's best performing metro areas both during and after the recession. The region employed 51% percent of Hidalgo County's workforce during January. (Source: McAllen Economic Development Corporation)
- In a study released in June 2011, McAllen MSA ranked as the 4<sup>th</sup> cheapest city in the United States to live in. Rankings are based on housing, transport, health-care and grocery. (Sources: Bloomberg, Businessweek)
- McAllen MSA ranked in the "Top 100 Leading Locations: Desirable Places for Doing Business" in 2011. Rankings were based on 13 highly regarded location surveys in 2010 from sources including Forbes, Newgeography, Brookings Metro Monitor, Fast Company, and CNNMoney. (Source: Area Development Magazine)
- The South Texas Regional Multi-Modal Center groundbreaking launched a project that will better serve the logistic routes in McAllen and improve the flow of northbound goods through Hidalgo County to major U.S. population centers throughout the U.S. The objectives are to improve the cost competitiveness of our local manufacturers, minimize wear and tear on Texas and national highways, reduce fuel consumption, reduce truck emissions, create direct and indirect jobs for our community, and establish alternate modes of transport for auto assembly plants. This is a new type of rail service to be started out of McAllen. This service promises to have national significance in improving the cost competitiveness of U.S. manufacturing, lower product distribution costs, reduce congestion and improve safety on the United States' highways. The McAllen facility will be the first of its kind south of Dallas, Texas. (Source: McAllen Economic Development Corporation)
- The McAllen-Edinburg-Mission MSA ranks top in 2011 *Forbes'* list of the "America's 10 Least Toxic Cities." The report indicates: "The McAllen MSA area has a lack of Superfund sites, respectable air quality and a meager amount of toxic substances generated and disposed of by local facilities." McAllen logged an astoundingly low number of on-site toxic releases compared with every other city evaluated." (Source: McAllen Economic Development Corporation)
- The McAllen metro area is one of the country's leading export markets and performs well in electronic products and electrical component manufacturing by ranking 21<sup>st</sup> and 32<sup>nd</sup> among the country's 100 largest metro areas, according to the International Trade Administration (ITA). In addition, the McAllen area ranks in the top 50 in crop, apparel, food manufacturing, fabricated metal and furniture exports. The export figures come from the first half of 2010, the latest available from the ITA. The ITA shows McAllen as the 50<sup>th</sup> best metro area for exports in the country and the 7<sup>th</sup> best in Texas. (Source: McAllen Economic Development Corporation)

Reynosa, Tamaulipas, Mexico, McAllen's twin city, and a principal city along the United States - Mexico border is a dynamic and business-oriented city with a current border population of

approximately 5 million. These two interdependent communities are joined by three international bridges that allow economic and cultural exchanges on a daily basis. Reynosa is the only city in Mexico not to show a job loss in the maquiladora industry in the past five years. Reynosa has a diverse economic base, which includes oil and natural gas resources, livestock, agriculture, tourist trade and industry. This city is the fastest growing city in the state of Tamaulipas and is the 5<sup>th</sup> fastest growing city in Mexico. (Sources: missioneda.com, mcallen.org and pharredc.com)

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 500 rare species of birds. Nature tourism alone is stated to bring in an estimated \$300 million a year to the Rio Grande Valley economy. Nature and wildlife attractions coupled with conventions, art festivals and other tourist attractions have made the area a primary tourist destination. Much of McAllen area's attraction lies in its geography, its great outdoors, its climate, its history, and its rich Hispanic flavor. McAllen MSA's unique geographic position allows its residents to sample two unique cultures, while fueling our own 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 part-time residents enjoy the beach, golf courses, flea markets, Mexico sites and participating in the various area festivals. Conditions are inviting for those who want to escape the snow, ice and cold weather of northern United States and Canadian Winters. Approximately 144,000 Winter Texans come into the Valley often returning year after year. (Source: wintertexaninfo.com)

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 2011, the population was 33,418. Weslaco is known for preserving its history and it has about fifteen historic landmarks from the early 1900's. In the 1800's, downtown Weslaco was called the neon city as downtown businesses used the gas filled tubes for signage. Today, businesses still use neon lights to identify their business. The city is now focusing its energy on attracting business and industry. It is the front door to business and trade between the United States and Mexico. Weslaco is strategically located at the center of the Rio Grande Valley. Weslaco has a strong economy being home to a combination of retail, distribution and light manufacturing businesses. (Sources: bestplaces.net, weslaco.com and traveltex.com)

The McAllen-Edinburg-Mission MSA's, attractions lie in its geography, its great outdoors, climate, history, and its rich Hispanic flavor including the Valley's mild year-round climate, which makes for outdoor living 365 days a year. The McAllen MSA is out pacing the rest of the nation in population and job growth because of the fact that the area has a 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)

After obtaining degrees, many South Texas College District graduates find work in the Rio Grande Valley, hoping to stimulate the Texas economy. The area's rising number of college-educated residents has contributed to its economic boom. The District held four separate graduation ceremonies in May 2011, where more than 4,200 students received degrees. Among

those who celebrated this milestone were the college's Bachelor of Applied Technology (BAT) Program students. A total of 127 graduates earned their bachelor degrees.

Additionally, the District graduated 63 students from its Dual Enrollment Medical Science Academy (DEMSA) and 24 students from the Dual Enrollment Engineering Academy (DEEA). The students obtained their college diplomas weeks before earning their high school diplomas.

Progreso, Texas made history for being the first Early College High School in the Valley to graduate 28 of their students from South Texas College District with an associate's degree. Situated in one of the smallest and most economically disadvantaged school districts in Texas, Progreso made believers out of parents, students and administrators alike, that the Early College High School model can succeed anywhere. In fiscal year 2011, the District was partnered with five other school districts in Hidalgo County including McAllen, Mercedes, PSJA and Valley View in providing Early College High Schools. South Texas College District's Early College High School Program serves students and the community by utilizing a new learning paradigm that places emphasis on challenging high school students with a variety of innovative programs intended for the tangible transition to higher education and a better way of life. Progreso ISD was the first school district to partner with the college in 2007 to bring the model to the region. The Progreso students have lead the way into making this become the way of the future with all the other Early College High Schools at the District.

The District plays a vital role in providing educational opportunities for its citizens and preparing a strong workforce in the region. South Texas College 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 in greater numbers than ever before or finding employment upon completion.

## **Long-Term Financial Planning**

The District has no short-term or long-term loans at August 31, 2011.

At August 31, 2011, the District has outstanding bonds payable for Bond Series 2002, Bond Series 2003 and Bond Series 2004 in the amounts of \$4,630,000, \$3,130,000 and \$9,615,000, respectively. Bonds Series 2007 MTR and Bond Series 2007 LTR were issued in March 2007 and Bond Series 2010 LTR was issued in November 2010 to refund portions of the District's outstanding debt and lower the overall debt service requirements. The outstanding amounts at year-end were \$2,660,000, \$22,384,991 and \$18,969,296, for Bond Series 2007 MTR, Bond Series 2007 LTR and Bond Series 2010 LTR, respectively. Total bonds payable at August 31, 2011, was \$61,389,287. All debt service requirements are to be paid with ad-valorem taxes levied.

The District's outstanding bonds have been rated AA- by Standards & Poor's and Aa2 by Moody's. These ratings are a reflection of South Texas College 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 District's property tax levy rates and tax collections over the last ten years.

<b>TAX LEVY RATES</b> <b>(Per \$100 of assessed valuation)</b>			
<b>Fiscal Year</b>	<b>Current Operations</b>	<b>Debt Service</b>	<b>Total Tax Collections</b>
2002	0.07900	0.01070	13,526,015
2003	0.11000	0.06760	27,727,098
2004	0.11000	0.06380	29,691,941
2005	0.11000	0.05470	32,077,466
2006	0.11000	0.04890	33,785,446
2007	0.11000	0.04480	36,997,639
2008	0.11000	0.04400	40,964,399
2009	0.11000	0.03980	43,734,507
2010	0.11000	0.03910	44,615,970
2011	0.11000	0.03970	44,329,200

The District's average collection rate over the past ten years, including collection of delinquent taxes, has been 97.36%.

The tax base has increased by an average of 8.29% annually over the past ten years. The tax base has increased from \$15,495,002,077 in fiscal year 2002 to \$30,089,658,977 in fiscal year 2011. The District's property value has shown a steady increase due to a tremendous amount of development, except for the tax year 2010. Much of the farmland found in Hidalgo County is being converted into residential subdivisions, which are increasing property values for the county.

In fiscal years 1997 through 2011, the District has set aside a total of \$80,250,000 for construction of facilities and a total of \$15,713,236 for deferred maintenance purposes. The amounts set aside have been funded from current year revenue and accumulated net assets.

Due to future unknown circumstances, the District's practice is to maintain an unrestricted fund balance sufficient to cover approximately three to six months of budgeted expenditures. As reflected below, South Texas College District has met the minimum range over the past three years.

	<b>August 31, 2009</b>	<b>August 31, 2010</b>	<b>August 31, 2011</b>
Current Unrestricted Fund Balance	\$40,854,291	\$53,722,303	\$60,837,499
Next FY Budgeted Unrestricted Fund Expenses (including transfers and contingencies)	126,463,510	139,065,755	135,794,770
Fund Balance as a % of Total Expenses	32%	39%	45%
Number of Months Expenses in Reserve	3.9 months	4.6 months	5.4 months

In fiscal year 2011, South Texas College District computed four core ratios that provide information on the overall financial stability of the District. These four core ratios are the following: Primary Reserve Ratio, Viability Ratio, Return on Net Assets Ratio, and Net Operating Revenues Ratio. These four ratios are used to create one overall financial measurement called the Composite Financial Index, or CFI.

South Texas College District has computed overall CFI scores of 5.71, 6.22, and 6.74 for FY 2009, FY 2010, and FY 2011, respectively. The established threshold CFI value for an institution in a strong financial position is 3.0, according to *Strategic Financial Analysis for Higher Education*. South Texas College District's Composite Financial Index scores are significantly higher than the threshold for an institution with a strong financial position.

The District has the resources required to serve the student enrollment in both counties.

## **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.

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 and salaries and emoluments for faculty and staff listed by position.

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.



The budget is developed in collaboration with personnel from all divisions of the institution. 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.

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 changes in fees and differential tuition in fiscal year 2011. The changes included increasing the Electronic Distance Learning Fee from \$22 to \$26 per semester credit hour, the Workforce/Continuing Education Tuition from \$5 to \$6 per contact hour, and the Overdue Library Book/Media Fees from \$.10 to \$.25 per day. The Information Technology Fee and Learning Support Fee were also increased from \$12 to \$16 and \$7 to \$12 per semester credit hour, respectively. Increases in the differential tuition charges included 3000/4000 level courses from \$20 to \$25, and the Emergency Medical Technology from \$25 to \$30 per semester credit hour. The following differential tuition charges related to the following programs were increased from \$25 to \$35 per semester credit hour in fiscal year 2011: Associate Degree Nursing, Occupational Therapy Assistant, Physical Therapist Assistant, Radiologic Technology, Vocational Nursing, Pharmacy Technology, and Respiratory Therapy.

Charges related to the GED Exam Fees were added in fiscal year 2011. The charges related to the GED Exam are as follows: GED Exam Fee (All Exams), \$70; GED Exam Fee – Writing only, \$48; GED Exam Fee – Reading only, \$47; GED Exam Fee – Math only, \$47; GED Exam Fee – Science only, \$47; and GED Exam Fee – Social Studies only, \$47. GED Retest Exam Fees were added as follows: GED Exam Fee – Writing only, \$13; GED Exam Fee – Reading only, \$12; GED Exam Fee – Math only, \$12; GED Exam Fee – Science only, \$12; and GED Exam Fee – Social Studies only, \$12. Other additions for fiscal year 2011 include a differential tuition fee for the Patient Care Assistant program of \$20 per semester credit hour, NAH Student Clinical Data Fee of \$60 per year, Emotional Skills Assessment Process (ESAP) of \$10, Overdue Library Reserve Item of \$1 per hour, Overdue Library Equipment of \$1 per day, and Overdue Inter-Library Loan Item of \$1 per day.

In keeping with the District's commitment to recruit, retain and fairly compensate qualified personnel, for fiscal year 2011, the Board of Trustees approved a pay increase of 4% for Classified staff, and 3% for Professional Support Exempt staff, Professional Support Non-Exempt staff, Administrative staff and Executive staff.

The District's Investment Policy and Strategy Statement is reviewed and approved annually by the Board of Trustees. At August 31, 2011, the District had a total amount of \$116,631,802 in bank deposits, consisting of seven money market accounts totaling \$27,775,644 and six certificates of deposit totaling \$88,856,158. In addition, the District held an endowment investment in the form of a coin collection valued at \$5,590, and change funds totaling \$7,820. As of August 31, 2011, total investments were \$116,645,212.

Interest revenue earned on money market accounts and certificates of deposit during FY 2011 totaled \$327,497. All the District's funds were properly collateralized during the fiscal year.

The District continually conducts self-assessment of risk exposure. An out-sourced 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 instead of paying contributions.

## **Major Initiatives**

In 2009, South Texas College District initiated a "Go-Green" campaign. The initiative is centered mainly on communicating directly with students via e-mail to reduce the costs associated with printed materials. Students receive tuition statement alerts, payment due date reminders, emergency loans and installment updates via e-mail instead of in the mail. Other major initiatives included:

- The District prepares a five year comprehensive plan. The District's Comprehensive Plan reflects historical trends and forecasts for the future, including projection of population, student enrollment, instructional programs, faculty staffing and associated salary expenses, library service resources, budget planning, revenues, expenditures, external grant funding and facility planning. The Plan is prepared in collaboration with all divisions of the institution.
- Major construction completed during fiscal year 2011 included Pecan Plaza Renovations, Pecan Northeast Parking Lot, Mid Valley Child Development Portable Infrastructure, Mid Valley Campus Building B Nursing Skills Lab Renovation, District Wide Portable Buildings Infrastructure, Pecan West 15 Acres Parking Lot and Pecan West 20 Acres Parking Lot. The District's funding for these projects came from accumulated net assets.
- In July 2008, the District contracted with Freese & Nichols, Inc. to study and develop a new master plan for the District. This master plan is to prepare the entire South Texas College District for the projected enrollment of 37,000 students to 42,000 students by 2020. In 2008, a study was conducted to identify the projected growth for the District and to identify facility needs for each campus through 2020. This master plan was completed in the spring of 2010 and identified an additional 1.3 million square feet of new facilities to accommodate the anticipated student enrollment growth.

- A regional delegation championed the opportunity for the South Texas region to lead the world in advanced manufacturing. Their support helped the North American Advanced Manufacturing Research and Education Initiative (NAAMREI) to secure more than \$8 million to spur the development of advanced manufacturing in the region. In October of 2007 the U.S. Department of Labor awarded the consortium \$5 million for strategic planning, research and talent development. Recognizing the opportunity to transform the economy, the Texas Workforce Commission awarded NAAMREI \$3 million and employers and the city of McAllen matched \$3 million to train over 1,800 new and incumbent workers through customized training. The Office of the Governor is the grant recipient and South Texas College District serves as the fiscal agent and lead agency for the initiative. The NAAMREI network includes sixty public and private partners. The lead partnership agencies are South Texas College District, University of Texas-Pan American, Region One Education Service Center, Rio South Texas Economic Development Council and McAllen Economic Development Corporation. The city of McAllen awarded \$980,000 to the District in 2008 and 2009 to support the NAAMREI partnership initiative. The ultimate goal of the initiative is to raise the standard of living by increasing and sustaining the total number of high skill, high wage manufacturing jobs from 13,676 to at least 25,000 positions by 2020. South Texas College District is playing a major role in leading this regional economic transformation initiative. The District's Institute for Advanced Manufacturing serves as the regional institute that provides oversight and technical assistance to Laredo Community College, Texas Southmost College, and Texas State Technical College.

The District's financial outlook for the future continues to be positive. In seventeen years, South Texas College District has grown from a student headcount of over 1,000 in Fall 1993 to over 28,000 student headcount in Spring 2011. The District's adult continuing education programs, which provide opportunities for lifelong learners to update their skills, have also shown enrollment gains. The District's unrestricted fund budget increased from \$2,325,212 in 1993 to \$139,065,755 in 2011.

## **Awards and Acknowledgments**

South Texas College 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:

- South Texas College District ranked 2<sup>nd</sup> on the inaugural list of "Top 10 Four Year Schools Awarding the Most Associate Degrees to Hispanics." The national education journal *Hispanic Outlook in Higher Education* released the rankings in its May, 2011 publication. The District is the only Texas college that made the rankings, sharing the top 10 spotlight with colleges from California, Florida, Illinois, and New York. Miami Dade College ranked at the top of the list. (Source: South Texas College District)

- In fiscal year 2011, South Texas College District launched the District's sixth state-of-the-art campus, eSTC. Students will be able to enroll in one of more than 500 course sections toward earning one of 15 degrees and five certificates all online. Not only will students have access to a wide catalog of course offerings, they will also have access to online library services, admissions, advising, payment services, financial aid, bookstore and testing. An online chat function allows students to ask questions of Student Affairs Division staff. This is in addition to the existing ability to chat live with instructors and participate in group discussion boards. The District has been offering distance education courses for 14 years, time that has provided the college the chance to perfect its online education model and tailor it to the needs of its students. Student feedback shows that success is possible for the dedicated student. (Source: South Texas College District)
- South Texas College District was one of five Texas schools selected to participate in a \$500,000 "Completion by Design" grant by the Bill and Melinda Gates Foundation to increase college graduation rates. The Gates Foundation also selected El Paso Community College, Alamo Colleges, the Dallas Community College District, and the grant's lead coordinator, the Lone Star College System, or LSCS. The colleges were selected because of their innovative ideas for improving the completion rates on their campuses. The amount funds the first planning and development phase of the five-year program, which also will run in Ohio, North Carolina, and Florida to find the most innovative ideas for increasing completion rates among students. The grant aims to experiment with each school's best graduation efforts before it attempts to scale the most successful program state and eventually nationwide. (Source: South Texas College District)
- CNNMoney.com ranked South Texas College District 1<sup>st</sup> on the list of the most affordable institutions in the nation, beating out all other U.S. colleges and universities that offer undergraduate degrees and have an enrollment of 5,000 students or more. The tool ranks four-year colleges and universities based on their "net price." The average costs after tuition, room and board, book fees and financial aid are all taken into consideration. The District's fees and tuition are half that of any other college in the top 10 of the ranking. (Source: South Texas College District)
- *Community College Week's* annual community college rankings released in June 2011 continue to rank South Texas College District as one of the top 100 community colleges out of more than 1,100 community colleges in the nation in the following areas:
  - Number 4 in the nation in awarding associate degrees in all disciplines to Hispanics
  - Number 10 in the nation in awarding associate degrees to all minorities
  - Top 50 in the nation in awarding associate degrees in the fields of Criminal Justice, Interdisciplinary Studies, and Registered Nursing
 (Source: South Texas College District)
- *Diverse Education's Top 100 Degree Producers* ranks South Texas College District in awarding associate degrees to Hispanic students in June 2011 as Number 1 in the nation in awarding associate degrees to Hispanic students in the field of Engineering and

medical sciences and number 3 in the nation in awarding associate degrees to Hispanic students in the field of Nursing, Business Management and Marketing, Physical Sciences, and Psychology. (Source: South Texas College District)

- In May 2011, *Hispanic Outlook in Higher Education* list of “Top 10 Four-Year Schools” ranked South Texas College District number two for awarding the most Associate Degrees to Hispanics. (Source: South Texas College District)
- The District has partnered with a consortium of Rio South Texas businesses to provide job training using a \$512,079 Skills Development Fund grant received in April 2011 from the Texas Workforce Commission. The business partners include Azteca Milling L.P., Doctors Hospital at Renaissance, EMMSA Co., McAllen Medical Center and Metal Processing International. The grant will be used to custom train approximately 236 new and incumbent workers in methodologies that will increase production efficiency, improve services and reduce accident and turnover rates. Those trained will include packers, rackers and welding supervisors. Upon completion of the trainings, participants will realize increased wages and career advancement opportunities. The grant-funded training is coordinated and provided by South Texas College District’s Institute for Advanced Manufacturing (IAM), a NAAMREI affiliate. The District’s IAM is tasked with identifying employer needs for workforce talent development and helping find solutions that keep the regional advanced, manufacturing industry growing. (Source: South Texas College District)
- In fiscal year 2011, South Texas College District’s Vice-President for Financial Services was named the 2010 Outstanding Chief Business Officer for Region IV of the Community College Business Officers Association, which encompasses community colleges across Arkansas, Oklahoma and Texas. The award recognizes individuals who demonstrate excellence and exceptional service as chief business officers. (Source: South Texas College District)
- In fiscal year 2011, United Way of South Texas recognized South Texas College District in 2010 for being the most charitable among all staffs at state agencies across the Rio Grande Valley. The District merited the SECC Lone Star Award for its effort. Employees pledged more than \$44,000 making the 2009 State Employees Charitable Campaign (SECC) a great success. Twenty-eight state agencies from the Rio Grande Valley participated in the SECC raising more than \$285,730 to fund local charitable organizations. (Source: South Texas College District)
- South Texas College District’s President Shirley A. Reed, has been named a recipient of the 2011 Alfredo G. de los Santos Jr. Distinguished Leadership in High Education Award from the American Association of Hispanics in Higher Education. The award recognizes outstanding administrators in the field of higher education who have demonstrated excellence in the profession. (Source: South Texas College District)
- In fiscal year 2011, South Texas College District received 28 National Institute for Staff and Organizational Development (NISOD) Excellence Awards during the 2010 NISOD annual conference in Austin, TX. NISOD is an international organization dedicated to

the professional development of faculty, administrators, and staff; and to the continued improvement of teaching and learning, with the ultimate goal of student success. The NISOD Excellence Award gives recognition to individuals who exemplify excellence in teaching and leadership at their institutions of higher education. (Source: South Texas College District)


- On May 20, 2010, the Government Treasurers' Organization of Texas presented the Certificate of Distinction to South Texas College District for its investment policy for the second 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 Distinction is effective for a two-year period ending August 31, 2012. (Source: Government Treasures' Organization of Texas)

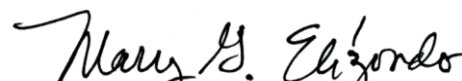
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Texas College District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2010. This was the eighth 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. We believe that the District's current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 the highest standards of professionalism in the management of South Texas College District's finances and operations.

Respectfully submitted,

  
\_\_\_\_\_  
Diana A. Peña  
Vice President for Financial Services

  
\_\_\_\_\_  
Mary G. Elizondo, MBA, CPA  
Comptroller



This page intentionally left blank.



**South Texas College District**  
**ADMINISTRATIVE OFFICERS**  
**For the Fiscal Year 2011**

<b>Name</b>	<b>Position</b>
Shirley A. Reed, M.B.A., Ed. D.	President
Jose Cruz	Vice President for Information Services and Planning
Diana A. Peña	Vice President for Financial Services
Juan E. Mejia	Vice President for Academic Affairs
William Serrata, Ph.D.	Vice President for Student Affairs and Enrollment Management
Wanda F. Garza	Executive Officer for the North American Advanced Manufacturing Research & Education Initiative
Mary G. Elizondo, M.B.A., C.P.A.	Comptroller

# South Texas College District

## BOARD OF TRUSTEES

**Rose Benavidez**  
**Vice-Chair**



President of Starr County Industrial Foundation  
District 1 Representing Starr County  
First Term: Nov. 2009 – May 2012  
Serves as a member of the Facilities Committee

**Oscar Longoria, Jr.**  
**Secretary**



Attorney  
District 2 Representing La Joya, Western Mission, Palmview, Sullivan City, Penitas and Western Alton  
First Term: May 2009 – May 2012  
Serves as a member of the Education and Workforce Innovation Committee

**VACANT**

**VACANT**

District 3

**Gary Gurwitz**  
**Chair**



Managing Partner, Atlas & Hall, 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  
Serves as Chair of the Facilities Committee and is a member of the Finance & Human Resources Committee  
Formerly served as Chair, Vice Chair, and Secretary of the Board

**Dr. Alejo Salinas, Jr.**  
**Member**



Clinical Lecturer, University of Texas-Pan American, Retired  
Superintendent/Superintendent Emeritus, Hidalgo ISD  
District 5 Representing North West 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  
Serves as a member of the Education and Workforce Innovation Committee and  
the Finance and Human Resources Committee  
Formerly served a member of the Facilities Committee

**Jesse Villarreal**  
**Member**



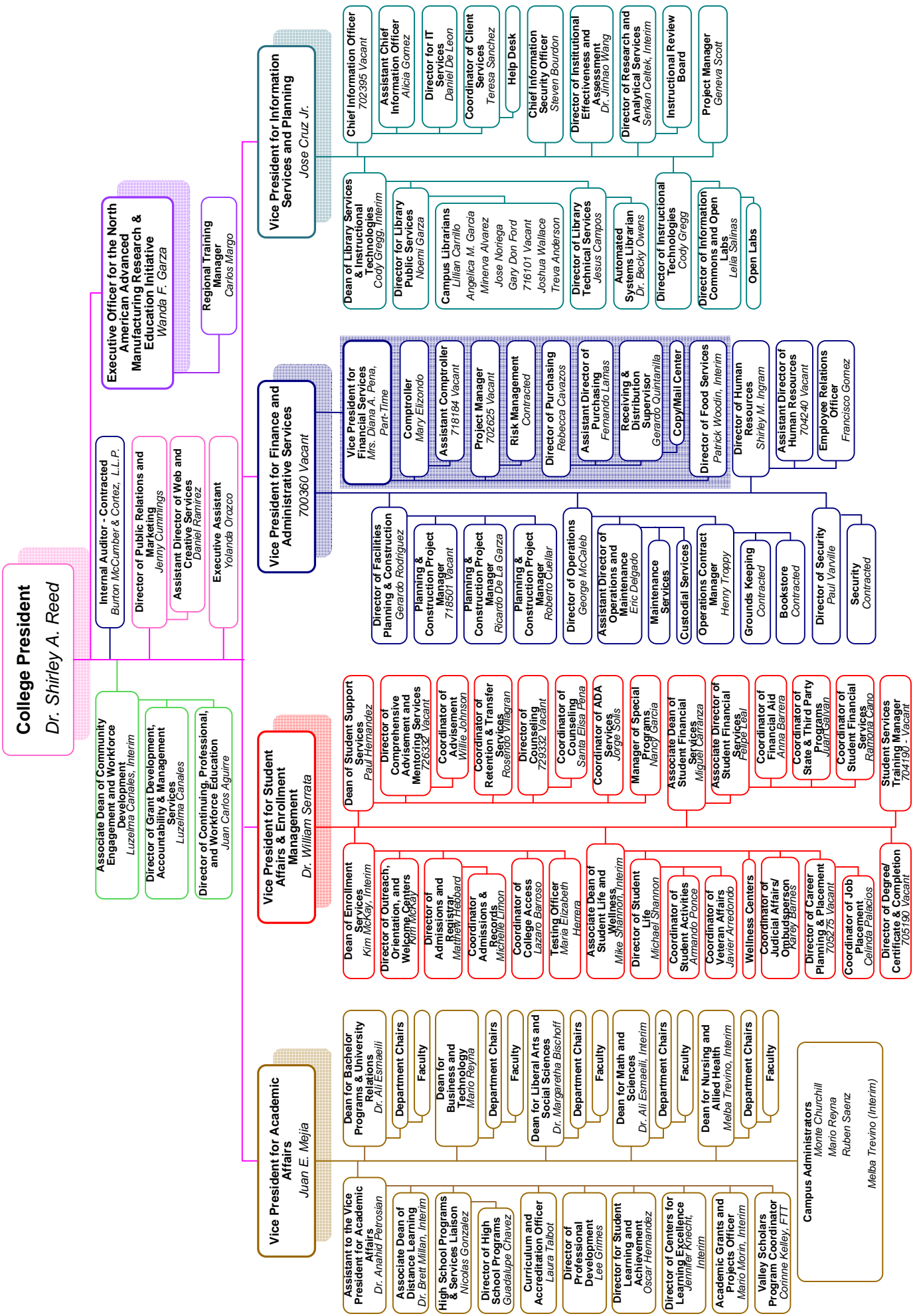
Parental Involvement Department, Weslaco ISD  
District 6 Representing Donna, South Alamo, South San Juan, South East Pharr,  
South Weslaco and Progreso  
First Term: May 2000-May 2006  
Second Term: May 2006-May 2012  
Serves as a member of the Facilities Committee  
Formerly served as Secretary and Vice Chair of the Board

**Roy De Leon**  
**Member**



Vice President of Compass Bank– McAllen  
District 7 Representing North East 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  
Serves as Chair of the Finance & Human Resources Committee  
Formerly served as Chair of the Board and as a member of the Facilities  
Committee

# South Texas College Organizational Chart



# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



This page intentionally left blank.



# *Financial Section*





## Independent Auditor's Report

To the Board of Trustees  
South Texas College

Members of the Board:

We have audited the accompanying basic financial statements of the South Texas College, as of and for the years ended August 31, 2011 and August 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the College's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and August 31, 2010 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 31 through 48 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Texas College's basic financial statements. The introductory section, the supplementary information section, which includes the accompanying schedule of expenditures of federal awards required by OMB Circular A-133, and the schedule of expenditures of state awards required by the Texas Governor's Office of Budget and Planning, State of Texas Single Audit Circular, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section which includes the schedule of expenditures of federal awards and the schedule of expenditures of state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken 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 express no opinion on them.



LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
December 7, 2011

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

## INTRODUCTION

This section of South Texas College District's Comprehensive Annual Financial Report presents management's discussion and analysis of the District's financial position and activities for the year ended August 31, 2011, and comparative information for the year ended August 31, 2010. This discussion focuses on current activities, resulting changes and currently known facts. It 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 rests with the District.

## FINANCIAL HIGHLIGHTS

- ◆ The District's total combined net assets were \$257,032,021 at August 31, 2011. Of this amount, \$92,126,622 may be used to meet the District's ongoing obligations.
- ◆ Total combined net assets increased by \$27,340,309 or 11.9% from fiscal year 2010 to fiscal year 2011. This increase can be attributed to increases in tuition and fee revenue, federal revenue, local and non-governmental grants and contracts revenue and sales and services of auxiliary enterprises and a decrease in non-capital construction costs. Federal revenue increased by 13%. Student full time equivalent enrollment increased 5%. In addition, there was a \$4 increase in the Electronic Distance Fee per credit hour, a \$1 increase in the Workforce/Continuing Education Tuition per contact hour, a \$4 increase in the Information Technology Fee and a \$5 increase in the Learning Support Fee which generated additional tuition and fee revenue. Grants and contracts revenue increased due to an increase in federal Pell grants.
- ◆ During fiscal year 2011, the balance of cash and cash equivalents and short-term and other investments increased by \$23,082,703 from \$93,556,919 at August 31, 2010 to \$116,639,622 on August 31, 2011 or 25%.
- ◆ Capital assets, net of accumulated depreciation, at August 31, 2011, had an increase of \$2,140,594 from August 31, 2010, due mainly to an increase of \$3,122,006 in land improvements, an increase of \$778,166 in land, an increase in furniture and equipment of \$241,254, and an increase of \$146,909 in construction in progress. Other changes included a decrease in buildings of \$1,817,035, a decrease in library books of \$8,781, and a decrease in telecommunication equipment of \$321,925.

## FINANCIAL STATEMENTS

The financial statements of this annual report consist of three parts – Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The financial statements, consisting of the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and, the Statements of Cash Flows 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*

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

*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. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

The Statements of Net Assets report all of the District's assets and liabilities. Net assets, the difference between assets and liabilities, are subdivided into three categories to indicate the limitations on their use. Net assets invested in capital assets net of related debt are not available for general use, since these are resources that have been invested in capital assets such as land, building and improvements, and equipment of the District. Restricted net assets are not accessible for general use because the use of these assets is subject to third-party restrictions. Any remaining net assets are classified as unrestricted and are available for general use.

Over time, increases or decreases in net assets indicate the improvement or erosion of the District's financial health when considered with non-financial facts, such as enrollment levels and the condition of the facilities.

The Statements of Revenues, Expenses and Changes in Net Assets present the revenues earned and expenses incurred over the course of the fiscal year. Activities are reported as either operating or non-operating. Operating revenues are primarily those that result from instruction, the operation of the District's auxiliary services and federal and state grants. State appropriations and ad-valorem taxes, while budgeted for operations, are considered to be non-operating revenue. Depreciation on capital assets is included in operating expenses. Since state appropriations and ad-valorem taxes are a significant portion of maintenance and operations funding, classification of this revenue as non-operating will usually result in an operating deficit.

Another important factor to consider when evaluating financial viability is the district's ability to meet financial obligations as they mature. 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.

This discussion and analysis of the District's financial statements provides an overview of its financial activities for the fiscal year.

**ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS  
AND CONDENSED FINANCIAL INFORMATION**

**Statements of Net Assets**

The Statements of Net Assets present end of year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

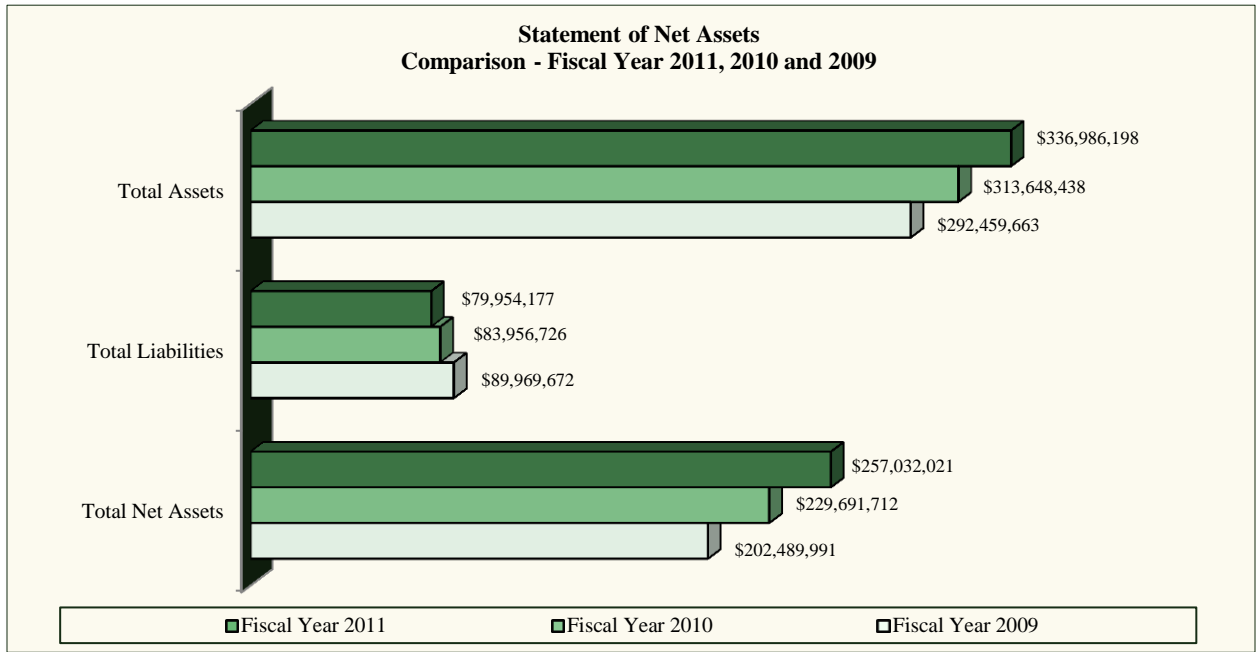
Current assets consist mainly of cash, short-term investments, and receivables. Cash and short-term investments are maintained at levels necessary to cover current liabilities as they come due and to ensure adequate liquidity as funds are needed for expenditures associated with building and expansion projects. Receivables are from students, property taxes, and federal, state and local grants and contracts.

From the data presented, readers of the financial statements are able to determine the assets available to continue operations of the District. They are also able to determine how much the District owes vendors, investors and lending institutions.

The following is prepared from the District's Statements of Net Assets and provides a summary of its assets, liabilities and net assets for the years ended August 31:

	<b>Statements of Net Assets</b>		
	2011	2010	2009
<b>Assets</b>			
Current assets	\$ 132,329,255	\$ 111,060,936	\$ 105,142,712
Capital assets, net	203,903,261	201,762,667	186,361,350
Non-current assets	753,682	824,835	955,601
<b>Total Assets</b>	<b>336,986,198</b>	<b>313,648,438</b>	<b>292,459,663</b>
<b>Liabilities</b>			
Current liabilities	25,343,629	19,971,372	17,792,677
Non-current liabilities	54,610,548	63,985,354	72,176,995
<b>Total Liabilities</b>	<b>79,954,177</b>	<b>83,956,726</b>	<b>89,969,672</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	147,102,213	136,773,512	113,996,844
Restricted expendable	17,456,826	17,095,903	14,027,153
Restricted non-expendable	346,360	346,050	346,041
Unrestricted	92,126,622	75,476,247	74,119,953
<b>Total Net Assets</b>	<b>\$ 257,032,021</b>	<b>\$ 229,691,712</b>	<b>\$ 202,489,991</b>

**SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010**



The total assets of the District increased by \$23,337,760 from \$313,648,438 at August 31, 2010 to \$336,986,198 on August 31, 2011. A review of the Statements of Net Assets will reveal that the increase was primarily attributable to an increase of \$13,699,396 in cash and cash equivalents, an increase of \$9,383,307 in short-term investments and an increase of \$2,140,594 in capital assets. A net decrease in receivables of \$1,673,377 was due primarily to a decrease of \$2,259,263 in federal receivables, \$471,216 in accounts receivable and \$110,897 in interest receivable, which was offset by an increase of \$410,979 in taxes receivable (net) and \$757,020 in student receivables during fiscal year 2011.

The total liabilities from 2010 to 2011 decreased by \$4,002,549 from \$83,956,726 at August 31, 2010 to \$79,954,177 on August 31, 2011. The primary cause was a decrease in total bonds payable of \$8,676,992, due to principal payments and associated amortization of bond premium and deferred loss, and a decrease in accounts payable of \$3,164,500. This was mainly offset by an increase in unearned revenue of \$7,977,833.

The combination of the increase in total assets from 2010 to 2011 of \$23,337,760 and the decrease in total liabilities of \$4,002,549 yields an increase in total net assets of \$27,340,309. Fifty-seven percent of net assets, \$147,102,213, reflect the District's substantial investment in net capital assets such as property, buildings, and equipment. Restricted net assets such as endowment gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, student loan funds, and assets designated for debt service represented an additional 6.9 percent of net assets. The remaining unrestricted net assets may be used for educational or general operations of the District.

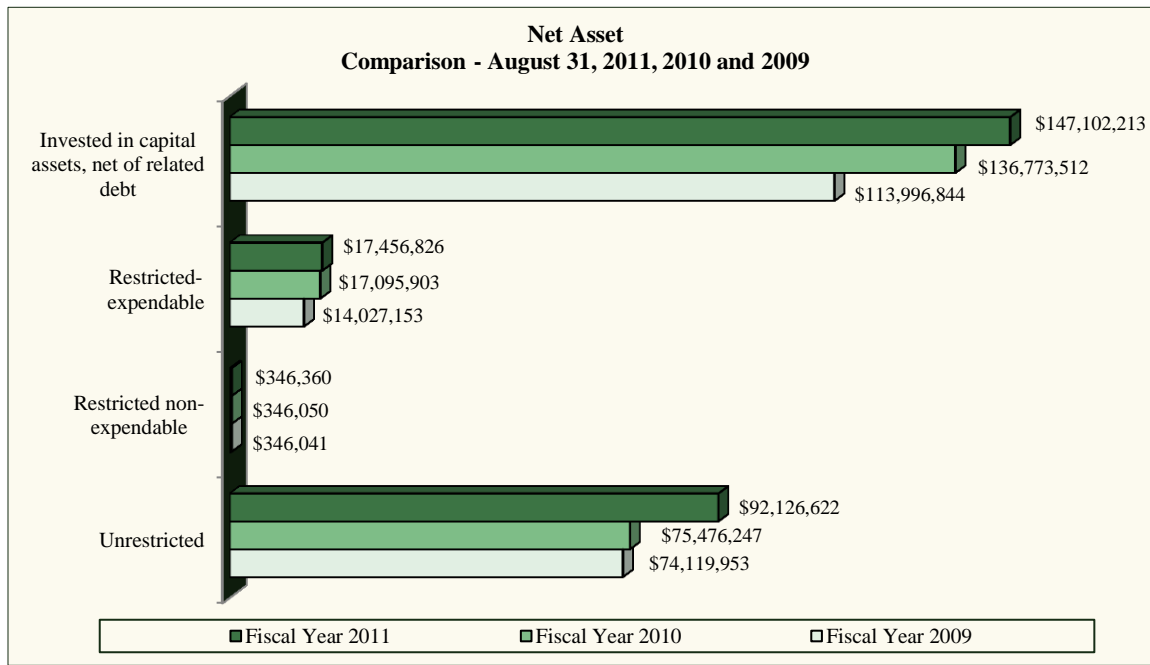
**SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010**

The total assets of the District from fiscal year 2009 to fiscal year 2010 increased by \$21,188,775. The increase was attributed to an increase of \$4,849,180 in short-term and other investments and an increase of \$15,401,317 in capital assets. A net increase in accounts receivables of \$1,182,302 was due primarily to an increase of \$1,229,719 in federal receivables, \$514,527 in taxes receivable (net), \$645,704 in accounts receivable and \$110,456 in interest receivable, which were offset by a decrease of \$1,318,104 in contractor receivables during fiscal year 2010.

The total liabilities from 2009 to 2010 decreased by \$6,012,946. The primary cause was a decrease in total bonds payable of \$7,866,317, due to principal payments and associated amortization of bond discount, premium and deferred loss. This was mainly offset by an increase in accounts payable of \$1,511,979.

The combination of the increase in total assets from 2009 to 2010 of \$21,188,775 and the decrease in total liabilities of \$6,012,946 yields an increase in total net assets of \$27,201,721. Sixty percent of net assets, \$136,773,512, reflected the District's substantial investment in net capital assets such as property, buildings, and equipment. Restricted net assets such as endowment gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, student loan funds, and assets designated for debt service represented an additional 7.6 percent of net assets. The remaining unrestricted net assets may be used for educational or general operations of the District.

The following is a graphic illustration of net assets at August 31, 2011, 2010 and 2009:



SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

**Statements of Revenues, Expenses and Changes in Net Assets**

Changes in total net assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Assets. 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.

Operating revenues are received for providing goods and services to the various customers and constituencies of the District. 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. Non-operating revenues are revenues received for which goods and services are not provided.

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

**Statements of Revenues, Expenses and Changes in Net Assets**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 37,390,206	\$ 39,956,379	\$ 35,396,737
Operating expenses	<u>157,552,662</u>	<u>151,885,980</u>	<u>127,754,977</u>
Operating loss	(120,162,456)	(111,929,601)	(92,358,240)
Non-operating revenues and expenses	146,770,404	137,882,763	110,364,477
Capital contributions	732,061	1,248,559	2,407,855
Additions to permanent and term endowment	300	-	9,690
Special item	<u>-</u>	<u>-</u>	<u>374,140</u>
Increase in net assets	27,340,309	27,201,721	20,797,922
Net assets at beginning of year	229,691,712	202,489,991	181,692,069
<b>Net assets at end of year</b>	<b><u><u>\$ 257,032,021</u></u></b>	<b><u><u>\$ 229,691,712</u></u></b>	<b><u><u>\$ 202,489,991</u></u></b>



SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

An operating loss of \$120,162,456 resulted in fiscal year 2011. Because state allocations, ad-valorem taxes, investment income and Title IV revenue are not included within operating revenue, the District will usually show a significant operating loss.

The operating loss increased by \$8,232,855 or 7.4%, from \$111,929,601 in fiscal year 2010 to \$120,162,456 in fiscal year 2011. Operating revenues decreased by \$2,566,173, and total operating expenses increased by \$5,666,682.

Operating revenues decreased by \$2,566,173, which primarily consisted of an increase of \$1,128,093 in tuition and fees, and \$596,068 in non-governmental grants and contracts. This was mainly offset by a decrease of \$2,807,319 in federal grants and contracts, and \$1,442,386 in general operating revenues.

The increase in tuition and fee revenue was attributed to changes in fees and differential tuition in fiscal year 2011. The changes included increasing the Electronic Distance Learning Fee from \$22 to \$26 per semester credit hour, the Workforce/Continuing Education Tuition from \$5 to \$6 per contact hour, and the Overdue Library Book/Media Fees from \$.10 to \$.25 per day. The Information Technology Fee and Learning Support Fee were also increased from \$12 to \$16 and \$7 to \$12 per semester credit hour, respectively. Increases in the differential tuition charges included 3000/4000 level course from \$20 to \$25, and the Emergency Medical Technology from \$25 to \$30 per semester credit hour. The differential tuition charges related to the following programs were increased from \$25 to \$35 per semester credit hour in fiscal year 2011: Associate Degree Nursing, Occupation Therapy Assistant, Physical Therapist Assistant, Radiologic Technology, Vocational Nursing, Pharmacy Technology, and Respiratory Therapy.

Charges related to the GED Exam Fees were added in fiscal year 2011. The charges related to the GED Exam are as follows: GED Exam Fee (All Exams), \$70; GED Exam Fee – Writing only, \$48; GED Exam Fee – Reading only, \$47; GED Exam Fee – Math only, \$47; GED Exam Fee – Science only, \$47; and GED Exam Fee – Social Studies only, \$47. GED Retest Exam Fees were added as follows: GED Exam Fee – Writing only, \$13; GED Exam Fee – Reading only, \$12; GED Exam Fee – Math only, \$12; GED Exam Fee – Science only, \$12; and GED Exam Fee – Social Studies only, \$12. Other additions for fiscal year 2011 include a differential tuition fee for the Patient Care Assistant program of \$20 per semester credit hour, NAH Student Clinical Data Fee of \$60 per year, Emotional Skills Assessment Process (ESAP) of \$10, Overdue Library Reserve Item of \$1 per hour, Overdue Library Equipment of \$1 per day, and Overdue Inter-Library Loan Item of \$1 per day.

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 44.6 percent of total revenues, a decrease from 19,147,794 in fiscal year 2010 to \$16,685,151 in fiscal year 2011.

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

In fiscal year 2011, the increase in operating expenses of \$5,666,682 was due to the budgeted level of spending associated with increased personnel costs and increased operating costs associated with newly expanded facilities and increases in enrollment.

An analysis of operating expenses by function indicates the most significant year-to-year expense changes to be in scholarships by \$2,108,372 or 5.7 percent, in academic support by \$2,469,966 or 25.8 percent and in instruction by \$1,904,850 or 3.4 percent. The increase in scholarship expenses is primarily due to an increase in funds available to help students meet their educational needs.

An operating loss of \$111,929,601 resulted in fiscal year 2010. Because state allocations, ad-valorem taxes, investment income and Title IV revenue are not included within operating revenue, the District will usually show a significant operating loss.

The operating loss increased by \$19,571,361 or 21%, from \$92,358,240 in fiscal year 2009 to \$111,929,601 in fiscal year 2010. Operating revenues increased by \$4,559,642 and operating expenses increased by \$24,131,003.

The \$4,559,642 increase in operating revenues primarily consisted of an increase of \$592,304 in tuition and fees, \$1,963,931 in federal grants and contracts, \$1,299,480 in state grants and contracts, and \$606,050 in non-governmental grants and contracts.

The increase in tuition and fee revenue was attributed to changes in fees and differential tuition in fiscal year 2010. The changes included increasing the Electronic Distance Learning Fee from \$20 to \$22 per semester credit hour, the Information Technology Fee from \$10 to \$12 per semester credit hour, and the In-District Tuition rate per credit hour by \$4. The differential tuition charges related to various Nursing Allied Health programs were increased from \$20 to \$25 per semester credit hour in fiscal year 2010. The Learning Support Fee and Student ID Replacement Fee were also increased from \$5 to \$7 and \$5 to \$10 per semester credit hour, respectively. Accuplacer Exam Fees were added for fiscal year 2010.

The Parking Permit Violation for the first offense was increased from \$20 to \$30. The tuition rate per credit hour for dual enrollment students attending South Texas College District independent of their school was changed from charging regular tuition and fees to \$50 per semester credit hour. The changes made to fees associated with the Child Development Center included increasing the tuition fee from \$85 to \$100, the registration fee for the fall and spring semesters from \$25 to \$40, the reservation fee from \$50 to \$60, and adding a supply fee for the fall and spring semesters in the amount of \$25.

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 47.9 percent of total revenues, an increase from 15,151,898 in fiscal year 2009 to \$19,147,794 in fiscal year 2010.

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

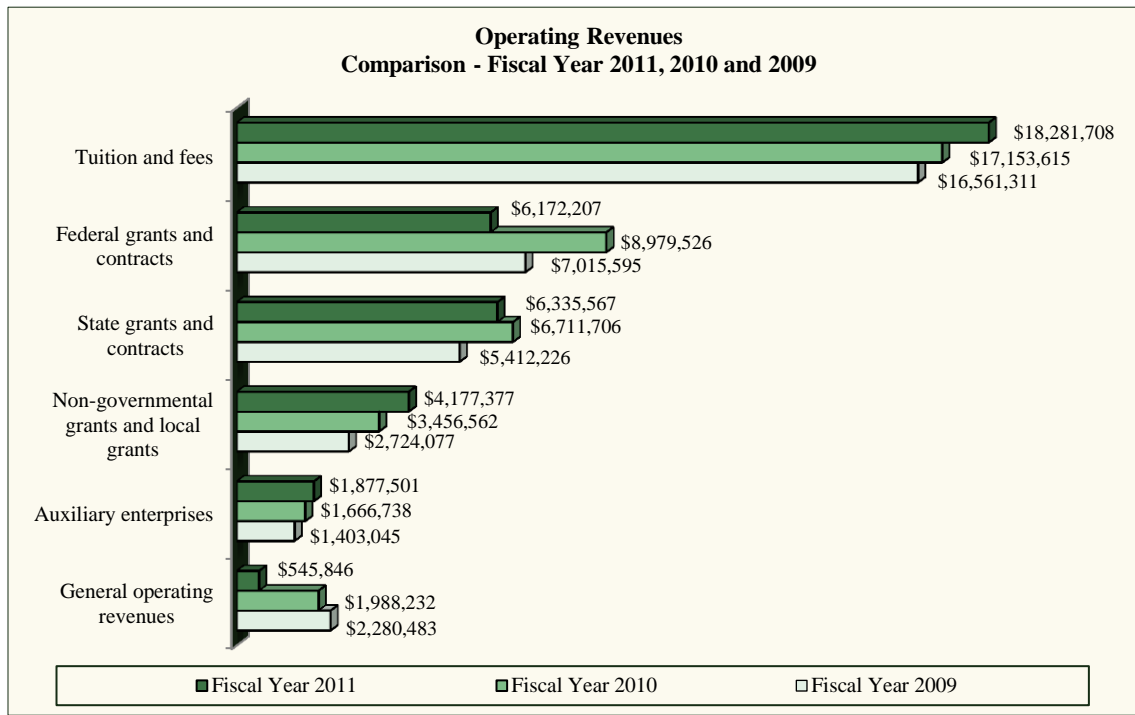
In fiscal year 2010, the increase in operating expenses of \$24,131,003 was due to the budgeted level of spending associated with increased personnel costs and increased operating costs associated with newly expanded facilities and increases in enrollment.

An analysis of operating expenses by function indicates the most significant year-to-year expense changes to be in scholarships by \$14,035,705 or 60.6 percent and instruction by \$6,755,847 or 13.9 percent. The increase in scholarship expenses is primarily due to an increase in funds available to help students meet their educational needs.

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

Operating Revenues	2011		2010		2009	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$50,854,045, \$43,725,063, and \$28,623,240)	\$ 18,281,708	48.90%	\$ 17,153,615	42.93%	\$ 16,561,311	46.79%
Federal grants and contracts	6,172,207	16.51%	8,979,526	22.47%	7,015,595	19.82%
State grants and contracts	6,335,567	16.94%	6,711,706	16.80%	5,412,226	15.29%
Non-governmental grants and local grants	4,177,377	11.17%	3,456,562	8.65%	2,724,077	7.70%
Auxiliary enterprises	1,877,501	5.02%	1,666,738	4.17%	1,403,045	3.96%
General operating revenues	545,846	1.46%	1,988,232	4.98%	2,280,483	6.44%
<b>Total</b>	<b>\$ 37,390,206</b>	<b>100.00%</b>	<b>\$ 39,956,379</b>	<b>100.00%</b>	<b>\$ 35,396,737</b>	<b>100.00%</b>

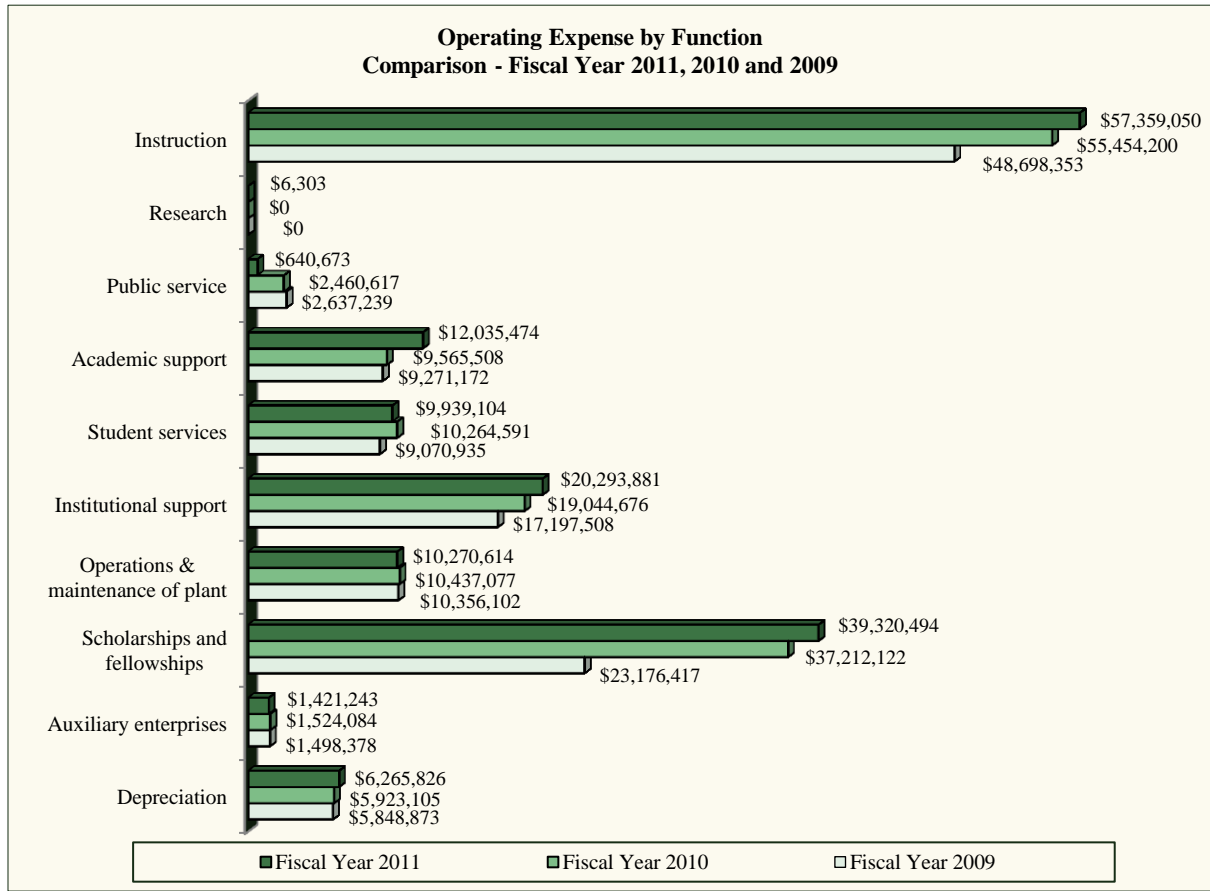
**SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010**



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

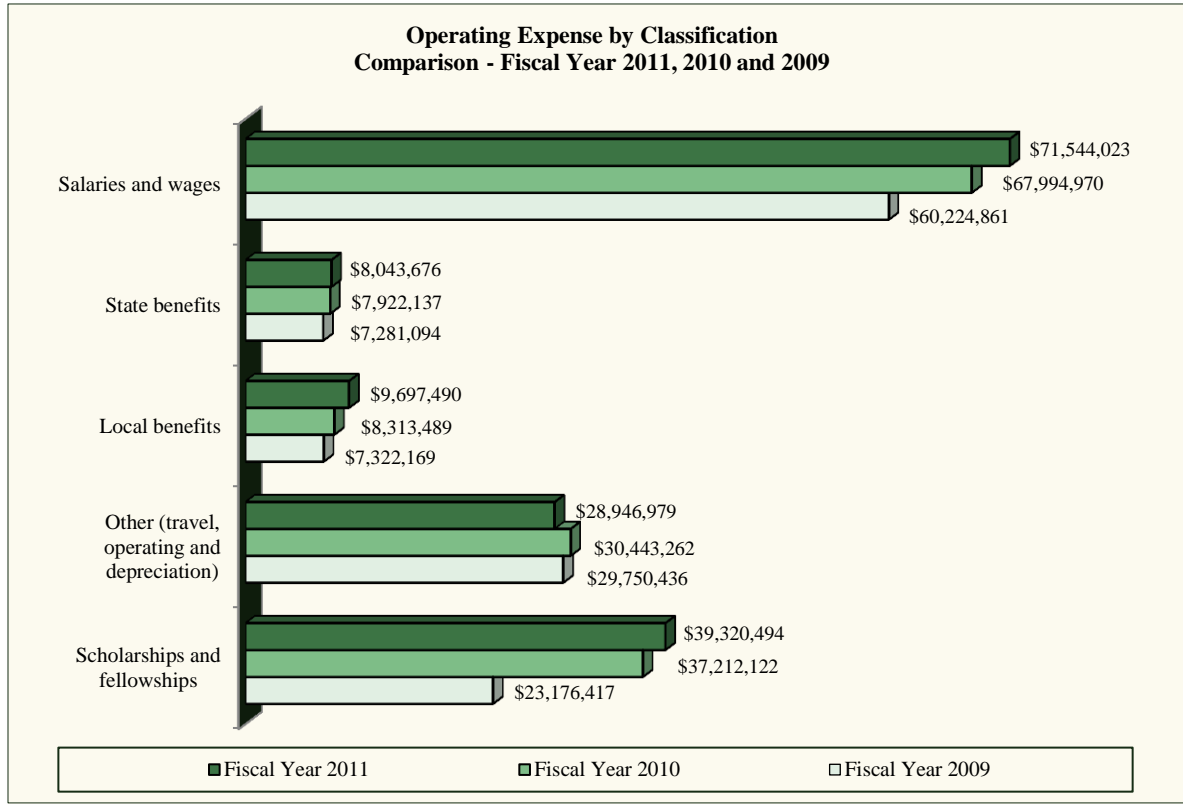
Operating Expenses by Function	2011		2010		2009	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 57,359,050	36.40%	\$55,454,200	36.51%	\$48,698,353	38.12%
Research	6,303	0.00%	-	0.00%	-	0.00%
Public service	640,673	0.41%	2,460,617	1.62%	2,637,239	2.06%
Academic support	12,035,474	7.64%	9,565,508	6.30%	9,271,172	7.26%
Student services	9,939,104	6.31%	10,264,591	6.76%	9,070,935	7.10%
Institutional support	20,293,881	12.88%	19,044,676	12.54%	17,197,508	13.46%
Operations and maintenance of plant	10,270,614	6.52%	10,437,077	6.87%	10,356,102	8.11%
Scholarships and fellowships	39,320,494	24.96%	37,212,122	24.50%	23,176,417	18.14%
Auxiliary enterprises	1,421,243	0.90%	1,524,084	1.00%	1,498,378	1.17%
Depreciation	6,265,826	3.98%	5,923,105	3.90%	5,848,873	4.58%
<b>Total</b>	<b>\$ 157,552,662</b>	<b>100.00%</b>	<b>\$151,885,980</b>	<b>100.00%</b>	<b>\$127,754,977</b>	<b>100.00%</b>

**SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010**



Operating Expenses by Classification	2011		2010		2009	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and wages	\$ 71,544,023	45.41%	\$ 67,994,970	44.77%	\$ 60,224,861	47.14%
State benefits	8,043,676	5.11%	7,922,137	5.22%	7,281,094	5.70%
Local benefits	9,697,490	6.15%	8,313,489	5.47%	7,322,169	5.73%
Other (travel, operating and depreciation)	28,946,979	18.37%	30,443,262	20.04%	29,750,436	23.29%
Scholarships and fellowships	39,320,494	24.96%	37,212,122	24.50%	23,176,417	18.14%
<b>Total</b>	<b>\$ 157,552,662</b>	<b>100.00%</b>	<b>\$ 151,885,980</b>	<b>100.00%</b>	<b>\$ 127,754,977</b>	<b>100.00%</b>

**SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010**



Non-operating revenues and expenses consisted of the following:

Non-Operating Revenues	2011		2010		2009	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State allocations	\$ 36,676,953	24.40%	\$37,514,938	26.02%	\$ 33,173,275	28.67%
Ad-valorem taxes – maintenance and operations	33,798,861	22.49%	34,314,946	23.80%	33,731,408	29.15%
Ad-valorem taxes – debt service	12,187,090	8.11%	12,197,541	8.46%	12,212,764	10.55%
Federal revenue, non-operating	66,972,554	44.57%	59,089,947	40.99%	34,498,524	29.81%
Gifts	309,868	0.21%	663,193	0.46%	775,113	0.67%
Investment income (net of investment expenses)	327,497	0.22%	388,426	0.27%	1,335,180	1.15%
<b>Total</b>	<b>150,272,823</b>	<b>100.00%</b>	<b>144,168,991</b>	<b>100.00%</b>	<b>115,726,264</b>	<b>100.00%</b>

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

Non-Operating Expenses	2011		2010		2009	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Interest on capital related debt	2,172,754	62.04%	2,986,702	47.51%	3,186,226	59.42%
Loss on sale/disposal/return of capital assets	3,500	0.10%	4,698	0.07%	77,747	1.45%
Non-capital construction costs	464,503	13.26%	2,268,529	36.09%	1,038,216	19.36%
Bond costs amortization	465,630	13.29%	353,037	5.62%	353,037	6.58%
Other non-operating expenses	396,032	11.31%	673,262	10.71%	706,561	13.19%
<b>Total</b>	<b>3,502,419</b>	<b>100.00%</b>	<b>6,286,228</b>	<b>100.00%</b>	<b>5,361,787</b>	<b>100.00%</b>
<b>Net non-operating revenue (expenses):</b>	<b><u>\$ 146,770,404</u></b>		<b><u>\$137,882,763</u></b>		<b><u>\$110,364,477</u></b>	

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

Some highlights of the information presented on the Statements of Revenues, Expenses, and Changes in Net Assets are as follows:

- ◆ Tuition and fees were discounted by \$50,854,045, \$43,725,063 and \$28,623,240 in fiscal years 2011, 2010 and 2009, 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 2011, state allocations received decreased by \$837,985 due mainly to a decrease in contact hour funding of \$291,518, a decrease in professional nursing shortage reduction of \$265,548 and a decrease of \$402,458 in enrollment growth. State allocations totaling \$36,676,953 consisted of \$28,276,043 of contact hour funding, \$125,369 of enrollment growth funding, \$231,865 of professional nursing shortage reduction funding and \$8,043,676 of state on-behalf benefits, which consisted of state group insurance of \$4,255,871 and state retirement matching of \$3,787,805. The contact hour allocations are received in ten monthly payments, September through December and March through August.
- ◆ The District's state allocation for contact hour funding was decreased by \$291,518 from \$28,567,561 in fiscal year 2010 to \$28,276,043 in fiscal year 2011.

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties decreased by \$214,524,249 or .71% from \$30,304,183,226 in fiscal year 2010 to \$30,089,658,977 in fiscal year 2011. Tax collections, net of penalties and interest, decreased .64% from \$44,615,970 in fiscal year 2010, to \$44,329,200 in fiscal year 2011.
- ◆ The District's federal Title IV grant programs revenue increased by \$7,882,607 from 2010 to 2011.
- ◆ In fiscal year 2010, state allocations received increased by \$4,341,663 due mainly to an increase in contact hour funding of \$3,194,721 and an increase in state funding for state retirement and group insurance matching of \$641,043. State allocations totaling \$37,514,938 consisted of \$28,567,561 of contact hour funding, \$527,827 of enrollment growth funding, \$497,413 of professional nursing shortage reduction funding and \$7,922,137 of state on-behalf benefits, which consisted of state group insurance of \$4,430,338 and state retirement matching of \$3,491,799. The contact hour allocations are received in ten monthly payments, September through December and March through August.
- ◆ The District's state allocation for contact hour funding was increased by \$3,194,721 from \$25,372,840 in fiscal year 2009 to \$28,567,561 in fiscal year 2010.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties increased by \$1,370,689,519 or 5% from \$28,933,493,707 in fiscal year 2009 to \$30,304,183,226 in fiscal year 2010. Tax collections, net of penalties and interest, increased 2% from \$43,734,507 in fiscal year 2009 to \$44,615,970 in fiscal year 2010.
- ◆ The tax rates assessed in fiscal years 2009, 2010, and 2011, were \$0.1498, \$0.1491, and \$0.1497, respectively.
- ◆ The District's federal Title IV grant programs revenue increased by \$24,591,423 from 2009 to 2010.
- ◆ The Texas Higher Education Coordinating Board reclassified the revenue received for federal Title IV grant programs (i.e. Pell grants) from operating revenue to non-operating revenue. This change was reflected in fiscal years 2011, 2010 and 2009.

**Statements of Cash Flows**

The final statement presented by the District is the Statements of Cash Flows, which details information about the cash activity of the District during the year. The statement is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section reflects cash flows from capital and related financing activities. This section reflects the cash used for the acquisition and construction of capital assets and related items. The fourth section reflects the cash flows from



SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statements of Revenues, Expenses, and Changes in Net Assets.

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

	<b>Statement of Cash Flows</b>		
	2011	2010	2009
Cash provided (used) by:			
Operating activities	\$ (103,785,802)	\$ (105,082,148)	\$ (81,299,949)
Non-capital financing activities	133,183,243	126,903,375	97,553,560
Capital and related financing activities	(6,751,979)	(17,918,238)	(8,462,534)
Investing activities	(8,946,066)	(4,573,827)	(4,809,146)
Net change in cash and cash equivalents	13,699,396	(670,838)	2,981,931
Cash and cash equivalents - September 1	14,084,068	14,754,906	11,772,975
<b>Cash and cash equivalents - August 31</b>	<b>\$ 27,783,464</b>	<b>\$ 14,084,068</b>	<b>\$ 14,754,906</b>

Major sources of funds included in operating activities during fiscal year 2011 were student tuition and fees of \$27,365,816 and grants and contracts of \$19,428,124.

The largest payments in operating activities were compensation to employees for \$85,404,784, payments to suppliers for \$25,446,704 and payments for scholarships and fellowships for \$39,178,259.

The largest inflows of cash in the non-capital financing activities were the non-operating federal revenue of \$66,972,554, the state allocations of \$32,421,082 and ad-valorem taxes for maintenance and operation of \$33,609,558.

The largest outflows in capital and related financing activities represent the purchases of capital assets in the amount of \$7,714,549 and payments on capital debt of \$11,148,942. The largest inflow was for ad-valorem taxes for debt service for \$12,165,355.

The cash flows from investing activities represent proceeds from sales and maturities of investments of \$8,616,693, investment income of \$437,241, and cash outflows of \$18,000,000 constituting the purchase of investments.

The cash and cash equivalents balance as of August 31, 2011, increased by \$13,699,396 from fiscal year 2010.

Major sources of funds included in operating activities during fiscal year 2010 were student tuition and fees of \$19,287,088 and grants and contracts of \$17,380,548.

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

The largest payments in operating activities were compensation to employees for \$80,183,301, payments to suppliers for \$23,250,417, payments for scholarships and fellowships for \$36,034,445, and payments for non-operating construction costs for \$2,268,579.

The largest inflows of cash in the non-capital financing activities were the non-operating federal revenue of \$59,089,947, state allocations of \$33,084,600, and ad-valorem taxes for maintenance and operation of \$34,017,833.

The largest outflows in capital and related financing activities represent the purchases of capital assets in the amount of \$21,257,222 and payments on capital debt of \$11,150,535. The largest inflows were for ad-valorem taxes for debt service for \$12,172,871 and contribution received in aid of construction for \$2,497,606.

The cash flows from investing activities represent proceeds from sales and maturities of investments of \$38,768,696, investment income of \$275,353 and cash outflows of \$43,617,876 constituting the purchase of investments.

The cash and cash equivalents balance as of August 31, 2010, decreased by \$670,838 from fiscal year 2009.

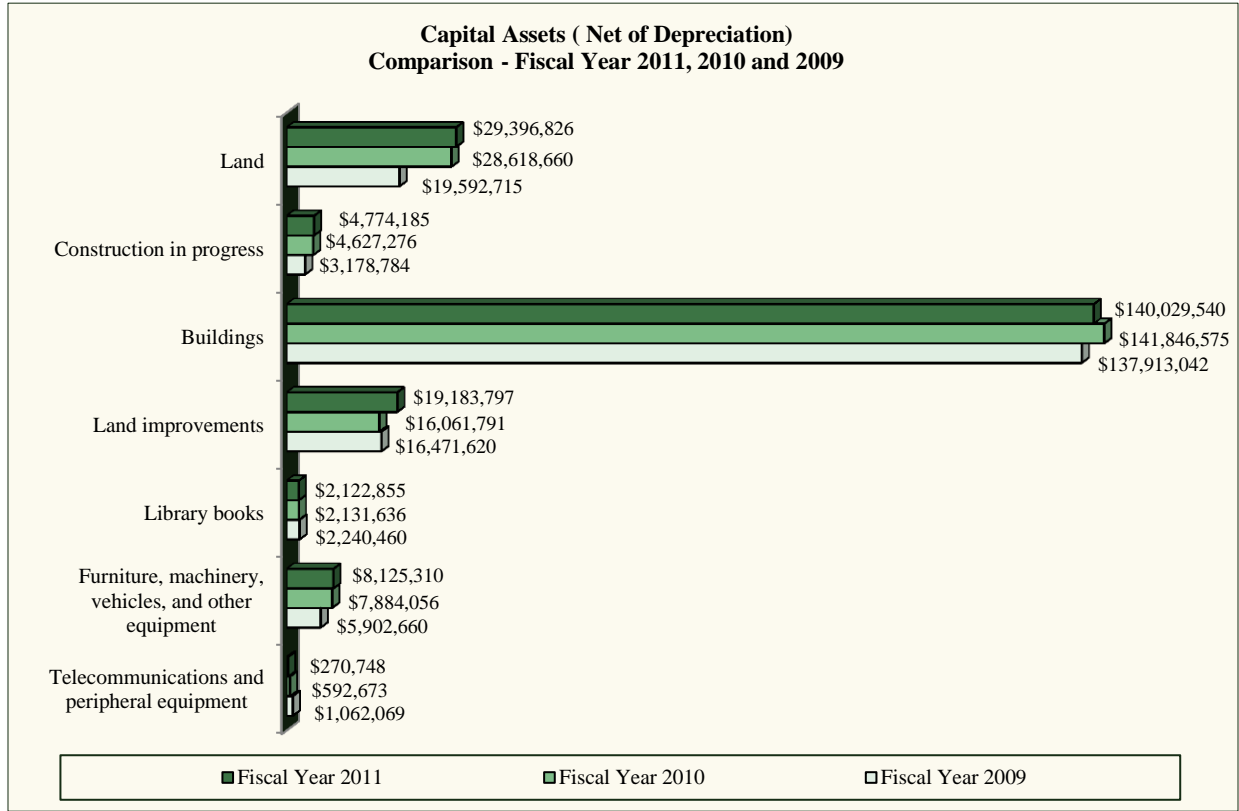
**CAPITAL ASSET AND LONG - TERM DEBT ADMINISTRATION**

The District had \$252,510,242 in capital assets, and \$48,606,981 in accumulated depreciation at August 31, 2011.

	South Texas College District Capital Assets (Net of Depreciation)		
	2011	2010	2009
Land	\$ 29,396,826	\$ 28,618,660	\$ 19,592,715
Construction in progress	4,774,185	4,627,276	3,178,784
Buildings	140,029,540	141,846,575	137,913,042
Land improvements	19,183,797	16,061,791	16,471,620
Library books	2,122,855	2,131,636	2,240,460
Furniture, machinery, vehicles, and other equipment	8,125,310	7,884,056	5,902,660
Telecommunications and peripheral equipment	270,748	592,673	1,062,069
<b>Net capital assets</b>	<b><u>\$ 203,903,261</u></b>	<b><u>\$ 201,762,667</u></b>	<b><u>\$ 186,361,350</u></b>

**SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010**

The following is a graphic illustration of capital assets, net of depreciation at August 31, 2011, 2010 and 2009.



From fiscal year 2010 to fiscal year 2011, buildings, net of depreciation, decreased by \$1,817,035, land increased by \$778,166, land improvements increased by \$3,122,006 and construction in progress increased by \$146,909 due to the completion and continued construction of the new facilities planned for the District.

From fiscal year 2009 to fiscal year 2010, buildings, net of depreciation, increased by \$3,933,533, land increased by \$9,025,945 and construction in progress increased by \$1,448,492 due to the completion and continued construction of the new facilities planned for the District.

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

The bonds payable liability balances at August 31, 2011, 2010, and 2009 are as follows:

South Texas College District Outstanding Debt – Bonds			
	2011	2010	2009
Public Property Finance Contractual Obligation Bonds, Series 1999	\$ -	\$ -	\$ 260,000
South Texas College Tax Bonds, Series 2002	4,630,000	19,060,000	23,445,000
South Texas College Tax Bonds, Series 2003	3,130,000	14,140,000	15,560,000
South Texas College Tax Bonds, Series 2004	9,615,000	11,005,000	12,160,000
South Texas College Tax Bonds, Series 2007 MTR	2,660,000	2,935,000	2,945,000
South Texas College Tax Bonds, Series 2007 LTR	22,384,991	22,639,991	22,884,991
South Texas College Tax Bonds, Series 2010 LTR	18,969,296	-	-
<b>Total Bonds Payable</b>	<b>\$ 61,389,287</b>	<b>\$ 69,779,991</b>	<b>\$ 77,254,991</b>

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

The bonds were issued to address the facility requirements of the District. The enrollment has substantially increased over the years since the District's inception. The unduplicated annual headcount enrollment has increased by 45%, from 25,423 in fiscal year 2007 to 36,871 in fiscal year 2011. The unduplicated contact hour generation has increased 64%, from 7,182,496 contact hours in 2007 to 11,745,072 contact hours in 2011.

For additional information concerning capital assets and debt administration, see Notes No. 3, No. 4, No. 5, No. 6 and No. 7 in the notes to the financial statements.

SOUTH TEXAS COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2011 and 2010

See Note No. 21 in the notes to financial statements for contractual commitments for capital expenditures at August 31, 2011. In fiscal years 1997 through 2011, the District has set aside a total of \$80,250,000 for construction of facilities and a total of \$15,713,236 for deferred maintenance purposes. The amounts set aside are funded from current year revenue and accumulated net assets.

The District is authorized to issue, per Education Code Section 130.122, \$0.50 per \$100 valuation of taxable property for bonded debt. The District's debt tax rate in fiscal year 2011 was \$0.0397 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 ad-valorem taxes largely offset the increases in expenditures, which were caused by increased personnel costs and operating costs associated with newly expanded facilities. As a result, the District was able to realize an increase in net assets.

### **REQUEST FOR INFORMATION**

This financial report is intended to provide a general overview of South Texas College District's finances. Requests for additional financial information may be addressed to South Texas College District, Business Office, P.O. Box 9701, McAllen, Texas 78502-9701.

**South Texas College District  
Statements of Net Assets  
August 31, 2011 and 2010**

**Exhibit 1**

	FY 2011	FY 2010
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 27,783,464	\$ 14,084,068
Short-term investments	88,856,158	79,472,851
Accounts receivable (net of allowance for doubtful accounts of \$1,473,908 in 2011 and \$329,356 in 2010)	15,032,626	16,706,003
Deposits in escrow	133,207	133,207
Notes receivable	-	439
Prepaid expenses	523,800	664,368
<b>Total Current Assets</b>	<b>132,329,255</b>	<b>111,060,936</b>
<b>Noncurrent Assets:</b>		
Endowment investments	5,590	5,590
Deferred bond issuance costs (net of related amortization of \$71,153 in 2011 and \$130,766 in 2010)	748,092	819,245
Capital assets, net (note 3)	203,903,261	201,762,667
<b>Total Noncurrent Assets</b>	<b>204,656,943</b>	<b>202,587,502</b>
<b>Total Assets</b>	<b>336,986,198</b>	<b>313,648,438</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	3,165,290	6,329,790
Accrued liabilities	677,135	779,060
Accrued compensable absences - current portion	568,839	647,563
Funds held for others	360,380	321,906
Unearned revenue	11,678,089	3,700,256
Bonds payable - current portion	8,893,896	8,192,797
<b>Total Current Liabilities</b>	<b>25,343,629</b>	<b>19,971,372</b>
<b>Noncurrent Liabilities:</b>		
Accrued compensable absences	45,031	41,746
Bonds payable, net	54,565,517	63,943,608
<b>Total Noncurrent Liabilities</b>	<b>54,610,548</b>	<b>63,985,354</b>
<b>Total Liabilities</b>	<b>79,954,177</b>	<b>83,956,726</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	147,102,213	136,773,512
Restricted for:		
Expendable		
Loans	740,113	613,517
Debt service	13,205,520	11,949,354
Other purposes	3,511,193	4,533,032
Non-expendable		
Endowment	346,360	346,050
Unrestricted	92,126,622	75,476,247
<b>Total Net Assets (Schedule D)</b>	<b>257,032,021</b>	<b>229,691,712</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 336,986,198</b>	<b>\$ 313,648,438</b>

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

**South Texas College District**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended August 31, 2011 and 2010**

**Exhibit 2**

	FY 2011	FY 2010
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$50,854,045 in 2011 and \$43,725,063 in 2010)	\$ 18,281,708	\$ 17,153,615
Federal grants and contracts	6,172,207	8,979,526
State grants and contracts	6,335,567	6,711,706
Local grants and contracts	1,380,691	1,255,944
Non-governmental grants and contracts	2,796,686	2,200,618
Auxiliary enterprises	1,877,501	1,666,738
General operating revenues	545,846	1,988,232
<b>Total Operating Revenues (Schedule A)</b>	<b>37,390,206</b>	<b>39,956,379</b>
<b>OPERATING EXPENSES</b>		
Instruction	57,359,050	55,454,200
Research	6,303	-
Public service	640,673	2,460,617
Academic support	12,035,474	9,565,508
Student services	9,939,104	10,264,591
Institutional support	20,293,881	19,044,676
Operations and maintenance of plant	10,270,614	10,437,077
Scholarships and fellowships	39,320,494	37,212,122
Auxiliary enterprises	1,421,243	1,524,084
Depreciation	6,265,826	5,923,105
<b>Total Operating Expenses (Schedule B)</b>	<b>157,552,662</b>	<b>151,885,980</b>
<b>OPERATING LOSS</b>	<b>(120,162,456)</b>	<b>(111,929,601)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State allocations	36,676,953	37,514,938
Ad-valorem taxes		
Taxes for maintenance & operations	33,798,861	34,314,946
Taxes for debt service	12,187,090	12,197,541
Federal revenue, non-operating	66,972,554	59,089,947
Gifts	309,868	663,193
Investment income (net of investment expenses)	327,497	388,426
Interest on capital related debt	(2,172,754)	(2,986,702)
Loss on sale/disposal/return of capital assets	(3,500)	(4,698)
Non-capital construction costs	(464,503)	(2,268,529)
Bond costs amortization	(465,630)	(353,037)
Other non-operating revenues (expenses)	(396,032)	(673,262)
<b>Net Non-Operating Revenues (Expenses) (Schedule C)</b>	<b>146,770,404</b>	<b>137,882,763</b>
<b>Income Before Capital Contributions</b>	<b>26,607,948</b>	<b>25,953,162</b>
Capital contributions	732,061	1,248,559
Additions to permanent and term endowment	300	-
<b>Increase In Net Assets</b>	<b>27,340,309</b>	<b>27,201,721</b>
<b>NET ASSETS</b>		
Net assets - beginning of year	229,691,712	202,489,991
<b>Net assets - end of year</b>	<b>\$ 257,032,021</b>	<b>\$ 229,691,712</b>

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, 2011 and 2010**

**Exhibit 3**

	FY 2011	FY 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 27,365,816	\$ 19,287,088
Receipts from grants and contracts	19,428,124	17,380,548
Payments to suppliers for goods or services	(25,446,704)	(23,250,417)
Payments to or on behalf of employees	(85,404,784)	(80,183,301)
Payments for scholarships and fellowships	(39,178,259)	(36,034,445)
Payments for loans issued to students	(659,874)	(571,783)
Receipts from collection of loans to students	598,852	545,631
Other receipts (payments)	339,965	649,864
Payments for non-operating construction costs	(464,453)	(2,268,579)
Payments for non-operating transactions	(364,485)	(636,754)
<b>Net cash provided (used) by operating activities</b>	<b>(103,785,802)</b>	<b>(105,082,148)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state allocations	32,421,082	33,084,600
Receipts from ad-valorem taxes-maintenance and operation	33,609,558	34,017,833
Receipts from non-operating federal revenue	66,972,554	59,089,947
Payments for collection of taxes for maintenance and operation	(135,999)	(121,700)
Receipts from gifts or grants for other than capital purposes	291,251	626,717
Receipts from student organizations and other agency transactions	1,301,490	1,441,831
Payments to student organizations and other agency transactions	(1,278,145)	(1,238,470)
Receipts from private gifts for endowment	300	-
Receipts from endowment interest	1,152	2,617
<b>Net cash provided (used) by non-capital financing activities</b>	<b>133,183,243</b>	<b>126,903,375</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Refund of overpayment of issuance cost bond	3,362	-
Receipts from ad-valorem taxes-debt services	12,165,355	12,172,871
Payments for collection of taxes for debt service	(67,205)	(66,078)
Contribution received in aid of construction	10,000	2,497,606
Proceeds from sale/return of capital assets	-	18,327
Purchases of capital assets	(7,714,549)	(21,257,222)
Payments for deposit in escrow	-	(133,207)
Payments on capital debt-principal	(8,380,715)	(7,475,000)
Payments on capital debt-interest and fees	(2,768,227)	(3,675,535)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(6,751,979)</b>	<b>(17,918,238)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturity of investments	8,616,693	38,768,696
Receipts from interest on investments	437,241	275,353
Purchase of investments	(18,000,000)	(43,617,876)
<b>Net cash provided (used) by investing activities</b>	<b>(8,946,066)</b>	<b>(4,573,827)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>13,699,396</b>	<b>(670,838)</b>
Cash and cash equivalents - September 1,	14,084,068	14,754,906
<b>Cash and cash equivalents - August 31,</b>	<b>\$ 27,783,464</b>	<b>\$ 14,084,068</b>

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



**South Texas College District**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2011 and 2010**

**Exhibit 3**

	FY 2011	FY 2010
<b>Reconciliation of net operating income (loss) to net cash provided (used)</b>		
<b>by operating activities:</b>		
Operating income (loss)	\$ (120,162,456)	\$ (111,929,601)
Adjustments to reconcile net operating loss to net cash provided (used)		
by operating activities:		
Depreciation expense	6,265,826	5,923,105
Payments made directly by state for benefits	4,255,871	4,430,338
Payments for non-operating construction costs	(464,453)	(2,268,579)
Payments for non-operating transactions	(364,485)	(636,754)
Changes in assets and liabilities:		
Receivables, net	1,967,581	(1,883,347)
Note receivable (adjusted for non-cash and non-operating amounts)	439	(439)
Prepaid expenses	140,568	(423,935)
Accounts payable	(3,035,192)	1,506,173
Accrued liabilities	(300,028)	(433,462)
Compensated absences	(75,439)	50,419
Deferred revenues	7,985,966	583,934
<b>Net cash provided (used) by operating activities:</b>	<b>\$ (103,785,802)</b>	<b>\$ (105,082,148)</b>

**Non-cash investing, capital, and financing activities for fiscal year 2011:**

On November 18, 2010, the District acquired a Limited Tax Refunding Bonds, Series 2010 totaling \$19,550,011 and is being issued to Current Interest Bonds and Capital Appreciation Bonds to advance refund a portion of the South Texas College District Limited Tax General Obligation Bonds, Series 2002 and South Texas College District Limited Tax General Obligation Bonds, Series 2003, in order to lower the overall debt service requirements of the District and to pay the costs associated with the issuance of the bonds.

On December 8, 2010, the City of McAllen donated 6.63 acres of real property with a fair value of \$708,170 to the District.

A 2004 General Motors Cadillac with a value of \$13,891 was donated to the District on March 9, 2011.

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

Premium - Bond Series 2002	550,568
Premium - Bond Series 2003	334,589
Premium - Bond Series 2002 & 2003 I&S	1,824
Premium - Bond Series 2004	142,444
Premium - MTR Bond Series 2007	1,666
Premium - LTR Bond Series 2007	204,458
Premium - LTR Bond Series 2010	(1,988,998)

The deferred loss ending balance as of August 31, 2011, is \$653,474, \$63,026, \$674,207, and \$1,262,009 for LTGO Bonds Series 2004, MTR Bond Series 2007, LTR Bond Series 2007, and LTR Bond Series 2010, respectively, which will be amortized over the debt repayment period.

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

**South Texas College District**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2011 and 2010**

**Exhibit 3**

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

Bond Series 2002	123,620
Bond Series 2003	128,514
Bond Series 2004	20,157
MTR Bond Series 2007	3,972
LTR Bond Series 2007	33,827
Bond Series 2010	(238,937)

Pledge contributions as of August 31, 2011, consisted of \$25,272 non-cash and \$2,655 cash.

Payments made directly by the state for benefits as of August 31, 2011, consisted of \$4,255,871.

**Non-cash investing, capital, and financing activities for fiscal year 2010:**

A 2009 Lincoln MKZ, a 1995 Peterbilt Truck, and a C-15 Caterpillar Engine with a fair market value of \$37,015, \$10,000, and \$10,000, respectively, were donated to the District on January 12, 2010.

Two Thermocycler-PCR Machines with a fair market value of \$6,000 each were donated to the District on April 8, 2010.

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

Discount - Bond Series 1999	1,480
Premium - Bond Series 2002	213,636
Premium - Bond Series 2003	52,538
Premium - Bond Series 2002 & 2003 I&S	327
Premium - Bond Series 2004	142,444
Premium - MTR Bond Series 2007	1,666
Premium - LTR Bond Series 2007	204,459

The deferred loss ending balance as of August 31, 2010, is \$771,553, \$70,904 and \$770,522 for LTGO Bonds Series 2004, MTR Bond Series 2007, and LTR Bond Series 2007, respectively, which will be amortized over the debt repayment period.

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

Bond Series 1999	4,753
Bond Series 2002	47,969
Bond Series 2003	20,088
Bond Series 2004	20,157
MTR Bond Series 2007	3,972
LTR Bond Series 2007	33,827

Pledge contributions as of August 31, 2010, consisted of \$35,706 non-cash and \$8,510 cash.

Payments made directly by the state for benefits as of August 31, 2010, consisted of \$4,430,338.

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

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 1 – Reporting Entity**

South Texas College District (“STC”, “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 South Texas College District in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board’s Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges* and in accordance with generally accepted accounting principles. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by GASB. The District is reported as a special-purpose government engaged in business-type activities.

Selected separate financial statements are provided, as required by the Texas Higher Education Coordinating Board (THECB), even though the latter are excluded from the government-wide financial statements. The District adheres to the financial statement presentation required by the THECB.

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

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (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

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 2 – Summary of Significant Accounting Policies (Continued)**

C. Tuition Discounting (Continued)

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.

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, Measurement Focus & Financial Statement Presentation

The financial statements of South Texas College District have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. The District's financial statements are prepared using the economic resources measurement focus. 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. As business-type activities, the college's operating revenues are defined as the result of exchange transactions with those who purchase, use, or directly benefit from the goods or services of the college. The principal operating revenues are tuition and related fees, net of discounts. The District also recognizes as operating revenue Federal/State/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. The operation of the bookstore is not performed by the District. Non-operating revenues include activities that have the characteristic of non-exchange transactions, such as gifts and contributions, property tax 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 GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as investment income. 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

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 2 – Summary of Significant Accounting Policies (Continued)**

E. Operating and Non-Operating Revenue and Expense Policy (Continued)

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.

F. Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board of Trustees adopts the budget, for internal management use at the individual fund and account group level on which the books of the District are maintained, and it is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating 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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets, to avoid the inappropriate "grossing-up" effects that internal activity would otherwise have on aggregated amounts.

H. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or other non-current assets, are classified as non-current assets in the Statement of Net Assets.

I. Non-current Liabilities

Non-current 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 non-current assets.

J. 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.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 2 – Summary of Significant Accounting Policies (Continued)**

K. 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.

L. 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.

M. 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 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 assets or materially extend assets’ lives are charged to operating expense in the year in which the expense is incurred. Library books and materials purchased, in total for the year, are subject to the \$5,000 capitalization threshold.

The District reports depreciation under a single-line item as a business-type activity. 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

Residual values of ten percent (10%) are maintained for facilities and land improvements and buildings.

N. Collections/Works of Art

The District did not own collections and/or works of art during the fiscal years ended August 31, 2011, or August 31, 2010, or as of either year end.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 2 – Summary of Significant Accounting Policies (Continued)**

O. Unearned Revenues

Tuition and fees of \$10,936,935 and \$3,143,523 and federal, state, local, and private grants of \$741,154 and \$556,733 have been reported as unearned revenues at August 31, 2011, and 2010, respectively. Total unearned revenues were \$11,678,089 and \$3,700,256 at August 31, 2011, and 2010, respectively.

P. 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.

Q. Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations 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 assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

Unrestricted net assets: Unrestricted net assets represent 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.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 2 – Summary of Significant Accounting Policies (Continued)**

R. Funds Held for Others

At August 31, 2011, and at August 31, 2010, the District held, in trust funds, amounts of \$360,380 and \$321,906, respectively, that pertain primarily to student organizations. These funds are not available to support the District's programs.

S. Capitalization of Interest

Interest cost during the construction period is capitalized in accordance with FASB Statement No. 34.

T. 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 are recorded as deferred charges.

U. 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 assets.

V. 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.

V. Designation of Unrestricted Net Assets

The District's Board of Trustees designated \$5,000,000 of the unrestricted net assets for the purpose of supplementing future employee health insurance costs.



SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 3 – Capital Assets**

Capital assets activity for the year ended August 31, 2011, was as follows:

	Balance September 1, 2010	Increases	Decreases	Balance August 31, 2011
Capital Assets Not Depreciated:				
Land	\$ 28,618,660	\$ 778,166	\$ -	\$ 29,396,826
Construction in progress	4,627,276	5,400,072	5,253,163	4,774,185
Total Capital Assets Not Being Depreciated	<u>33,245,936</u>	<u>6,178,238</u>	<u>5,253,163</u>	<u>34,171,011</u>
Capital Assets Being Depreciated:				
Buildings	160,092,765	1,127,755	-	161,220,520
Land improvements	19,654,389	4,125,408	-	23,779,797
Total Buildings and Other Land Improvements	<u>179,747,154</u>	<u>5,253,163</u>	<u>-</u>	<u>185,000,317</u>
Library books	4,574,268	289,343	-	4,863,611
Furniture, machinery, vehicles, and other equipment	16,044,803	1,942,339	7,500	17,979,642
Telecommunications and peripheral equipment	10,495,661	-	-	10,495,661
Total Capital Assets Being Depreciated	<u>210,861,886</u>	<u>7,484,845</u>	<u>7,500</u>	<u>218,339,231</u>
Accumulated Depreciation:				
Buildings	18,246,190	2,944,790	-	21,190,980
Land improvements	3,592,598	1,003,402	-	4,596,000
Library books	2,442,632	298,124	-	2,740,756
Furniture, machinery, vehicles, and other equipment	8,160,747	1,697,585	4,000	9,854,332
Telecommunications and peripheral equipment	9,902,988	321,925	-	10,224,913
Total Accumulated Depreciation	<u>42,345,155</u>	<u>6,265,826</u>	<u>4,000</u>	<u>48,606,981</u>
Total Capital Assets Being Depreciated, Net	168,516,731	1,219,019	3,500	169,732,250
<b>Total Capital Assets, Net</b>	<b><u>\$ 201,762,667</u></b>	<b><u>\$ 7,397,257</u></b>	<b><u>\$ 5,256,663</u></b>	<b><u>\$ 203,903,261</u></b>
Net Asset Values				
Buildings	\$ 141,846,575	\$ (1,817,035)	\$ -	\$ 140,029,540
Land improvements	16,061,791	3,122,006	-	19,183,797
Library books	2,131,636	(8,781)	-	2,122,855
Furniture, machinery, vehicles, and other equipment	7,884,056	244,754	3,500	8,125,310
Telecommunications and peripheral equipment	592,673	(321,925)	-	270,748
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>\$ 168,516,731</u></b>	<b><u>\$ 1,219,019</u></b>	<b><u>\$ 3,500</u></b>	<b><u>\$ 169,732,250</u></b>

The District does not possess other collections that it does not capitalize.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 3 – Capital Assets (Continued)**

Capital assets activity for the year ended August 31, 2010, was as follows:

	Balance September 1, 2009	Increases	Decreases	Balance August 31, 2010
Capital Assets Not Depreciated:				
Land	\$ 19,592,715	\$ 9,800,023	\$ 774,078	\$ 28,618,660
Construction in progress	3,178,784	6,402,820	4,954,328	4,627,276
Total Capital Assets Not Being Depreciated	<u>22,771,499</u>	<u>16,202,843</u>	<u>5,728,406</u>	<u>33,245,936</u>
Capital Assets Being Depreciated:				
Buildings	153,235,061	6,857,704	-	160,092,765
Land improvements	19,190,258	464,131	-	19,654,389
Total Buildings and Other Land Improvements	<u>172,425,319</u>	<u>7,321,835</u>	<u>-</u>	<u>179,747,154</u>
Library books	4,384,216	190,052	-	4,574,268
Furniture, machinery, vehicles and other equipment	12,734,843	3,361,123	51,163	16,044,803
Telecommunications and peripheral equipment	10,533,917	-	38,256	10,495,661
Total Capital Assets Being Depreciated	<u>200,078,295</u>	<u>10,873,010</u>	<u>89,419</u>	<u>210,861,886</u>
Accumulated Depreciation:				
Buildings	15,322,019	2,924,171	-	18,246,190
Land improvements	2,718,638	873,960	-	3,592,598
Library books	2,143,756	298,876	-	2,442,632
Furniture, machinery, vehicles and other equipment	6,832,183	1,356,702	28,138	8,160,747
Telecommunications and peripheral equipment	9,471,848	469,396	38,256	9,902,988
Total Accumulated Depreciation	<u>36,488,444</u>	<u>5,923,105</u>	<u>66,394</u>	<u>42,345,155</u>
Total Capital Assets Being Depreciated, Net	<u>163,589,851</u>	<u>4,949,905</u>	<u>23,025</u>	<u>168,516,731</u>
<b>Total Capital Assets, Net</b>	<b><u>\$ 186,361,350</u></b>	<b><u>\$ 21,152,748</u></b>	<b><u>\$ 5,751,431</u></b>	<b><u>\$ 201,762,667</u></b>
Net Asset Values				
Buildings	\$ 137,913,042	\$ 3,933,533	\$ -	\$ 141,846,575
Land Improvements	16,471,620	(409,829)	-	16,061,791
Library Books	2,240,460	(108,824)	-	2,131,636
Furniture, Machinery, Vehicles, and Other Equipment	5,902,660	2,004,421	23,025	7,884,056
Telecommunications and Peripheral Equipment	1,062,069	(469,396)	-	592,673
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>\$ 163,589,851</u></b>	<b><u>\$ 4,949,905</u></b>	<b><u>\$ 23,025</u></b>	<b><u>\$ 168,516,731</u></b>

The District does not possess other collections that it does not capitalize.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 3 – Capital Assets (Continued)**

On December 8, 2010, the City of McAllen donated to South Texas College District, 6.63 acres of real property, with a fair value of \$708,170, subject to the following terms: 1) the District must build a five story or taller building within five years after the effective date of the agreement at no cost to the City, 2) the building shall be used in the Nursing and Applied Health Program or a successor health related program, and 3) the District must provide education and training to citizens from the City of McAllen over a 10 year period with a cost equal to the value of the building, \$708,170. In addition, should the District violate the obligations mentioned above or ever abandon the use of the property during the twenty years after the effective date of this agreement, then the property shall revert to the City of McAllen and this agreement shall be terminated.

Construction in progress as of August 31, 2011, including capitalized interest of \$99,461, consists of the following:

Project	Balance August 31, 2010	Additions / Deductions	Completed	Balance August 31, 2011
Mid Valley Child Dev. Portable Infrastructure	\$ 57,828	\$ 3,491	\$ 61,319	\$ -
Mid Valley Nursing Lab Improvements	17,070	10,413	27,483	-
Nursing Allied Health Pharmacy Lab Renovation	-	743	743	-
Nursing Allied Health VN Lab Renovation	-	(225)	(225)	-
Nursing Allied Health Resp. Therapy Lab Ren.	-	5,500	-	5,500
Pecan Early College High School	-	7,066	7,066	-
Pecan Parking West 20 Acres	968,390	168,262	1,136,652	-
Pecan West Academic Building	435,275	3,736,938	-	4,172,213
Pecan Parking West 15 Acres	1,339,924	255,890	1,595,814	-
Pecan Plaza Improvements	969,256	129,063	1,098,319	-
Pecan Parking Improvements	9,855	462,162	472,017	-
Pecan South Blvd. Entrance & West Loop Road	-	565,677	-	565,677
Pecan West Loop Road Phase II	-	26,955	-	26,955
Tech Welding Stations Expansion	-	1,660	1,660	-
Tech Welding Ventilation System	-	3,840	-	3,840
Starr Cashier's Renovation	-	(225)	(225)	-
District Wide Portables Infrastructure	829,678	22,862	852,540	-
<b>Total</b>	<b>\$ 4,627,276</b>	<b>\$ 5,400,072</b>	<b>\$ 5,253,163</b>	<b>\$ 4,774,185</b>

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 3 – Capital Assets (Continued)**

Construction in progress as of August 31, 2010, including capitalized interest of \$59,497, consists of the following:

Project	Balance August 31, 2009	Additions / Deductions	Completed	Balance August 31, 2010
Mid Valley Student Activity Bldg Renovation	\$ 100,980	\$ 848	\$ 101,828	\$ -
Mid Valley Fencing	1,380	(1,380)	-	-
Mid Valley Landscape & Irrigation	4,611	(4,611)	-	-
Mid Valley Monument Sign at SW	2,594	(2,594)	-	-
Mid Valley Light for Monument Signs	2,703	(2,703)	-	-
Mid Valley Child Dev. Portable Infrastructure	-	57,828	-	57,828
Mid Valley Nursing Lab Improvements	-	380,796	363,726	17,070
Mid Valley Workforce PMT & Welding Lab Imp.	-	107,866	107,866	-
Nursing Allied Health VN Lab Renovation	-	79,601	79,601	-
Pecan Phase II Site Development	22,500	-	22,500	-
Pecan Early College High School	178,887	3,538	182,425	-
Pecan Drainage Canal	-	275,052	275,052	-
Pecan Parking West 20 Acres	-	968,390	-	968,390
Pecan West Academic Building	-	435,275	-	435,275
Pecan Parking West 15 Acres	-	1,339,924	-	1,339,924
Pecan Plaza Improvements	-	969,256	-	969,256
Pecan Parking Improvements	-	9,855	-	9,855
Tech Landscape NW	2,827	(2,827)	-	-
Tech Lighting Basketball Courts	7,159	(7,159)	-	-
Tech Welding Stations Expansion	2,250	339,161	341,411	-
Starr Rural Tech	2,381,202	607,055	2,988,257	-
Starr Bldg E Steel Frame Improvements	90,491	43,781	134,272	-
Starr Cashier's Renovation	-	75,691	75,691	-
District Wide Renovation	62,671	-	62,671	-
District Wide Portables Infrastructure	-	829,678	-	829,678
Pecan Communication Arts Building	318,529	(99,501)	219,028	-
<b>Total</b>	<b>\$ 3,178,784</b>	<b>\$ 6,402,820</b>	<b>\$ 4,954,328</b>	<b>\$ 4,627,276</b>

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 4 – Long Term Liabilities**

Long-term liabilities activity for the year ended August 31, 2011, was as follows:

	Balance September 1, 2010	Additions	Reductions	Balance August 31, 2011	Current Portion
Bonds					
South Texas College District Tax Bonds, Series 2002	\$ 19,060,000	\$ -	\$ 14,430,000	\$ 4,630,000	\$ 4,630,000
South Texas College District Tax Bonds, Series 2003	14,140,000	-	11,010,000	3,130,000	1,535,000
South Texas College District Tax Bonds, Series 2004	11,005,000	-	1,390,000	9,615,000	1,425,000
South Texas College District Tax Bonds, Series 2007 MTR	2,935,000	-	275,000	2,660,000	290,000
South Texas College District Tax Bonds, Series 2007 LTR	22,639,991	-	255,000	22,384,991	265,000
South Texas College District Tax Bonds, Series 2010 LTR	-	19,550,011	580,715	18,969,296	413,267
Subtotal	<u>69,779,991</u>	<u>19,550,011</u>	<u>27,940,715</u>	<u>61,389,287</u>	<u>8,558,267</u>
Accrued Compensable Absences	689,309	75,123	150,562	613,870	568,839
<b>Total Liabilities</b>	<b><u>\$ 70,469,300</u></b>	<b><u>\$ 19,625,134</u></b>	<b><u>\$ 28,091,277</u></b>	<b><u>\$ 62,003,157</u></b>	<b><u>\$ 9,127,106</u></b>
Bond Detail					
Total Bonds Payable	\$ 69,779,991	\$ 19,550,011	\$ 27,940,715	\$ 61,389,287	\$ 8,558,267
Premium on Bonds Payable	3,969,393	2,184,493	1,431,044	4,722,842	715,652
Deferred Refunding Costs	(1,612,979)	(1,386,049)	(346,312)	(2,652,716)	(380,023)
<b>Total Bond Liabilities</b>	<b><u>\$ 72,136,405</u></b>	<b><u>\$ 20,348,455</u></b>	<b><u>\$ 29,025,447</u></b>	<b><u>\$ 63,459,413</u></b>	<b><u>\$ 8,893,896</u></b>
Less Current Bonds Payable				(8,893,896)	
<b>Total Noncurrent Bonds Payable</b>				<b><u>\$ 54,565,517</u></b>	

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 4 – Long Term Liabilities (Continued)**

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2011, on the above bond issues are as follows:

	Deferred Bond Issuance Cost	Bond Premium	Deferred Loss
South Texas College District Tax Bonds, Series 2002	\$ 68,253	\$ 304,067	\$ -
South Texas College District Tax Bonds, Series 2003	52,281	136,820	-
South Texas College District Tax Bonds, Series 2004	120,060	848,419	653,474
South Texas College District Tax Bonds, Series 2007 MTR	31,776	13,328	63,026
South Texas College District Tax Bonds, Series 2007 LTR	236,785	1,431,210	674,207
South Texas College District Tax Bonds, Series 2010 LTR	238,937	1,988,998	1,262,009
<b>Total</b>	<b>\$ 748,092</b>	<b>\$ 4,722,842</b>	<b>\$ 2,652,716</b>

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, 2011, the District did not have a liability.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 4 – Long Term Liabilities (Continued)**

Long-term liabilities activity for the year ended August 31, 2010, was as follows:

	Balance September 1, 2009	Additions	Reductions	Balance August 31, 2010	Current Portion
<b>Bonds</b>					
Public Property Finance Contractual Obligation Bonds Series 1999	\$ 260,000	\$ -	\$ 260,000	\$ -	\$ -
South Texas College District Tax Bonds, Series 2002	23,445,000	-	4,385,000	19,060,000	4,410,000
South Texas College District Tax Bonds, Series 2003	15,560,000	-	1,420,000	14,140,000	1,470,000
South Texas College District Tax Bonds, Series 2004	12,160,000	-	1,155,000	11,005,000	1,390,000
South Texas College District Tax Bonds, Series 2007 MTR	2,945,000	-	10,000	2,935,000	275,000
South Texas College District Tax Bonds, Series 2007 LTR	22,884,991	-	245,000	22,639,991	255,000
Subtotal	<u>77,254,991</u>	<u>-</u>	<u>7,475,000</u>	<u>69,779,991</u>	<u>7,800,000</u>
Accrued Compensable Absences	638,890	89,166	38,747	689,309	647,563
<b>Total Liabilities</b>	<u><b>\$ 77,893,881</b></u>	<u><b>\$ 89,166</b></u>	<u><b>\$ 7,513,747</b></u>	<u><b>\$ 70,469,300</b></u>	<u><b>\$ 8,447,563</b></u>
 <b>Bond Detail</b>					
Total Bonds Payable	\$ 77,254,991	\$ -	\$ 7,475,000	\$ 69,779,991	\$ 7,800,000
Premium on Bonds Payable	4,584,463	-	615,069	3,969,393	615,069
Discount on Bonds Payable	(1,480)	-	(1,480)	-	-
Deferred Refunding Costs	(1,835,252)	-	(222,272)	(1,612,979)	(222,272)
<b>Total Bond Liabilities</b>	<u><b>\$ 80,002,722</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 7,866,317</b></u>	<u><b>\$ 72,136,405</b></u>	<u><b>\$ 8,192,797</b></u>
Less Current Bonds Payable				(8,192,797)	
<b>Total Noncurrent Bonds Payable</b>				<u><b>\$ 63,943,608</b></u>	

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 4 – Long Term Liabilities (Continued)**

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2010, on the above bond issues are as follows:

	Deferred Bond Issuance Cost	Bond Premium	Deferred Loss
South Texas College District Tax Bonds, Series 2002	\$ 191,873	\$ 854,776	\$ -
South Texas College District Tax Bonds, Series 2003	180,795	473,092	-
South Texas College District Tax Bonds, Series 2004	140,217	990,863	771,553
South Texas College District Tax Bonds, Series 2007 MTR	35,748	14,994	70,904
South Texas College District Tax Bonds, Series 2007 LTR	270,612	1,635,668	770,522
<b>Total</b>	<b>\$ 819,245</b>	<b>\$ 3,969,393</b>	<b>\$ 1,612,979</b>

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, 2010, the District did not have a liability.



SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 5 – Debt and Lease Obligations and Rental Agreements**

As of August 31, 2011, bonds payable are due in annual installments varying from \$255,000 to \$6,990,000 with interest rates from 2.0% to 5.6% and the final installment due in 2019. The principal and interest expense requirement for the next five years and beyond is summarized below for bonds issued:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 8,558,267	\$ 2,593,633	\$ 11,151,900
2013	8,241,028	2,907,322	11,148,350
2014	9,145,000	1,997,050	11,142,050
2015	8,124,992	3,025,659	11,150,650
2016	8,710,000	1,330,400	10,040,400
2017-2019	18,610,000	1,407,650	20,017,650
<b>Total</b>	<b>\$ 61,389,287</b>	<b>\$ 13,261,714</b>	<b>\$ 74,651,000</b>

As of August 31, 2010, bonds payable are due in annual installments varying from \$10,000 to \$6,380,000 with interest rates from 2.0% to 5.5% and the final installment due in 2019. The principal and interest expense requirement for the next five years and beyond is summarized below for bonds issued:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 7,800,000	\$ 3,348,950	\$ 11,148,950
2012	8,145,000	3,009,425	11,154,425
2013	8,535,000	2,615,875	11,150,875
2014	8,960,000	2,186,450	11,146,450
2015	8,009,991	3,145,284	11,155,275
2016-2019	28,330,000	2,847,650	31,177,650
<b>Total</b>	<b>\$ 69,779,991</b>	<b>\$ 17,153,634</b>	<b>\$ 86,933,625</b>

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

<u>Fund Group</u>	<u>August 31, 2011</u>	<u>August 31, 2010</u>
Unrestricted Current Funds	\$ 417,305	\$ 450,385

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 5 – Debt and Lease Obligations and Rental Agreements (Continued)**

The District leases building and office facilities and other equipment under non-cancelable operating leases. The future minimum lease rental payments under these leases having an initial term in excess of one year were as follows:

<u>Year Ended</u>	<u>August 31, 2011 Minimum Future Lease Payments</u>	<u>August 31, 2010 Minimum Future Lease Payments</u>
2011	\$ -	\$ 62,597
2012	48,339	18,851
2013	31,645	15,284
2014	16,084	15,284
2015	6,702	6,368
2016	-	-
<b>Total</b>	<b><u>\$ 102,770</u></b>	<b><u>\$ 118,384</u></b>

During fiscal year 2011, the District leased office space at the Pecan Plaza to two different parties. The terms of the leases expired during the fiscal year; however, the District offered one of the parties a month to month lease for a period of 6 months ending January 2012. The District also leases space at the Mid Valley Campus and Starr County Campus to nonprofit agencies. In fiscal year 2011, the District’s rental income from these leases was \$161,346. Annual future minimum receipts under these agreements for fiscal year 2012 are \$55,021. No future receipts are expected for fiscal years 2013 and 2014. The building space leased is valued at \$67,275 and associated accumulated depreciation is \$6,643 at August 31, 2011.

**Note 6 – Bonds Payable**

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

	<u>2011</u>	<u>2010</u>
\$71,230,000 South Texas College District Limited Tax General Obligation Bonds, Series 2002 due in varying installments through 2014, interest at 4.636% - 5.5%. Purpose: Construction, renovation and equipment of District facilities Issued: May 17, 2002, refunded in part by issue dated March 29,2007 and refunded in part by issue dated November 18, 2010. Source of revenue for debt service: Ad-valorem taxes	\$ 4,630,000	\$ 19,060,000

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 6 – Bonds Payable (Continued)**

	2011	2010
<p>\$22,845,000 South Texas College District Limited Tax General Obligation Bonds, Series 2003 due in varying installments through 2019, interest at 2.0% - 5.25%.  Purpose: Construction, renovation and equipment of District facilities.  Issued: May 8, 2003, refunded in part by issue dated November 18, 2010.  Source of revenue for debt service: Ad-valorem taxes</p>	\$ 3,130,000	\$ 14,140,000
<p>\$15,514,996 South Texas College District Limited Tax General Obligation Bonds, Series 2004 due in varying installments through 2017, interest at 2.0% - 5.0%.  Purpose: To advance refund a portion of the District’s outstanding debt, 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 15, 2004  Source of revenue for debt service: Ad-valorem taxes</p>	9,615,000	11,005,000
<p>\$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 current refund a portion of the District’s maintenance tax debt, in order to lower the overall annual debt requirements of the District, and to pay for the costs of issuance of the bonds.  Issued: March 29, 2007  Source of revenue for debt service: Ad-valorem taxes</p>	2,660,000	2,935,000
<p>\$23,589,991 South Texas College District Limited Tax Refunding Bonds, Series 2007 due in varying installments through 2019, interest at 4.0%.  Purpose: To current refund a portion of the District’s maintenance tax debt, in order to lower the overall annual debt requirements of the District, and to pay for the costs of issuance of the bonds.  Issued: March 29, 2007  Source of revenue for debt service: Ad-valorem taxes</p>	22,384,991	22,639,991

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 6- Bonds Payable (Continued)**

	2011	2010
\$19,550,011 South Texas 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 outstanding debt, 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 Source of revenue for debt service: Ad-valorem taxes	\$ 18,969,296	\$ -
<b>Total Bonds Payable</b>	<b>\$ 61,389,287</b>	<b>\$ 69,779,991</b>

Bonds Payable are due in annual installments varying from \$255,000 to \$6,990,000 with interest rates from 2.0% to 5.6% with the final installment due in 2019.

**Note 7 – Advance Refunding of Bonds**

On November 18, 2010, South Texas College District acquired a Limited Tax Refunding Bonds, Series 2010 totaling \$19,550,011 and is being issued to current interest bonds and capital appreciation bonds to advance refund a portion of the South Texas College District Limited Tax General Obligation Bonds, Series 2002 and South Texas College District Limited Tax General Obligation Bonds, Series 2003, in order to lower the overall debt service requirements of the District and to pay the costs associated with the issuance of the bonds. A total of \$10,020,000 of Limited Tax General Obligation Bonds, Series 2002 and a total of \$9,540,000 of Limited Tax General Obligation Bonds, Series 2003 totaling \$19,560,000 were refunded. Outstanding on the Limited Tax Refunding Bonds, Series 2010 at year end was \$18,969,296. The average interest rate of bonds refunded were 5.27% for Bonds Series 2002 and 4.61% for Bonds Series 2003. In order to refund the bonds, the proceeds of the new bonds in the amount of \$21,468,414, after payments of \$262,728 to underwriting fees, insurance, bond counsel fees, and other issuance costs, were deposited and held in an escrow fund by Bank of Texas. The refunding resulted in a reduction of the total debt service payments over the next nine years by \$1,133,683 and gave the District an economic gain of \$1,033,562. The portion of post refunding Limited Tax Obligation Bonds, Series 2002, outstanding at August 31, 2011 is \$4,630,000 and Limited Tax Obligation Bonds, Series 2003, outstanding at August 31, 2011 is \$3,130,000. The accounting loss resulting from the advance refunding totaled \$1,386,049.

On March 29, 2007, South Texas College District issued a Limited Tax Refunding Bond, Series 2007, totaling \$23,589,991 (all authorized bonds were issued) to advance refund a portion of the South Texas College District Limited Tax General Obligation Bonds, Series 2002, in order to lower the overall debt service requirements of the District and to pay for the costs of issuance of the bonds. A

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 7 – Advance Refunding of Bonds (Continued)**

total of \$23,590,000 of Limited Tax General Obligation Bonds, Series 2002, were refunded. The average interest rate of bonds refunded was 5.24%. In order to refund the bonds, the proceeds of the new bond were deposited and held in an escrow fund. The post-refunding Limited Tax General Obligation Bond, Series 2002, outstanding balance at August 31, 2011 is \$4,630,000. This issue of refunding bonds is not subject to early redemption prior to stated maturity.

**Note 8 – Disaggregation of Receivable and Payable Balances**

Receivables

Receivables at August 31, 2011, and August 31, 2010, were as follows:

	August 31, 2011	August 31, 2010
Student receivables	\$ 2,053,711	\$ 130,637
Taxes receivables	11,549,972	11,160,495
Federal receivables	1,771,747	4,031,010
Interest receivables	1	110,898
Accounts receivables		
Bookstore and auxiliary	64,656	40,039
State, local and private	797,125	1,149,557
Pledges receivable	27,147	40,079
Contractors	-	50
Agency	9,400	1,495
Other receivables	232,775	371,099
Subtotal	16,506,534	17,035,359
Allowance for doubtful accounts	(1,473,908)	(329,356)
<b>Total Receivables – Exhibit 1</b>	<b>\$ 15,032,626</b>	<b>\$ 16,706,003</b>

Taxes receivable may not all be collected within one year.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 8 – Disaggregation of Receivable and Payable Balances (Continued)**

Payables

Payables at August 31, 2011, and August 31, 2010, were as follows:

	August 31, 2011		August 31, 2010	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor payable				
Vendors	\$ 1,640,314	\$ -	\$ 2,841,571	\$ -
Construction	1,011,358	-	3,030,009	-
Construction retainage	197,136	-	254,587	-
Salaries & benefits	-	333,427	-	633,454
Students payable	140,731	-	133,688	-
Accrued interest	-	343,708	-	145,606
Other payables	175,751	-	69,935	-
<b>Total Payables – Exhibit 1</b>	<b>\$ 3,165,290</b>	<b>\$ 677,135</b>	<b>\$ 6,329,790</b>	<b>\$ 779,060</b>

**Note 9 – 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 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 use unused accrued vacation leave prior to their separation from the District upon retirement, resignation, termination, or death. However, the employee will be compensated for unused accrued vacation leave if the leave is not taken prior to separation.

	August 31, 2011	August 31, 2010
Compensable absences - beginning	\$ 689,309	\$ 638,890
Net additions and reductions	(75,439)	50,419
<b>Total Compensable Absences</b>	<b>\$ 613,870</b>	<b>\$ 689,309</b>
Current portion	\$ 568,839	\$ 647,563

SOUTH TEXAS COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2011 and 2010

**Note 9 – Compensable Absences (Continued)**

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

**Note 10 – 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, (2) direct obligations of the state of Texas or its agencies, (3) obligations of political subdivisions rated not less than “AAA” by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

**Note 11 – Deposits 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, maintenance of sufficient liquidity, maximization of return within acceptable risk constraints, and diversification of investments. At August 31, 2011, and 2010 the carrying amount of South Texas College’s District bank deposits and investments was \$116,645,212 and \$93,562,509 respectively. Federal Deposit Insurance Corporation (FDIC) of \$250,000 served as collateral from money market accounts and \$250,000 served as collateral for certificate of deposits. In addition, the collateral held by the depository bank in South Texas College’s District name had a fair value of \$146,080,998 and \$130,000,000 for the years ended August 31, 2011, and 2010 respectively. 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 deposits reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

	August 31, 2011	August 31, 2010
Demand deposit	\$ 27,775,644	\$ 14,076,418
Change funds on hand	7,820	7,650
<b>Total Cash and Deposits</b>	<b>\$ 27,783,464</b>	<b>\$ 14,084,068</b>

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 11 – Deposits and Investments (Continued)**

Total deposits and investments at August 31, 2011, and 2010, are as follows:

**Reconciliation of Deposits and Investments to Statement of Net Assets**

<u>Type of Security</u>	<u>Fair Value</u> <u>August 31, 2011</u>	<u>Fair Value</u> <u>August 31, 2010</u>
Certificates of deposit	\$ 88,856,158	\$ 79,472,851
Miscellaneous coins	5,590	5,590
<b>Total Investments</b>	<b>88,861,748</b>	<b>79,478,441</b>
<b>Total Cash and Deposits</b>	<b>27,783,464</b>	<b>14,084,068</b>
<b>Total Deposits and Investments</b>	<b>\$ 116,645,212</b>	<b>\$ 93,562,509</b>
<u>Exhibit 1</u>		
Cash and cash equivalents	\$ 27,783,464	\$ 14,084,068
Short-term investments	88,856,158	79,472,851
Endowment investments	5,590	5,590
<b>Total Reconciliation to Exhibit 1</b>	<b>\$ 116,645,212</b>	<b>\$ 93,562,509</b>

As of August 31, 2011, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weight Average Maturity (Years)</u>
Certificate of Deposit	\$ 88,856,158	0.5000

As of August 31, 2010, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weight Average Maturity (Years)</u>
Certificate of Deposit	\$ 79,472,851	0.7223

**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 of the funds. District policy states that investments of operating funds are limited to a weighted average of 270 days until maturity for all investments, with a maximum allowable maturity of two years for any one investment. The investment maturities of construction 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, the District limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by limiting its investments to the types herein described: obligations of the United States, direct or guaranteed obligations of the state of Texas, obligations of states, agencies, counties, cities or other political subdivisions of any state that have been rated as to investment quality by a nationally



SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 11 – Deposits and Investments (Continued)**

recognized investment rating firm and received a rating of not less than “AAA” or its equivalent, certificates of deposit which are secured by obligations described above and governed by a depository agreement, money market mutual funds regulated by the SEC, or eligible investment pools organized and operating in compliance with the Public Funds Investment Act. All of the District’s investments are in the form of certificate of deposits, which are collateralized by a letter of credit and FDIC.

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 type 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%; Certificates of Deposit 100%; Money Market Mutual Funds 25%; and Eligible Investment Pools 50%.

**Note 12 – 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, 2011	August 31, 2010
Assessed valuation of the District	\$ 31,217,862,360	\$ 31,446,452,828
Less: Exemptions	1,128,203,383	1,142,269,602
Less: Abatements	-	-
<b>Net Assessed Valuation of the District</b>	<b>\$ 30,089,658,977</b>	<b>\$ 30,304,183,226</b>

	Fiscal Year 2011			Fiscal Year 2010		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation (maximum per enabling legislation)	\$ 0.1100	\$ 0.5000	\$ 0.6100	\$ 0.1100	\$ 0.5000	\$ 0.6100
Assessed tax rate per \$100 valuation	\$ 0.1100	\$ 0.0397	\$ 0.1497	\$ 0.1100	\$ 0.0391	\$ 0.1491

Taxes levied for the year ended August 31, 2011, and 2010 amounted to \$46,372,420 and \$46,563,620, 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 levy and remit the collections to the District, net of a collection fee.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 12 – Ad Valorem Tax (Continued)**

	August 31, 2011			August 31, 2010		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$ 30,564,028	\$ 11,030,836	\$ 41,594,864	\$ 30,765,284	\$ 10,935,664	\$ 41,700,948
Delinquent taxes collected	1,994,970	739,366	2,734,336	2,108,769	806,253	2,915,022
Penalties & interest collected	1,141,953	423,660	1,565,613	1,160,667	434,839	1,595,506
<b>Total Collections</b>	<b><u>\$ 33,700,951</u></b>	<b><u>\$ 12,193,862</u></b>	<b><u>\$ 45,894,813</u></b>	<b><u>\$ 34,034,720</u></b>	<b><u>\$ 12,176,756</u></b>	<b><u>\$ 46,211,476</u></b>

Tax collections for the year ended August 31, 2011, and 2010 were 92.83% and 92.73%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes were \$307,854 and \$328,555 for the years ending August 31, 2011, and 2010, respectively. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

**Note 13 – Auxiliary Operations**

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

**Note 14 – Employees’ Retirement Plan**

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

**Teacher Retirement System of Texas**

*Plan Description.* South Texas College District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 14 – Employees’ Retirement Plan (Continued)**

Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the 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 of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2011-2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state’s 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011, for fiscal years 2011-2010 and 6.58% for fiscal year 2009. State contributions to TRS made on behalf of the District’s employees for the years ended August 31, 2011, 2010, and 2009 were \$2,957,765, \$2,682,526, and \$2,373,801, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010, and 2009 in the amount of \$403,277, \$402,888, and \$356,607, respectively.

The total payroll of employees covered by TRS and associated District contributions and state contributions made on behalf of the District were as follows:

	August 31, 2011	August 31, 2010	August 31, 2009
Total payroll for TRS	\$ 50,587,618	\$ 46,998,644	\$ 41,501,177
State contributions	\$ 2,957,765	\$ 2,682,526	\$ 2,373,801
District contributions	403,277	402,888	356,607
Total Contributions - active	\$ 3,361,042	\$ 3,085,414	\$ 2,730,408
District contributions -retirees	33,684	31,277	20,670
<b>Total Contributions</b>	<b>\$ 3,394,726</b>	<b>\$ 3,116,691</b>	<b>\$ 2,751,078</b>

**Optional Retirement Plan**

*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.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 14 – Employees’ Retirement Plan (Continued)**

*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 6.4% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2011, 2010 and 2009, respectively. The District contributes 2.1% for fiscal years 2011-2010 and 1.92% for fiscal year 2009 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.

The retirement expense to the state for the District was \$830,040, \$809,273, and \$794,671 for the fiscal years ended August 31, 2011, 2010, and 2009, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll of employees covered by ORP and associated District contributions and state contributions made on behalf of the District were as follows:

	August 31, 2011	August 31, 2010	August 31, 2009
Total payroll for ORP	\$ 12,969,373	\$ 12,644,859	\$ 12,077,065
State contributions	\$ 830,040	\$ 809,273	\$ 794,671
District contributions	67,415	64,459	60,211
<b>Total Contributions</b>	<b>\$ 897,455</b>	<b>\$ 873,732</b>	<b>\$ 854,882</b>

The total payroll for all District employees was \$71,544,023, \$67,994,970, and \$60,224,861 for fiscal years 2011, 2010 and 2009, respectively. The total payroll of employees covered by the Teacher Retirement System was \$50,587,618, \$46,998,644, and \$41,501,177, and the total payroll of employees covered by the Optional Retirement Program was \$12,969,373, \$12,644,859, and \$12,077,065, for fiscal years 2011, 2010 and 2009, respectively.

**Note 15 – 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, 2011, the District has 78 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 73 participated in 2010. A total of \$308,252 and \$295,227 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2011 and 2010, respectively.

As of August 31, 2011, the District has 64 employees participating in Section 457 Deferred Compensation Plan (DCP) and 60 participated in 2010. A total of \$174,672 and \$168,129 in payroll deductions have been invested in Section 457 Deferred Compensation Plan (DCP) during the fiscal years 2011 and 2010, respectively.

SOUTH TEXAS COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 31, 2011 and 2010

**Note 15 – Deferred Compensation Program (Continued)**

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 16 – Contract and Grant Awards**

Grant funds are considered to be earned when all eligibility requirements have been met and to the extent of expenses made under the provisions of the grant. Revenues are recognized on the Statements of Revenues, Expenses and Changes in Net Assets (Exhibit 2) and Schedule of Operating Revenues (Schedule A). Accordingly, when such funds are received in advance, they are recorded as unearned revenue on the Statements of Net Assets (Exhibit 1). Grant funds expended but not yet collected are reported as receivables on the Statements of Net Assets (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 2011 and 2010, for which monies have not been received nor funds expended totaled \$4,120,216 and \$3,139,528 respectively.

These amounts are comprised of the following:

	August 31, 2011	August 31, 2010
Federal contracts and grant awards	\$ 1,806,750	\$ 2,624,713
State contracts and grant awards	1,716,224	66,667
Private contracts and grant awards	597,242	448,148
<b>Total</b>	<b>\$ 4,120,216</b>	<b>\$ 3,139,528</b>

**Note 17 – Risk Management**

The District maintains insurance for all insurable risks for which it may be liable for claims.

The more significant include \$1,000,000 of general liability insurance for fiscal years 2011 and 2010, property insurance covering the District’s buildings and properties including commercial inland marine coverage in an aggregate amount of \$210,051,250 and \$203,208,333 for fiscal years 2011 and 2010 respectively, \$34,100,000 in business income with extra expense coverage for fiscal year 2011 and 2010 and \$5,000,000 in education legal and employment practices liability for fiscal years 2011 and 2010. Employees were covered by a fully insured health insurance plan. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 18 – Post Retirement, Health Care, and Life Insurance Benefits**

In addition to providing pension benefits, the state provides post-retirement health care and life insurance benefits to most active and retired employees. Employees who retire from the District on or after attaining age 65 with at least ten years of TRS/ORP eligible service credit at the District or other institutions of higher education with the same plan as the state, or who retire at a younger age and meet the Rule of 80, are eligible for post-retirement health care and life insurance benefits.

Those and similar 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 \$413.26 per month for the year ended August 31, 2011 and \$385.38 per month for the year ended August 31, 2010, for the Blue Cross Blue Shield-Health Select Plan. The state’s contribution totaled \$4,255,871 for fiscal year 2011 and \$4,430,338 for fiscal year 2010.

The cost of providing those benefits for twenty-nine retirees in the year ended August 31, 2011, was \$131,972 and for twenty-two retirees in the year ended August 31, 2010, was \$105,778. For 1,215 Blue Cross Blue Shield-Health Select Plan active employees, the cost of providing benefits was \$4,123,899 for the year ended August 31, 2011. Active employee benefits for 1,122 Blue Cross Blue Shield- Health Select Plan active employees cost \$4,324,560 for the year ended August 31, 2010.

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, 2011</u>	<u>August 31, 2010</u>
Full time employees	1,215	1,122
Number of retirees	29	22
Active employee - state	\$ 4,123,899	\$ 4,324,560
Retiree - state	131,972	105,778
Total State Contributions	<u>\$ 4,255,871</u>	<u>\$ 4,430,338</u>
District contributions	3,337,394	2,231,772
<b>Total Health Insurance Cost</b>	<b><u>\$ 7,593,265</u></b>	<b><u>\$ 6,662,110</u></b>

**Note 19 – On-Behalf Payments**

For the fiscal years ended August 31, 2011 and 2010, the District recorded state on-behalf contributions for the Teacher Retirement System of \$2,957,765 and \$2,682,526, respectively, contributions for the Optional Retirement Program of \$830,040 and \$809,273, respectively, and contributions for health insurance of \$4,255,871 and \$4,430,338, respectively. The state’s total on-behalf contributions for the fiscal years ended August 31, 2011 and 2010 of \$8,043,676 and \$7,922,137, respectively, were recorded as revenues and expenses in the accompanying basic financial statements.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 20 – Related Parties**

One member of the Board of Trustees and his spouse are 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 college during fiscal year 2011.

**Note 21 – Construction and Improvement Commitments**

Construction and improvement commitments for August 31, 2011, were as follows:

<u>Project</u>	<u>Contracted Amount</u>	<u>Spent to Date</u>	<u>Commitments</u>
Pecan Campus	\$ 10,532,605	\$ 7,734,153	\$ 2,798,452
<b>Total</b>	<b>\$ 10,532,605</b>	<b>\$ 7,734,153</b>	<b>\$ 2,798,452</b>

At August 31, 2011, the District had \$2,798,452 of remaining contractual commitments in construction and improvement projects.

Construction and improvement commitments for August 31, 2010, were as follows:

<u>Project</u>	<u>Contracted Amount</u>	<u>Spent to Date</u>	<u>Commitments</u>
Pecan Campus	\$ 11,464,292	\$ 11,043,406	\$ 420,886
Mid Valley	2,525,052	2,515,252	9,800
<b>Total</b>	<b>\$ 13,989,344</b>	<b>\$ 13,558,658</b>	<b>\$ 430,686</b>

At August 31, 2010, the District had \$430,686 of remaining contractual commitments in construction and improvement projects.

**Note 22 – 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, 2011 and 2010.

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 23 – Contingencies**

*A. Litigation*

The District is involved in various legal proceedings. The District maintains insurance to minimize the District's exposure to these claims. The extent, to which insurance coverage satisfies claims, if any, is not known. The District, in consultation with its attorney, is presently unable to estimate the District's liability, if any, in these matters. Management believes the outcome of the pending litigation will not have a material effect on the District's financial position or operations.

*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 A-133 and the State of Texas Single Audit Circular through August 31, 2011, 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 24 – Subsequent Events**

On September 7, 2011, the Board of Trustees accepted the Career and Technical Education-Basic Grant in the amount of \$1,399,392. This is a federal award from the Texas Higher Education Coordinating Board to improve graduation, retention, access, quality and expansion of Career and Technical Education programs.

**Note 25 – Postemployment Benefits Other than Pensions**

This footnote is in accordance with GASB Statement 45.

*Plan Description.* 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 Employees Retirement System of Texas (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.

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/>.

*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



SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 25 – Postemployment Benefits Other than Pensions (Continued)**

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. It 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.

The District’s contributions to SRHP for the years ended August 31, FY11, FY10, and FY09, were \$149,902, \$105,778, and \$86,105, respectively, which equaled the required contributions each year.

**Note 26 – Endowments**

The District is the recipient of six endowments. By District policy, the net appreciation is earmarked for student scholarships. The amount of net appreciation on investments that was available for spending was \$1,008, \$2,166 and \$4,856, in fiscal years 2011, 2010 and 2009, respectively.

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

The fund balances of the endowments were as follows:

Endowment	August 31, 2011	August 31, 2010
Alfredo De Los Santos Endowment	\$ 15,128	\$ 15,128
Futuro Brillante Endowment	200,100	200,100
Glen & Rita K. Roney Endowment	117,894	117,894
Martin Harvey Endowment	6,747	6,438
Roberto Gutierrez Sr. Endowment	901	900
Edwynne G. Cooper Endowment	5,590	5,590
<b>Total Endowments</b>	<b>\$ 346,360</b>	<b>\$ 346,050</b>

SOUTH TEXAS COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2011 and 2010

**Note 27 – Deposits in Escrow**

South Texas College District entered into two infrastructure improvement escrow agreements with the City of McAllen. On June 17, 2010, \$6,406 was deposited into an escrow account for a sidewalk along Ivy Avenue at the Pecan Campus. On July 30, 2010, \$126,801 was deposited into an escrow account for the thirty foot portion of the Quince Avenue roadway dedication at the STC West 15 acre parking lot.

**Note 28 – Pledges of Gifts**

The District records pledges of gifts when an unconditional promise to pay is received. At August 31, 2011, pledges receivable totaled \$27,147, which consisted of non-cash gifts of \$24,492 and \$2,655 in cash gifts. At August 31, 2010, pledges receivable totaled \$39,278, which consisted of non-cash gifts of \$30,938 and \$8,340 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 29 – Reclassifications**

At August 31, 2011, the August 31, 2010 total assets did not change and remained at \$229,691,712. However, the District determined that a reclassification of prior year presentation was required to conform to current year presentations.

A reclassification in the Statements of Revenues, expenses, and Changes in Net Assets was necessary to reclassify expenses into their properly titled category of auxiliary enterprises.

A reclassification in the Statements of Cash Flows was necessary to exclude payments for non-capital construction costs and non-operating transaction from non-capital financing activities section and include in the operating activities section. A reclassification in the Statements of Cash Flows was necessary to classify expenses into the proper category within the operating section for payments to suppliers.

**Note 30 – Write Off Method for Uncollectible Accounts**

The District changed its method of accounting for uncollectible accounts from the direct method to the allowance method. These uncollectible are directly related to student receivables. This change is accounted for prospectively beginning fiscal year 2011.

**South Texas College District**  
**Schedule of Operating Revenues**  
**Year Ended August 31, 2011 (With Totals for the Year Ended August 31, 2010)**

**Schedule A**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2011 Total	FY 2010 Total
<b>Tuition:</b>						
State funded credit courses						
In-district resident tuition	\$ 36,240,267	\$ -	\$ 36,240,267	\$ -	\$ 36,240,267	\$ 33,472,964
Out-of-district resident tuition	966,859	-	966,859	-	966,859	885,866
Non-resident tuition	2,631,752	-	2,631,752	-	2,631,752	2,039,843
TPEG state (set aside) *	1,773,581	-	1,773,581	-	1,773,581	1,735,917
State funded continuing education	650,501	-	650,501	-	650,501	648,797
TPEG non-credit (set aside) *	41,523	-	41,523	-	41,523	41,412
State funded workforce development	429,140	-	429,140	-	429,140	709,615
TPEG non-credit (set aside) *	27,392	-	27,392	-	27,392	45,295
Non-state funded continuing education	574,488	-	574,488	-	574,488	849,696
TPEG non-credit (set aside) *	36,672	-	36,672	-	36,672	54,236
Non-state funded workforce development	22,120	-	22,120	-	22,120	183,327
TPEG non-credit (set aside) *	1,411	-	1,411	-	1,411	11,702
<b>Total Tuition</b>	<b>43,395,706</b>	<b>-</b>	<b>43,395,706</b>	<b>-</b>	<b>43,395,706</b>	<b>40,678,670</b>
<b>Fees:</b>						
Student registration fee	7,162,006	-	7,162,006	-	7,162,006	6,991,094
Laboratory fees	1,070,916	-	1,070,916	-	1,070,916	1,023,373
Incidental fees	17,507,125	-	17,507,125	-	17,507,125	12,185,541
<b>Total Fees</b>	<b>25,740,047</b>	<b>-</b>	<b>25,740,047</b>	<b>-</b>	<b>25,740,047</b>	<b>20,200,008</b>
<b>Scholarship Allowances and Discounts:</b>						
Remissions and exemptions	(13,004,765)	-	(13,004,765)	-	(13,004,765)	(10,775,214)
TPEG allowances	(1,670,318)	-	(1,670,318)	-	(1,670,318)	(1,283,513)
Local grants to students	(418,149)	-	(418,149)	-	(418,149)	(521,017)
Private grants to students	(262,323)	-	(262,323)	-	(262,323)	(255,776)
State grants to students	(2,497,612)	-	(2,497,612)	-	(2,497,612)	(2,619,447)
Federal grants to students	(33,000,878)	-	(33,000,878)	-	(33,000,878)	(28,270,096)
<b>Total Scholarship Allowances</b>	<b>(50,854,045)</b>	<b>-</b>	<b>(50,854,045)</b>	<b>-</b>	<b>(50,854,045)</b>	<b>(43,725,063)</b>
<b>Total Net Tuition and Fees</b>	<b>18,281,708</b>	<b>-</b>	<b>18,281,708</b>	<b>-</b>	<b>18,281,708</b>	<b>17,153,615</b>
<b>Additional Operating Revenues:</b>						
Federal grants and contracts	145,548	6,026,659	6,172,207	-	6,172,207	8,979,526
State grants and contracts	6,045	6,329,522	6,335,567	-	6,335,567	6,711,706
Local grants and contracts	24,637	1,356,054	1,380,691	-	1,380,691	1,255,944
Non-governmental grants and contracts	1,806,475	990,211	2,796,686	-	2,796,686	2,200,618
General operating revenues	408,863	136,983	545,846	-	545,846	1,988,232
<b>Total Additional Operating Revenues</b>	<b>\$ 2,391,568</b>	<b>\$ 14,839,429</b>	<b>\$ 17,230,997</b>	<b>\$ -</b>	<b>\$ 17,230,997</b>	<b>\$ 21,136,026</b>

**South Texas College District**  
**Schedule of Operating Revenues**  
**Year Ended August 31, 2011 (With Totals for the Year Ended August 31, 2010)**

**Schedule A**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2011 Total	FY 2010 Total
<b>Auxiliary Enterprises:</b>						
Bookstore	\$ -	\$ -	\$ -	\$ 507,027	\$ 507,027	\$ 411,532
Food service	-	-	-	742,078	742,078	710,716
Vending commissions	-	-	-	167,859	167,859	171,086
Copier commissions	-	-	-	33,230	33,230	36,769
Wellness center	-	-	-	66,277	66,277	73,005
Child care center	-	-	-	301,713	301,713	214,091
General conferences	-	-	-	59,317	59,317	49,539
<b>Total Auxiliary Enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,877,501</b>	<b>1,877,501</b>	<b>1,666,738</b>
<b>Total Operating Revenues</b>	<b>\$ 20,673,276</b>	<b>\$ 14,839,429</b>	<b>\$ 35,512,705</b>	<b>\$ 1,877,501</b>	<b>\$ 37,390,206</b>	<b>\$ 39,956,379</b>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$1,880,579 and \$1,888,562 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2011 and 2010, respectively.

**South Texas College District**  
**Schedule of Operating Expenses by Object**  
**Year Ended August 31, 2011 (With Totals for the Year Ended August 31, 2010)**

**Schedule B**

	Operating Expenses				FY 2011 Total	FY 2010 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 42,834,463	\$ -	\$ 4,898,735	\$ 3,083,205	\$ 50,816,403	\$ 48,111,157
Public service	226,554	-	26,205	47,710	300,469	500,851
Academic support	5,964,920	-	825,084	1,579,943	8,369,947	6,713,730
Student services	6,377,535	-	810,608	1,105,889	8,294,032	8,464,347
Institutional support	9,297,108	-	1,255,807	7,260,340	17,813,255	16,578,890
Operation and maintenance of plant	2,586,617	-	848,780	6,825,380	10,260,777	10,425,818
<b>Total Unrestricted Educational Activities</b>	<b>67,287,197</b>	<b>-</b>	<b>8,665,219</b>	<b>19,902,467</b>	<b>95,854,883</b>	<b>90,794,793</b>
<b>Restricted - Educational Activities</b>						
Instruction	796,210	4,927,410	180,512	638,515	6,542,647	7,343,043
Research	3,259	-	1,095	1,949	6,303	-
Public service	176,657	3,192	29,842	130,513	340,204	1,959,766
Academic support	1,714,382	814,277	386,396	750,472	3,665,527	2,851,778
Student services	430,820	872,753	65,752	275,747	1,645,072	1,800,244
Institutional support	764,880	1,426,044	117,918	171,784	2,480,626	2,465,786
Operation and maintenance of plant	9,837	-	-	-	9,837	11,259
Scholarships and fellowships	-	-	-	39,320,494	39,320,494	37,212,122
<b>Total Restricted Educational Activities</b>	<b>3,896,045</b>	<b>8,043,676</b>	<b>781,515</b>	<b>41,289,474</b>	<b>54,010,710</b>	<b>53,643,998</b>
<b>Total Educational Activities</b>	<b>71,183,242</b>	<b>8,043,676</b>	<b>9,446,734</b>	<b>61,191,941</b>	<b>149,865,593</b>	<b>144,438,791</b>
<b>Auxiliary Enterprises</b>	<b>360,781</b>	<b>-</b>	<b>250,756</b>	<b>809,706</b>	<b>1,421,243</b>	<b>1,524,084</b>
Depreciation Expense-Buildings and other real estate improvements	-	-	-	3,948,191	3,948,191	4,295,665
Depreciation Expense-Books	-	-	-	298,125	298,125	298,876
Depreciation Expense-Equipment and furniture	-	-	-	2,019,510	2,019,510	1,328,564
<b>Total Operating Expenses</b>	<b>\$ 71,544,023</b>	<b>\$ 8,043,676</b>	<b>\$ 9,697,490</b>	<b>\$ 68,267,473</b>	<b>\$ 157,552,662</b> (Exhibit 2)	<b>\$ 151,885,980</b> (Exhibit 2)

**South Texas College District**  
**Schedule of Non-Operating Revenues and Expenses**  
**Year Ended August 31, 2011 (With Totals for the Year Ended August 31, 2010)**

**Schedule C**

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2011 Total	FY 2010 Total
<b>NON-OPERATING REVENUES:</b>					
State allocations:					
Education and general state support academic	\$ 17,932,348	\$ -	\$ -	\$ 17,932,348	\$ 18,223,866
Education and general state support vocational	10,012,398	-	-	10,012,398	10,012,398
Education and general state support BAT	331,297	-	-	331,297	331,297
State group insurance	-	4,255,871	-	4,255,871	4,430,338
State retirement matching	-	3,787,805	-	3,787,805	3,491,799
Enrollment growth	125,369	-	-	125,369	527,827
Professional nursing shortage reduction	-	231,865	-	231,865	497,413
<b>Total State Allocations</b>	<b>28,401,412</b>	<b>8,275,541</b>	<b>-</b>	<b>36,676,953</b>	<b>37,514,938</b>
Maintenance ad valorem taxes	33,798,861	-	-	33,798,861	34,314,946
Debt Service ad valorem taxes	-	12,187,090	-	12,187,090	12,197,541
Federal revenue, non operating	-	66,972,554	-	66,972,554	59,089,947
Gifts	-	309,868	-	309,868	663,193
Investment income	324,969	1,020	1,508	327,497	388,426
<b>Total Non-Operating Revenues</b>	<b>62,525,242</b>	<b>87,746,073</b>	<b>1,508</b>	<b>150,272,823</b>	<b>144,168,991</b>
<b>NON-OPERATING EXPENSES:</b>					
Interest on capital related debt	2,172,754	-	-	2,172,754	2,986,702
Loss on sale/disposal/return of capital assets	3,500	-	-	3,500	4,698
Non-capital construction costs	464,503	-	-	464,503	2,268,529
Bond costs amortization	465,630	-	-	465,630	353,037
Other non-operating expenses	-	396,032	-	396,032	673,262
<b>Total Non-Operating Expenses</b>	<b>3,106,387</b>	<b>396,032</b>	<b>-</b>	<b>3,502,419</b>	<b>6,286,228</b>
<b>Net Non-Operating Revenues</b>	<b>\$ 59,418,855</b>	<b>\$ 87,350,041</b>	<b>\$ 1,508</b>	<b>\$ 146,770,404</b>	<b>\$ 137,882,763</b>
				(Exhibit 2)	(Exhibit 2)



This page intentionally left blank.

**South Texas College District**  
**Schedule of Net Assets by Source and Availability**  
**Year Ended August 31, 2011 (With Totals for the Year Ended August 31, 2010)**

	Detail by Source					FY 2011 Total
	Unrestricted	Restricted		Capital Assets Net of Depreciaton & Related Debt		
		Expendable	Non-Expendable			
Current:						
Unrestricted	\$ 60,837,499	\$ -	\$ -	\$ -		\$ 60,837,499
Board Designated	5,000,000	-	-	-		5,000,000
Restricted	-	3,511,193	-	-		3,511,193
Auxiliary enterprises	1,274,943	-	-	-		1,274,943
Loan	-	740,113	-	-		740,113
Endowment:						-
Quasi:						-
Unrestricted	-	-	-	-		-
Restricted	-	-	-	-		-
Endowment						-
True	-	-	346,360	-		346,360
Term (per instructions at maturity)	-	-	-	-		-
Life Income Contracts	-	-	-	-		-
Annuities	-	-	-	-		-
Plant:						-
Unexpended	10,446,206	-	-	-		10,446,206
Renewals & Replacements	14,567,974	-	-	-		14,567,974
Debt Service	-	13,205,520	-	-		13,205,520
Investment in Plant	-	-	-	147,102,213		147,102,213
<b>Total Net Assets, August 31, 2011</b>	<b>92,126,622</b>	<b>17,456,826</b>	<b>346,360</b>	<b>147,102,213</b>		<b>257,032,021</b>
						(Exhibit 1)
<b>Total Net Assets, August 31, 2010</b>	<b>75,476,247</b>	<b>17,095,903</b>	<b>346,050</b>	<b>136,773,512</b>		<b>229,691,712</b>
						(Exhibit 1)
<b>Net Increase (Decrease) in Net Assets</b>	<b>\$ 16,650,375</b>	<b>\$ 360,923</b>	<b>\$ 310</b>	<b>\$ 10,328,701</b>		<b>\$ 27,340,309</b>
						(Exhibit 2)

Note: The Plant Unexpended Fund is earmarked in the fiscal year 2012 board approved budget for construction projects.  
The Renewals & Replacements Fund is earmarked in the fiscal year 2012 board approved budget for deferred maintenance projects.



## Schedule D

Available for Current Operations
----------------------------------

Yes	No
\$ 60,837,499	\$ -
-	5,000,000
-	3,511,193
1,274,943	-
-	740,113
-	-
-	-
-	346,360
-	-
-	-
-	-
-	10,446,206
-	14,567,974
-	13,205,520
-	147,102,213
<b>62,112,442</b>	<b>194,919,579</b>
<b>54,543,724</b>	<b>175,147,988</b>
<b>\$ 7,568,718</b>	<b>\$ 19,771,591</b>

**South Texas College**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2011**

**Schedule E**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<b>U.S. Department of Education</b>			
Direct Programs:			
Student Financial Aid Cluster			
FSEOG	84.007		\$ 511,013
Federal Work-Study Program	84.033		508,246
Federal Pell Grant Program	84.063		64,381,908
Academic Competitiveness Grants	84.375		1,368,674
National Science and Mathematics Access to Retain Talent (SMART)	84.376		124,502
TRIO Cluster			
TRIO Upward Bound Program	84.047		298,278
Higher Education Institutional Aid	84.031		625,154
Childcare Access Means Parents In School	84.335		280,269
Pass-Through From:			
Region One Education Service Center			
Migrant Education-State Grant Program	84.011		10,769
University of Texas Pan-American			
Higher Education Institutional Aid	84.031		129,405
Texas Higher Education Coordinating Board			
Career and Technical Education-Basic Grants	84.048		1,478,420
Leveraging Educational Assistance Partnership	84.069A		33,087
Special Leveraging Educational Assistance Partnership	84.069B		45,124
College For All Texans	84.378		12,000
La Joya Independent School District			
Migrant Education-High School Equivalency Program	84.141		1,648
Texas A&M University			
Migrant Education-High School Equivalency Program	84.141		2,022
University Texas Pan-American Foundation			
Migrant Education-High School Equivalency Program	84.141		5,749
Texas South Technical College			
Tech-Prep Education	84.243	111720_06	6,000
Hidalgo Independent School District			
Twenty-First Century Community Learning Centers	84.287		15,036
McAllen Independent School District			
Twenty-First Century Community Learning Centers	84.287		15,422
Progresso Independent School District			
Twenty-First Century Community Learning Centers	84.287		7,276
Columbia University			
Education Research, Development and Dissemination	84.305	511128	742
<b>Total Department of Education</b>			<b>\$ 69,860,744</b>
<b>U.S. Department of Commerce</b>			
Pass-Through From:			
Portland State University			
Broadband Technology Opportunities Program	11.577		\$ 14,755

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**South Texas College**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2011**

**Schedule E**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<b>U.S. Department of Defense</b>			
Direct Programs:			
Military Spouse Career Advancement	12.000		\$ 11,083
<b>U.S. Department of Housing and Urban Development</b>			
Direct Programs:			
Hispanic-Serving Institutions Assisting Communities	14.514		\$ 44,684
<b>U.S. Department of Labor</b>			
Direct Programs:			
Community Based Job Training Grants	17.269		\$ 146,817
Pass-Through From:			
Lower Rio Grande Valley Workforce			
Trade Adjustment Assistance	17.245	08-OPSP-001	1,784
Trade Adjustment Assistance	17.245	09-OPSP-001	21,131
Trade Adjustment Assistance	17.245	09-OPSP-002	10,223
Subtotal			33,139
WIA Cluster			
Workforce Investment Act - Adult Program	17.258	08-OPSP-001	74,905
Workforce Investment Act - Adult Program	17.258	09-OPSP-001	156,940
Workforce Investment Act - Adult Program	17.258	09-OPSP-002	80,848
Workforce Investment Act - Adult Program	17.258		271,755
Workforce Investment Act - Adult Program	17.258		908
ARRA-Workforce Investment Act - Adult Program	17.258		55,417
Subtotal			640,773
Workforce Investment Act - Youth Activities	17.259	08-OPSP-001	894
Workforce Investment Act - Youth Activities	17.259	09-OPSP-001	101,374
Workforce Investment Act - Youth Activities	17.259	09-OPSP-002	40,488
Workforce Investment Act - Youth Activities	17.259		16,877
Workforce Investment Act - Youth Activities	17.259		3,634
ARRA-Workforce Investment Act - Youth Activities	17.259		9,993
Subtotal			173,260
Workforce Investment Act - Dislocated Workers	17.260	08-OPSP-001	10,019
Workforce Investment Act - Dislocated Workers	17.260	09-OPSP-001	34,041
Workforce Investment Act - Dislocated Workers	17.260	09-OPSP-002	28,703
Workforce Investment Act - Dislocated Workers	17.260	09-STMI-14	19,247
Workforce Investment Act - Dislocated Workers	17.260		182,803
ARRA-Workforce Investment Act - Dislocated Workers	17.260		20,895
Subtotal			295,709
Motivation Education & Training, Inc.			
Workforce Investment Act - Adult Program	17.258		354,014
State of Texas - Office of the Governor			
H-1B Job Training Grants	17.268		209,591
<b>Total Department of Labor</b>			<b>\$ 1,853,304</b>
<b>National Science Foundation</b>			
Pass-Through From:			
University of Texas Pan American Education and Human Services	47.076		\$ 11,765

**South Texas College**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2011**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<b>U.S. Department of Veterans' Affairs</b>			
Direct Programs:			
Post 9/11 Veterans Educational Assistance, Recovery Act	64.027		\$ 669,082
Vocational and Educational Counseling for Service members and Veterans	64.125		322,013
<b>Total Department of Veterans' Affairs</b>			<b>\$ 991,095</b>
<b>U.S. Department of Health &amp; Human Services</b>			
Pass-Through From:			
Lower Rio Grande Valley Workforce			
Temporary Assistance for Needy Families	93.558	08-OPSP-001	\$ 408
Temporary Assistance for Needy Families	93.558	09-OPSP-001	8,199
Temporary Assistance for Needy Families	93.558	09-OPSP-002	1,192
Subtotal			<u>9,799</u>
Community Action Council of South Texas			
Head Start Program	93.600		11,605
Hidalgo County Headstart			
Head Start Program	93.600		60,788
Texas Migrant Council			
Head Start Program	93.600		11,172
United Migrant Opportunity Services			
ARRA-Head Start	93.708		4,408
Hidalgo County			
ARRA-Community Services Block Grant	93.710		25,325
South Texas Development Council			
ARRA-Community Services Block Grant	93.710		112,947
Lower Rio Grande Valley Workforce			
ARRA-Child Care and Development Block Grant	93.713	09-STMI-13	44,727
Baylor College of Medicine			
Geriatric Education Center	93.969		24,118
<b>Total Department of Health &amp; Human Services</b>			<b>\$ 304,889</b>
<b>Corporation for National and Community Service</b>			
Direct Programs:			
AmeriCorps - National Service Award	94.006		\$ 52,442
<b>Total Federal Financial Assistance</b>			<b>\$ 73,144,761</b>
<b>Note 1: Federal Assistance Reconciliation</b>			
Federal Grants and Contracts Revenue - per Schedule A			\$ 6,026,659
Add: Indirect/Administrative Cost Recoveries - per Schedule A			145,548
Add: Non Operating Federal Revenue from Schedule C			66,972,554
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets			<u>\$ 73,144,761</u>
<b>Note 2: Significant accounting policies used in preparing the schedule.</b>			

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.

**South Texas College**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2011**

**Schedule F**

Grantor Agency/Program Title	Grant Contract Number		Total Expenditures
<b>Texas Higher Education Coordinating Board</b>			
Alternative Teacher Certification	04113	\$	12,145
Certified Educational Aides			255,823
Nursing Shortage Reduction			134,929
Nursing Shortage Reduction > 70%			193,260
Early High School Graduate			149,744
Texas College Workstudy Program			95,230
TEXAS Grant I - Initial Year			1,798,690
TEXAS Grant I - Renewal Year			1,504,100
Texas Educational Opportunity Grant - Initial Year			510,860
Texas Educational Opportunity Grant - Renewal Year			262,550
Texas Professional Nursing Scholarship			10,716
Vocational Nursing Scholarship			1,120
Texas Be On Time Loan			16,403
Top 10% Scholarship Initial			88,000
Top 10% Scholarship Renewal			12,000
Final Stretch Grant			46,000
Combat Exemption Reimbursement for Children of Deployed Military			1,512
Work-Study Mentorship Program	2486		33,700
Intensive College Readiness	4019		97,013
<b>Total Texas Higher Education Coordinating Board</b>		\$	<b>5,223,794</b>
<b>The University of Texas San Antonio</b>			
Texas Prefreshman Engineering Program (TexPREP)			11,700
<b>Roma Independent School District</b>			
Texas Prefreshman Engineering Program (TexPREP)			6,253
<b>El Paso Community College</b>			
Community College Developmental Education Initiative Program			78,720
<b>Texas Comptroller of Public Accounts</b>			
Jobs and Education for Texans-Welding	3595-5	\$	3,168
Jobs and Education for Texans-Technology Student Support Services	2.6.500000		94,493
Jobs and Education for Texans-Technology Student Support Services	4807-18		348,550
Jobs and Education for Texans Grant Program			78,254
<b>Total Texas Comptroller of Public Accounts</b>		\$	<b>524,465</b>
<b>Texas Workforce Commission</b>			
Skills Small Program	2310SSD000	\$	1,101
Skills Development Fund #14	2309SDF001		150,470
Skills Development Fund #15	2310SDF000		338,025
Skills Development Fund #16	2311SDF000		95,564
<b>Total Texas Workforce Commission</b>		\$	<b>585,161</b>

See Accompanying Notes to Schedule of Expenditures of State Awards

**South Texas College**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2011**

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Total Expenditures</u>
<b>Texas Department of Agriculture</b>		
Child And Adult Care Food Program	TX:108-0250	\$ 18,818
Parallel Pathways to Success		70,174
<b>Total Texas Department of Agriculture</b>		<u>\$ 88,992</u>
<b>Hidalgo County</b>		
Substance Abuse Treatment Facility		\$ 782
<b>Department of Assistive and Rehabilitative Services</b>		\$ 143,889
<b>Total State Financial Assistance</b>		<u>\$ 6,663,755</u>
<b>Note 1: State Assistance Reconciliation</b>		
State Revenues - per Schedule A		\$ 6,335,567
Add: Revenue classified as Non Operating		
Professional Nursing Shortage Reduction		328,189
Total State Revenues per Statement of Revenues, Expenses and Changes in Net Assets		<u>\$ 6,663,756</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.

**Note 3: Inkind Match.**

The Texas Workforce Commission Skills Development Fund grant received an inkind match in the amount of \$135,191 from the City of McAllen Phase 13 grant, and on the job training hours from various manufacturing companies. This amount was not included in the Schedule of Expenditures of Federal Awards but was included in the basic financial statements of the District.



# *Statistical Information*



# 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 says about the District’s overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> (Schedules 1-3, 19) <i>These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.</i>	100-109, 136-139
<b>Revenue Capacity</b> (Schedules 4-8, 20-21) <i>These schedules contain information to help the reader assess the District’s most significant local revenue sources, including the property tax.</i>	110-119, 141-145
<b>Debt Capacity</b> (Schedules 9-11, 22) <i>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.</i>	120-125, 146-147
<b>Demographic and Economic Information</b> (Schedules 12-13) <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.</i>	126-128
<b>Operating and Other Information</b> (Schedules 14-18) <i>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.</i>	129-135

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 Assets by Component**  
**Fiscal Years 2003-2011**  
(unaudited)

Net Assets	For the Fiscal Year Ended August 31,		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Invested in capital, net of related debt	\$ 147,102,213	\$ 136,773,512	\$ 113,996,844
Restricted expendable	17,456,826	17,095,903	14,027,153
Restricted non-expendable	346,360	346,050	346,041
Unrestricted	92,126,622	75,476,247	74,119,953
<b>Total Net Assets</b>	<b>\$ 257,032,021</b>	<b>\$ 229,691,712</b>	<b>\$ 202,489,991</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only information for fiscal years 2003-2011 is available.

For the Fiscal Year Ended August 31,

<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 99,425,786	\$ 81,439,837	\$ 77,875,115	\$ 65,488,899	\$ 53,401,242	\$ 47,543,186
12,741,856	10,581,497	9,842,298	8,001,688	8,695,028	3,433,363
332,230	330,880	215,228	215,228	215,228	215,228
69,192,197	67,223,004	52,703,700	47,788,784	42,783,441	32,435,430
<b>\$ 181,692,069</b>	<b>\$ 159,575,218</b>	<b>\$ 140,636,341</b>	<b>\$ 121,494,599</b>	<b>\$ 105,094,939</b>	<b>\$ 83,627,207</b>

**Statistical Supplement 2**  
**Revenues by Source**  
**Fiscal Years 2003-2011**  
(unaudited)

	For the Year Ended August 31,		
	2011	2010	2009
Operating Revenues			
Tuition and fees (net of discounts)	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311
Federal grants and contracts	6,172,207	8,979,526	7,015,595
State grants and contracts	6,335,567	6,711,706	5,412,226
Local grants and contracts	1,380,691	1,255,944	1,129,509
Non-governmental grants and contracts	2,796,686	2,200,618	1,594,568
Auxiliary enterprises	1,877,501	1,666,738	1,403,045
General operating revenues	545,846	1,988,232	2,280,483
<b>Total Operating Revenues</b>	<b>37,390,206</b>	<b>39,956,379</b>	<b>35,396,737</b>
Non-Operating Revenues			
State allocations	36,676,953	37,514,938	33,173,275
Maintenance ad valorem taxes	33,798,861	34,314,946	33,731,408
Debt service ad valorem taxes	12,187,090	12,197,541	12,212,764
Federal revenue, non-operating	66,972,554	59,089,947	34,498,524
Gifts	309,868	663,193	775,113
Investment income	327,497	388,426	1,335,180
Other non-operating revenues	-	-	-
<b>Total Non-Operating Revenues</b>	<b>150,272,823</b>	<b>144,168,991</b>	<b>115,726,264</b>
<b>Total Revenues</b>	<b>\$ 187,663,029</b>	<b>\$ 184,125,370</b>	<b>\$ 151,123,001</b>

For the Year Ended August 31,

	<b>2008</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>		<b>2004</b>		<b>2003</b>
\$	15,075,608	\$	12,657,625	\$	14,167,536	\$	11,453,488	\$	8,431,388	\$	8,457,156
	6,508,073		5,057,914		6,653,576		8,591,817		7,416,615		6,664,390
	4,292,294		3,068,738		3,094,018		3,553,359		2,948,994		4,427,500
	741,390		922,667		756,312		757,398		801,324		634,491
	1,555,367		1,192,509		1,017,893		1,525,659		998,230		638,326
	1,300,682		874,962		906,335		838,057		733,900		653,691
	1,129,049		1,493,987		1,680,707		872,885		1,518,171		856,798
	<b>30,602,463</b>		<b>25,268,402</b>		<b>28,276,377</b>		<b>27,592,663</b>		<b>22,848,622</b>		<b>22,332,352</b>
	32,857,808		30,311,961		29,972,196		24,945,029		24,128,754		22,825,281
	30,822,108		27,439,614		24,854,665		22,405,071		19,805,773		18,412,034
	12,319,291		11,151,789		11,017,119		11,258,100		11,592,841		11,338,611
	28,470,310		25,966,042		26,726,564		28,314,872		26,605,135		26,377,402
	519,842		351,586		215,177		190,148		3,265,398		186,027
	2,627,475		4,653,487		3,684,413		2,352,936		2,585,128		3,161,603
	-		-		1,844		-		-		-
	<b>107,616,834</b>		<b>99,874,479</b>		<b>96,471,978</b>		<b>89,466,156</b>		<b>87,983,029</b>		<b>82,300,958</b>
<b>\$</b>	<b>138,219,297</b>	<b>\$</b>	<b>125,142,881</b>	<b>\$</b>	<b>124,748,355</b>	<b>\$</b>	<b>117,058,819</b>	<b>\$</b>	<b>110,831,651</b>	<b>\$</b>	<b>104,633,310</b>

(Continued)

**Statistical Supplement 2**  
**Revenues by Source**  
**Fiscal Years 2003-2011**  
(unaudited)

	For the Year Ended August 31,		
	2011	2010	2009
Operating Revenue			
Tuition and fees (net of discounts)	9.74%	9.31%	10.96%
Federal grants and contracts	3.29%	4.88%	4.64%
State grants and contracts	3.38%	3.64%	3.58%
Local grants and contracts	0.74%	0.68%	0.75%
Non-governmental grants and contracts	1.49%	1.20%	1.06%
Auxiliary enterprises	1.00%	0.91%	0.93%
General operating revenues	0.28%	1.08%	1.51%
<b>Total Operating Revenues</b>	<b>19.92%</b>	<b>21.70%</b>	<b>23.43%</b>
Non-Operating Revenues			
State allocations	19.55%	20.37%	21.95%
Maintenance ad valorem taxes	18.01%	18.65%	22.32%
Debt service ad valorem taxes	6.49%	6.62%	8.08%
Federal revenue, non operating	35.69%	32.09%	22.83%
Gifts	0.17%	0.36%	0.51%
Investment income	0.17%	0.21%	0.88%
Other non-operating revenues	-	-	-
<b>Total Non-Operating Revenues</b>	<b>80.08%</b>	<b>78.30%</b>	<b>76.57%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2011 are available. Change in Net Assets reflected on Statistical Supplement 19.

(Continued)

For the Year Ended August 31,					
2008	2007	2006	2005	2004	2003
10.90%	10.11%	11.36%	9.78%	7.61%	8.08%
4.71%	4.05%	5.33%	7.33%	6.70%	6.37%
3.10%	2.45%	2.48%	3.04%	2.66%	4.23%
0.54%	0.74%	0.61%	0.65%	0.72%	0.61%
1.13%	0.95%	0.82%	1.30%	0.90%	0.61%
0.94%	0.70%	0.73%	0.72%	0.66%	0.62%
0.82%	1.19%	1.35%	0.75%	1.37%	0.82%
<b>22.14%</b>	<b>20.19%</b>	<b>22.68%</b>	<b>23.57%</b>	<b>20.62%</b>	<b>21.34%</b>
23.77%	24.22%	24.03%	21.31%	21.77%	21.81%
22.30%	21.93%	19.92%	19.14%	17.87%	17.60%
8.91%	8.91%	8.83%	9.62%	10.46%	10.84%
20.60%	20.75%	21.42%	24.19%	24.00%	25.21%
0.38%	0.28%	0.17%	0.16%	2.95%	0.18%
1.90%	3.72%	2.95%	2.01%	2.33%	3.02%
-	-	-	-	-	-
<b>77.86%</b>	<b>79.81%</b>	<b>77.32%</b>	<b>76.43%</b>	<b>79.38%</b>	<b>78.66%</b>
<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Statistical Supplement 3**  
**Program Expenses by Function**  
**Fiscal Years 2003-2011**  
(unaudited)

	For the Year Ended August 31,		
	2011	2010	2009
Operating Expenses			
Instruction	\$ 57,359,050	\$ 55,454,200	\$ 48,698,353
Research	6,303	-	-
Public service	640,673	2,460,617	2,637,239
Academic support	12,035,474	9,565,508	9,271,172
Student services	9,939,104	10,264,591	9,070,935
Institutional support	20,293,881	19,044,676	17,197,508
Operations and maintenance of plant	10,270,614	10,437,077	10,356,102
Scholarships and fellowships	39,320,494	37,212,122	23,176,417
Auxiliary enterprises	1,421,243	1,524,084	1,498,378
Depreciation	6,265,826	5,923,105	5,848,873
<b>Total Operating Expenses</b>	<b>157,552,662</b>	<b>151,885,980</b>	<b>127,754,977</b>
Non-Operating Expenses			
Interest on capital related debt	2,172,754	2,986,702	3,186,226
Loss on sale/disposal/return of capital assets	3,500	4,698	77,747
Non-capital construction costs	464,503	2,268,529	1,038,216
Bond costs amortization	465,630	353,037	353,037
Other non-operating expenses	396,032	673,262	706,561
<b>Total Non-Operating Expenses</b>	<b>3,502,419</b>	<b>6,286,228</b>	<b>5,361,787</b>
<b>Total Expenses</b>	<b>\$ 161,055,081</b>	<b>\$ 158,172,208</b>	<b>\$ 133,116,764</b>

Note: Other non-operating expenses were segregated into separate categories for FY 2011, FY2010, FY2009 and FY2008. The segregation was not done for the previous years.

For the Year Ended August 31,

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$	42,291,067	\$ 37,853,111	\$ 36,144,166	\$ 32,107,169	\$ 29,670,904	\$ 28,715,797
	-	-	19,663	11,768	-	-
	2,924,649	1,795,019	2,847,813	2,106,665	2,354,241	3,078,549
	8,241,265	8,089,561	7,542,624	6,707,548	4,175,859	3,952,084
	8,057,220	7,727,628	6,476,443	6,021,112	5,334,153	5,021,938
	15,303,315	14,169,127	13,255,074	11,765,777	10,611,400	11,222,528
	9,336,528	8,712,299	8,473,871	7,137,221	4,746,623	4,705,159
	19,424,919	15,819,630	19,681,397	22,958,306	22,956,070	23,070,993
	655,258	422,150	438,747	411,684	346,671	380,737
	5,391,971	5,285,190	5,165,342	4,215,249	2,647,695	3,826,761
	<b>111,626,192</b>	<b>99,873,715</b>	<b>100,045,140</b>	<b>93,442,499</b>	<b>82,843,616</b>	<b>83,974,546</b>
	3,046,995	4,926,778	4,662,868	3,704,377	4,606,271	4,783,540
	-	-	-	-	-	-
	735,663	-	-	-	-	-
	353,211	-	-	-	-	-
	426,718	1,712,405	1,093,561	5,949,680	2,017,952	938,790
	<b>4,562,587</b>	<b>6,639,183</b>	<b>5,756,429</b>	<b>9,654,057</b>	<b>6,624,223</b>	<b>5,722,330</b>
\$	<b>116,188,779</b>	<b>\$ 106,512,898</b>	<b>\$ 105,801,569</b>	<b>\$ 103,096,556</b>	<b>\$ 89,467,839</b>	<b>\$ 89,696,876</b>

(Continued)



**Statistical Supplement 3**  
**Program Expenses by Function**  
**Fiscal Years 2003-2011**  
(unaudited)

	For the Year Ended August 31,		
	2011	2010	2009
Operating Expenses			
Instruction	35.62%	35.06%	36.58%
Research	-	-	-
Public service	0.40%	1.56%	1.98%
Academic support	7.47%	6.05%	6.96%
Student services	6.17%	6.49%	6.82%
Institutional support	12.60%	12.04%	12.92%
Operations and maintenance of plant	6.38%	6.60%	7.78%
Scholarships and fellowships	24.41%	23.53%	17.41%
Auxiliary enterprises	0.88%	0.96%	1.13%
Depreciation	3.90%	3.74%	4.39%
<b>Total Operating Expenses</b>	<b>97.83%</b>	<b>96.03%</b>	<b>95.97%</b>
Non-Operating Expenses			
Interest on capital related debt	1.34%	1.89%	2.39%
Loss on sale/disposal/return of capital assets	-	-	0.06%
Non-capital construction costs	0.29%	1.43%	0.78%
Bond costs amortization	0.29%	0.22%	0.27%
Other non-operating expenses	0.25%	0.43%	0.53%
<b>Total Non-Operating Expenses</b>	<b>2.17%</b>	<b>3.97%</b>	<b>4.03%</b>
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Notes: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2011 are available. Change in Net Assets reflected on Statistical Supplement 19.

Other non-operating expenses were segregated into separate categories for FY 2011, FY2010, FY2009 and FY2008. The segregation was not done for the previous years.

(Continued)

For the Year Ended August 31,					
2008	2007	2006	2005	2004	2003
36.40%	35.54%	34.16%	31.14%	33.16%	32.01%
-	-	0.02%	0.01%	-	-
2.52%	1.69%	2.69%	2.04%	2.63%	3.43%
7.09%	7.59%	7.13%	6.51%	4.67%	4.41%
6.93%	7.26%	6.12%	5.84%	5.96%	5.60%
13.17%	13.30%	12.53%	11.41%	11.86%	12.51%
8.04%	8.18%	8.01%	6.92%	5.31%	5.25%
16.72%	14.85%	18.60%	22.27%	25.66%	25.72%
0.56%	0.40%	0.41%	0.41%	0.39%	0.42%
4.64%	4.96%	4.89%	4.09%	2.96%	4.27%
<b>96.07%</b>	<b>93.77%</b>	<b>94.56%</b>	<b>90.64%</b>	<b>92.60%</b>	<b>93.62%</b>
2.63%	4.63%	4.41%	3.59%	5.15%	5.33%
-	-	-	-	-	-
0.63%	-	-	-	-	-
0.30%	-	-	-	-	-
0.37%	1.60%	1.03%	5.77%	2.25%	1.05%
<b>3.93%</b>	<b>6.23%</b>	<b>5.44%</b>	<b>9.36%</b>	<b>7.40%</b>	<b>6.38%</b>
<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**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	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
2010	\$ 90/125	\$ 63	\$ 76	\$ 16	\$ 12	\$ 1,182/1,217	\$ 1,339/1,374	10.06%	8.79%
2009	90/125	63	76	12	7	1,074/1,109	1,231/1,266	9.82%	4.15%
2008	90/125	59	76	10	5	978/1,013	1,182/1,217	11.52%	9.33%
2007	85/120	59	76	7	-	877/912	1,081/1,116	1.38%	1.12%
2006	85/120	59	76	6	-	865/900	1,069/1,104	0.00%	0.00%
2005	85	59	76	6	-	865	1,069	12.48%	9.85%
2004	85	57	74	-	-	769	973	20.34%	30.75%
2003	75	47	56	-	-	639	747	1.59%	1.35%
2002	65	47	56	-	-	629	737	0.00%	0.00%
2001	65	47	56	-	-	629	737	0.00%	0.00%

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	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2010	\$ 90/125	\$ 202	\$ 202	\$ 16	\$ 12	\$ 2,850/2,885	\$ 2,850/2,885	3.94%	3.94%
2009	90/125	202	202	12	7	2,742/2,777	2,742/2,777	1.78%	1.78%
2008	90/125	202	202	10	5	2,694/2,729	2,694/2,729	3.90%	3.90%
2007	85/120	202	202	7	-	2,593/2,628	2,593/2,628	0.46%	0.46%
2006	85/120	202	202	6	-	2,581/2,616	2,581/2,616	0.00%	0.00%
2005	85	202	202	6	-	2,581	2,581	3.86%	3.86%
2004	85	200	200	-	-	2,485	2,485	78.14%	78.14%
2003	75	110	110	-	-	1,395	1,395	0.72%	0.72%
2002	65	110	110	-	-	1,385	1,385	0.00%	0.00%
2001	65	110	110	-	-	1,385	1,385	0.00%	0.00%

Source: South Texas College District Student Guide

Note: 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.

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

Direct Rate							
Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2010-11	\$ 31,217,862,360	\$ 1,128,203,383	\$ 30,089,658,977	96.39%	0.1100	0.0397	0.1497
2009-10	31,446,452,828	1,142,269,602	30,304,183,226	96.37%	0.1100	0.0391	0.1491
2008-09	30,275,711,910	1,342,218,203	28,933,493,707	95.57%	0.1100	0.0398	0.1498
2007-08	27,409,643,132	880,410,564	26,529,232,568	96.79%	0.1100	0.0440	0.1540
2006-07	24,527,879,537	869,797,042	23,658,082,495	96.45%	0.1100	0.0448	0.1548
2005-06	22,369,029,565	841,324,896	21,527,704,669	96.24%	0.1100	0.0489	0.1589
2004-05	20,630,450,580	760,487,073	19,869,963,507	96.31%	0.1100	0.0547	0.1647
2003-04	18,323,427,659	721,648,786	17,601,778,873	96.06%	0.1100	0.0638	0.1738
2002-03	17,115,047,518	581,477,213	16,533,570,305	96.60%	0.1100	0.0676	0.1776
2001-02	15,577,955,470	82,953,393	15,495,002,077	99.47%	0.0790	0.0107	0.0897

Source: Hidalgo County and Starr County Tax Assessor and Collector

Note: Property is assessed at fair market value. Property in each county is reassessed annually.  
(a) Tax rates are per \$100 of assessed value.



This page intentionally left blank.

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

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			State Appropriation per Contact Hour
	State Appropriation	FTSE (a & b)*	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (a & b)*	Total Contact Hours	
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
2005-06	23,228,528	11,323	2,051	5,150,672	1,756,186	6,915,858	3.36
2004-05	19,849,307	11,478	1,729	5,334,720	1,741,056	7,075,776	2.81
2003-04	19,849,635	10,662	1,862	5,014,608	1,563,949	6,578,557	3.02
2002-03	18,188,234	10,260	1,773	4,944,970	1,488,006	6,432,976	2.83
2001-02	19,615,495	9,339	2,100	4,267,200	1,518,082	5,785,282	3.39

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.

(a) Source CBM001

(b) Source CBM00A

\* FY 2001-02 through FY 2008-09 do not include information from the CBM00A. This information is not available.

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year			
		2011	2010	2009	2008
Shell Western E & P Inc.	Oil & Gas	\$ 697,953,120	\$ 697,953,120	\$ 598,628,940	\$ 572,030,780
El Paso Production Oil & Gas	Oil & Gas	233,251,590	233,251,590	310,057,070	358,107,640
Chevron USA Inc.	Oil & Gas	194,500,240	194,500,240	456,481,610	219,565,590
AEP Texas Central Co.	Electric Utility	174,591,370	174,591,370	173,471,710	159,251,780
Smith Production Inc.	Oil & Gas	153,359,110	153,359,110	166,694,640	-
H E Butt Grocery Company	Grocery Chain	114,289,734	114,289,734	117,156,504	95,953,669
Kerr-McGee Oil & Gas Onshore	Oil & Gas	107,433,880	107,433,880	-	-
Wal Mart Property Tax Department	Retail Store	104,810,618	104,810,618	107,262,492	-
Southwestern Bell Telephone	Telephone Utility	93,005,380	93,005,380	98,438,720	110,118,990
Calpine Construction Finance Co. LP	Electric Utility	87,490,000	87,490,000	97,713,920	113,654,620
Universal Health Services	Hospital	83,905,804	83,905,804	86,464,634	88,442,154
Frontera Generation LTD	Land & Improvements	82,100,300	82,100,300	82,417,210	99,208,230
Rio Grande Regional Hospital	Hospital	66,677,559	66,677,559	67,737,830	61,468,351
CPG Mercedes LP	Real Estate	60,625,220	60,625,220	-	-
Simon Property Group-McAllen #2	Development	50,944,799	50,944,799	-	51,557,233
Chesapeake Operating	Oil & Gas	-	-	91,207,190	-
Trenton Street Corporation	Real Estate	-	-	58,908,315	72,528,462
Shell Western E&P (Total E&P)	Oil & Gas	-	-	56,191,760	62,130,020
Total E & P USA Inc.	Oil & Gas	-	-	-	-
Wal Mart Stores East, Inc. #452	Retail Store	-	-	-	95,159,294
Magic Valley Elec Coop	Electric Utility	-	-	-	-
Texas Cable Partners	Communication Utility	-	-	-	-
Symbol Technologies	Electronic Distribution Warehouse	-	-	-	-
Calpine Hidalgo Energy Center	Electric Utility	-	-	-	-
Central Power & Light	Utility	-	-	-	-
Texaco E&P Inc.	Oil & Gas	-	-	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	-	-	-	-
Total Fina Elf E&P USA Inc.	Oil & Gas	-	-	-	-
Coastal Oil & Gas USA LP	Oil & Gas	-	-	-	-
Fina Oil & Chemical Co.	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	51,796,170
	<b>Totals</b>	<b>2,304,938,724</b>	<b>2,304,938,724</b>	<b>2,568,832,545</b>	<b>2,210,972,983</b>
	<b>Total Taxable Assessed Value</b>	<b>\$ 30,214,723,851</b>	<b>\$ 30,304,183,226</b>	<b>\$ 28,933,493,707</b>	<b>\$ 26,529,232,568</b>

Sources:  
First Southwest Company  
Table 3 – Valuation and Tax Supported Debt History, p. 3  
Table 5 – Fifteen Largest Taxpayers, p. 4

Taxable Assessed Value (TAV) by Tax Year

2007	2006	2005	2004	2003	2002
\$ -	\$ 399,792,820	\$ 375,232,590	\$ 312,676,610	\$ 277,608,730	\$ 307,573,600
252,759,270	380,027,260	411,146,130	257,945,570	238,620,500	-
66,770,720	68,596,763	69,683,810	83,464,440	-	-
181,625,710	191,443,144	178,031,920	159,061,790	-	-
-	-	-	-	-	-
89,443,353	88,271,957	95,690,999	79,382,262	77,991,184	75,647,356
-	-	-	-	-	-
-	-	-	-	-	-
104,595,695	107,809,102	100,410,407	111,549,586	117,854,247	124,018,998
119,471,740	144,390,920	153,265,270	201,236,130	220,009,590	149,995,060
93,134,843	98,840,598	66,846,041	66,780,559	65,385,683	-
98,233,700	102,345,890	90,009,600	125,587,000	149,900,000	183,140,600
74,762,587	81,410,943	53,269,350	39,034,063	-	-
-	-	-	-	-	-
43,530,337	44,653,815	44,669,232	-	-	-
-	-	-	-	-	-
60,688,959	55,670,370	-	-	-	-
70,971,140	-	-	-	-	-
-	154,675,460	131,093,560	101,373,240	56,880,200	-
74,757,151	74,538,560	62,685,769	82,036,294	69,701,600	70,246,857
-	44,108,254	-	-	-	-
-	-	44,028,400	37,761,780	-	-
-	-	20,084,103	20,151,803	-	-
-	-	-	45,833,280	51,987,700	-
-	-	-	-	129,265,984	118,318,324
-	-	-	-	76,564,804	91,534,004
-	-	-	-	91,599,890	-
377,813,720	-	-	-	78,002,000	-
-	-	-	-	44,926,205	83,152,890
-	-	-	-	-	291,208,027
-	-	-	-	-	-
47,858,470	-	-	-	-	-
<b>1,756,417,395</b>	<b>2,036,575,856</b>	<b>1,896,147,181</b>	<b>1,723,874,407</b>	<b>1,746,298,317</b>	<b>1,494,835,716</b>
<b>\$ 23,658,082,495</b>	<b>\$ 21,527,704,669</b>	<b>\$ 19,869,963,507</b>	<b>\$ 17,601,778,873</b>	<b>\$ 16,533,570,305</b>	<b>\$ 15,495,002,077</b>

(Continued)



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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2011	2010	2009	2008
Shell Western E & P Inc.	Oil & Gas	2.31%	2.31%	2.06%	-
El Paso Production Oil & Gas	Oil & Gas	0.77%	0.77%	1.07%	1.45%
Chevron USA Inc.	Oil & Gas	0.64%	0.64%	1.57%	0.89%
AEP Texas Central Co.	Electric Utility	0.58%	0.58%	0.60%	0.64%
Smith Production Inc.	Oil & Gas	0.51%	0.51%	0.57%	-
H E Butt Grocery Company	Grocery Chain	0.38%	0.38%	0.40%	0.39%
Kerr-McGee Oil & Gas Onshore	Oil & Gas	0.36%	0.36%	-	-
Wal Mart Property Tax Department	Retail Store	0.35%	0.35%	0.37%	-
Southwestern Bell Telephone	Telephone Utility	0.31%	0.31%	0.34%	0.44%
Calpine Construction Finance Co. LP	Electric Utility	0.29%	0.29%	0.34%	0.46%
Universal Health Services	Hospital	0.28%	0.28%	0.30%	0.36%
Frontera Generation LTD	Land & Improvements	0.27%	0.27%	0.28%	0.40%
Rio Grande Regional Hospital	Hospital	0.22%	0.22%	0.23%	0.25%
CPG Mercedes LP	Real Estate	0.20%	0.20%	-	-
Simon Property Group-McAllen #2	Development	0.17%	0.17%	-	0.21%
Chesapeake Operating	Oil & Gas	-	-	0.31%	-
Trenton Street Corporation	Real Estate	-	-	0.20%	0.29%
Shell Western E&P (Total E&P)	Oil & Gas	-	-	0.19%	0.25%
Total E & P USA Inc.	Oil & Gas	-	-	-	-
Wal Mart Stores East, Inc. #452	Retail Store	-	-	-	0.38%
Magic Valley Elec Coop	Electric Utility	-	-	-	-
Texas Cable Partners	Communication Utility	-	-	-	-
Symbol Technologies	Electronic Distribution Warehouse	-	-	-	-
Calpine Hidalgo Energy Center	Electric Utility	-	-	-	-
Central Power & Light	Utility	-	-	-	-
Texaco E&P Inc.	Oil & Gas	-	-	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	-	-	-	2.31%
Total Fina Elf E&P USA Inc.	Oil & Gas	-	-	-	-
Coastal Oil & Gas USA LP	Oil & Gas	-	-	-	-
Fina Oil & Chemical Co.	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	0.21%
<b>Totals</b>		<b>7.64%</b>	<b>7.64%</b>	<b>8.83%</b>	<b>8.93%</b>

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

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year

2007	2006	2005	2004	2003	2002
-	1.96%	1.99%	1.84%	1.69%	2.16%
1.07%	1.86%	2.18%	1.52%	1.45%	-
0.28%	0.34%	0.37%	0.49%	-	-
0.77%	0.94%	0.95%	0.94%	-	-
-	-	-	-	-	-
0.38%	0.43%	0.51%	0.47%	0.47%	0.53%
-	-	-	-	-	-
-	-	-	-	-	-
0.44%	0.53%	0.53%	0.66%	0.72%	0.87%
0.50%	0.71%	0.81%	1.18%	1.34%	1.05%
0.39%	0.48%	0.36%	0.39%	0.40%	-
0.42%	0.50%	0.48%	0.74%	0.91%	1.28%
0.32%	0.40%	0.28%	0.23%	-	-
-	-	-	-	-	-
0.18%	0.22%	0.24%	-	-	-
-	-	-	-	-	-
0.26%	0.27%	-	-	-	-
0.30%	-	-	-	-	-
-	0.76%	0.70%	0.60%	0.35%	-
0.32%	0.36%	0.33%	0.48%	0.42%	0.49%
-	0.22%	-	-	-	-
-	-	0.23%	0.22%	-	-
-	-	0.11%	0.12%	-	-
-	-	-	0.27%	0.32%	-
-	-	-	-	0.78%	0.83%
-	-	-	-	0.46%	0.64%
-	-	-	-	0.56%	-
1.60%	-	-	-	0.47%	-
-	-	-	-	0.27%	0.58%
-	-	-	-	-	2.04%
-	-	-	-	-	-
0.20%	-	-	-	-	-
<b>7.43%</b>	<b>9.98%</b>	<b>10.07%</b>	<b>10.15%</b>	<b>10.61%</b>	<b>10.47%</b>

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

Fiscal Year Ended August 31,	Tax Year	Levy (a)	**Cumulative Levy Adjustment	Adjusted Tax Levy (b)	Collections - Year of Levy (c)
2011	2010	\$ 44,806,807	\$ 5,968	\$ 44,812,776	\$ 41,594,864
2010	2009	44,968,114	273,795	45,241,910	41,700,948
2009	2008	43,218,654	1,526,615	44,745,269	41,017,803
2008	2007	40,856,871	784,822	41,641,693	38,370,024
2007	2006	36,625,083	268,676	36,893,759	34,032,590
2006	2005	34,208,247	224,549	34,432,796	31,237,216
2005	2004	32,727,562	185,791	32,913,352	29,774,669
2004	2003	30,593,312	(18,743)	30,574,569	27,811,364
2003	2002	29,365,081	(53,693)	29,311,388	26,476,977
2002	2001	13,899,515	(16,347)	13,883,168	12,438,824

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 penalties and 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

Notes:

\* Includes rollback total collections

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

Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (f = c + d + e)	Cumulative Collections of Adjusted Levy (g = f / b)	Outstanding Delinquent Taxes (h = b - f)	Percent of Delinquent Taxes to Tax Levy (i = h / b)
92.83%	\$ -	\$ -	\$ 41,594,864	92.82%	\$ 3,217,912	7.18%
92.73%	-	1,545,018 *	43,245,966	95.59%	1,995,944	4.41%
94.91%	1,811,194 *	550,465	43,379,462	96.95%	1,365,807	3.05%
93.91%	2,110,061	235,781	40,715,866	97.78%	925,827	2.22%
92.92%	2,130,535	129,179	36,292,304	98.37%	601,457	1.63%
91.31%	2,445,142	83,420	33,765,778	98.06%	667,018	1.94%
90.98%	2,514,696	58,837	32,348,202	98.28%	565,151	1.72%
90.91%	2,214,030	45,231	30,070,625	98.35%	503,944	1.65%
90.16%	2,394,861	34,036	28,905,874	98.62%	405,513	1.38%
89.49%	1,251,942	13,401	13,704,167	98.71%	179,002	1.29%

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

For the Year Ended August 31,

	2011	2010	2009	2008
<b>General Bonded Debt</b>				
South Texas College District Tax Bonds, Series 1996	\$ -	\$ -	\$ -	\$ -
Public Property Finance Contractual Obligation Bond, Series 1999	-	-	260,000	510,000
South Texas College District Tax Bonds, Series 2002	4,630,000	19,060,000	23,445,000	27,605,000
South Texas College District Tax Bonds, Series 2003	3,130,000	14,140,000	15,560,000	16,920,000
South Texas College District Tax Bonds, Series 2004	9,615,000	11,005,000	12,160,000	13,315,000
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	2,660,000	2,935,000	2,945,000	2,955,000
South Texas College District Tax Bonds, Series 2007	22,384,991	22,639,991	22,884,991	23,119,991
South Texas College District Tax Bonds, Series 2010	18,969,296	-	-	-
Notes	-	-	-	-
Less: Funds restricted for debt service	(13,204,788)	(11,946,974)	(10,475,704)	(8,974,272)
<b>Net general bonded debt</b>	<b>\$ 48,184,499</b>	<b>\$ 57,833,017</b>	<b>\$ 66,779,287</b>	<b>\$ 75,450,719</b>
<b>Other Debt</b>				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
<b>Total Outstanding Debt</b>	<b>\$ 48,187,499</b>	<b>\$ 57,833,017</b>	<b>\$ 66,779,287</b>	<b>\$ 75,450,719</b>
<b>General Bonded Debt Ratios</b>				
Per Capita (a)	\$ 51.58	\$ 65.59	\$ 78.06	\$ 92.84
Per FTSE (b)	2,376	2,829	4,185	5,111
As a percentage of Taxable Assessed Value (c)	0.16%	0.19%	0.23%	0.28%
As a percentage of personal income (d)	0.51%	0.65%	0.78%	0.92%
<b>Total Outstanding Debt Ratios</b>				
Per Capita (a)	\$ 51.58	\$ 65.59	\$ 78.06	\$ 92.84
Per FTSE (b)	2,376	2,829	4,185	5,111
As a percentage of Taxable Assessed Value (c)	0.16%	0.19%	0.23%	0.28%
As a percentage of personal income (d)	0.51%	0.65%	0.75%	0.92%

Notes:

- (a) Ratios calculated using current year per capita 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,

2007	2006	2005	2004	2003	2002
\$ -	\$ -	\$ 800,000	\$ 1,550,000	\$ 17,745,000	\$ 18,270,000
750,000	3,920,000	4,140,000	4,355,000	4,560,000	4,755,000
31,580,000	58,925,000	62,270,000	65,250,000	67,935,000	71,230,000
18,240,000	19,525,000	20,770,000	21,990,000	22,845,000	-
14,450,000	14,689,996	14,979,996	15,264,996	-	-
2,965,000	-	-	-	-	-
23,344,991	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(7,125,560)	(6,233,133)	(5,479,373)	(4,414,504)	(2,485,235)	(248,724)
<b>84,204,431</b>	<b>90,826,863</b>	<b>97,480,623</b>	<b>103,995,492</b>	<b>110,599,765</b>	<b>94,006,276</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 84,204,431</b>	<b>\$ 90,826,863</b>	<b>\$ 97,480,623</b>	<b>\$ 103,995,492</b>	<b>\$ 110,599,765</b>	<b>\$ 94,006,276</b>
\$ 111.24	\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40	\$ 140.21
7,064	8,021	8,493	9,754	10,780	10,066
0.36%	0.42%	0.49%	0.59%	0.67%	0.61%
0.69%	0.78%	0.94%	1.15%	1.29%	1.12%
\$ 111.24	\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40	\$ 140.21
7,064	8,021	8,493	9,754	10,780	10,066
0.36%	0.42%	0.49%	0.59%	0.67%	0.61%
0.69%	0.78%	0.94%	1.15%	1.29%	1.12%

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

For the Year Ended August 31,

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Taxable Assessed Value	\$ 30,089,658,977	\$ 30,304,183,226	\$ 28,933,493,707	\$ 26,529,232,568
<b>General Obligation Bonds</b>				
Statutory Tax Levy Limit for Debt Service	\$ 150,448,295	\$ 151,520,916	\$ 144,667,469	\$ 132,646,163
Less: Funds Restricted for Repayment of General Obligation Bonds	(13,204,788)	(11,946,974)	(10,475,704)	(8,974,272)
<b>Total Net General Obligation Debt</b>	<b>137,243,507</b>	<b>139,573,942</b>	<b>134,191,765</b>	<b>123,671,891</b>
Current Year Debt Service Requirements	(11,148,943)	(11,150,535)	(11,146,701)	(11,147,686)
<b>Excess of Statutory Limit for Debt Service over Current Requirements</b>	<b>\$ 126,094,565</b>	<b>\$ 128,423,407</b>	<b>\$ 123,045,064</b>	<b>\$ 112,524,205</b>
Net Current Requirements as a % of Statutory Limit	-1.37%	-0.53%	0.46%	1.64%

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

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

For the Year Ending August 31,

<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873	\$ 16,533,570,305	\$ 15,495,002,077
\$ 118,290,412	\$ 107,638,523	\$ 99,349,818	\$ 88,008,894	\$ 82,667,852	\$ 77,475,010
(7,125,560)	(6,233,133)	(5,479,373)	(4,414,505)	(2,485,235)	(248,724)
<b>111,164,852</b>	<b>101,405,390</b>	<b>93,870,445</b>	<b>83,594,389</b>	<b>80,182,617</b>	<b>77,226,286</b>
(11,135,516)	(10,947,644)	(10,743,226)	(10,521,954)	(10,246,291)	(2,069,960)
<b>\$ 100,029,336</b>	<b>\$ 90,457,746</b>	<b>\$ 83,127,219</b>	<b>\$ 73,072,435</b>	<b>\$ 69,936,326</b>	<b>\$ 75,156,326</b>
3.39%	4.38%	5.30%	6.94%	9.39%	2.35%





This page intentionally left blank.

**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 (2) (a)	Hidalgo County Median Household Money Income (b)		Starr County Median Household Money Income (3) (c)		District Median Household Money Income (d=(b+c)/2)		Hidalgo County Personal Income Per Capita (5) (e)
2011	\$ 934,158	\$ 33,558		\$ 19,931		\$ 26,745		\$ 12,056
2010	881,735	30,593	(4)	19,536	(4)	25,065		11,769 (4)
2009	855,503	30,863	(4)	19,493	(4)	25,178		12,009 (4)
2008	812,734	30,932	(4)	19,430	(4)	25,181		12,276 (4)
2007	756,956	30,153	(8)	23,070	(1)	26,612		18,316 (1)
2006	770,962	28,538	(3)	20,098	(1)	24,318		17,409 (5)
2005	744,499	24,808	(3)	17,843	(3)	21,326		16,738 (5)
2004	672,804	26,375	(3)	19,775	(3)	23,075		15,706 (5)
2003	660,706	25,937	(3)	19,185	(3)	22,561		15,062 (5)
2002	670,474	24,449	(3)	17,828	(3)	21,139		14,737 (5)

Sources:

- (1) Texas Workforce Commission
- (2) First Southwest Company
- (3) US Census Bureau
- (4) Economic Development Intelligence System
- (5) U.S. Bureau of Economic Analysis
- (6) (b), (c) Represents County Median Household Money Income of prior year amount plus projected amount increase from 2015
- (7) (e), (f) Represents County Personal Income Per Capita of prior year amount plus projected amount increase from 2015
- (8) Represents District Wide Personal Income = ((a x g)/1000)
- (9) Economic Research

Starr County Personal Income Per Capita (5) (f)	District Personal Income Per Capita (5) (g=(e+f)/2)	District wide Personal Income (thousands of dollars) (h=(a x g)/1000)	Hidalgo County Unemployment Rate (1, 9) (i)	Starr County Unemployment Rate (1, 9) (j)	District Unemployment Rate (k)	State Unemployment Rate (1, 9) (l)	National Unemployment Rate (1) (m)
\$ 8,099	\$ 10,078	\$ 9,414,444	12.60%	16.80%	14.70%	8.50%	9.10%
7,908 (4)	9,839	8,901,997 (8)	12.10%	17.90%	15.00%	8.50%	9.60%
7,980 (4)	9,995	8,550,752 (8)	11.60%	17.80%	14.70%	8.30%	9.80%
7,986 (4)	10,131	8,233,808 (8)	7.90%	10.90%	9.40%	5.10%	6.10%
13,854 (1)	16,085	12,175,637 (8)	6.20%	8.10%	7.15%	4.30%	4.70%
12,971	15,190	11,710,913	7.10%	10.40%	8.75%	5.10%	4.60%
12,364	14,551	10,833,205	7.30%	9.80%	8.55%	5.20%	4.90%
11,373	13,540	9,109,766	11.50%	14.10%	12.80%	5.80%	5.40%
11,079	13,071	8,636,088	13.10%	12.60%	12.85%	6.80%	6.00%
10,405	12,571	8,428,529	13.30%	19.30%	16.30%	6.30%	5.80%

**Statistical Supplement 13**  
**Principal Employers**  
(unaudited)

<u>Employer</u>	<u>2011</u>		<u>2002 (1)</u>	
	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
H-E-B	4,339	1.76%	-	-
P.S.J.A. Independent School District	4,305	1.75%	-	-
Wal-Mart	3,791	1.54%	-	-
Edinburg Consolidated I.S.D.	3,690	1.50%	-	-
McAllen Consolidated I.S.D.	3,685	1.49%	-	-
Hidalgo County	3,113	1.26%	-	-
Edinburg Regional Medical Center	3,075	1.25%	-	-
University of Texas - Pan American	2,921	1.18%	-	-
Weslaco I.S.D.	2,887	1.17%	-	-
McAllen Medical Center	2,870	1.16%	-	-
<b>Totals</b>	<b>34,676</b>	<b>14.06%</b>	<b>-</b>	<b>-</b>

Sources:

Hidalgo County 2010 CAFR  
Real Estate Center: Market Report 2011, McAllen-Edinburg-Mission  
Texas Workforce Commission  
McAllen Economic Development Corporation  
Pharr Economic Development Corporation  
Weslaco Economic Development Corporation

Note: 2011 Principal Employer's information was estimated from August 2011 latest economic indicators, provided by the Texas Workforce Commission for Texas Labor Market and Career Information.

(1) Ten years prior period data not available. The institution will present this data prospectively.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Faculty</b>										
Full-Time	526	552	446	437	428	409	396	379	355	349
Part-Time	197	194	170	252	229	244	227	210	186	219
<b>Total</b>	<b>723</b>	<b>746</b>	<b>616</b>	<b>689</b>	<b>657</b>	<b>653</b>	<b>623</b>	<b>589</b>	<b>541</b>	<b>568</b>
<b>Percent</b>										
Full-Time	72.8%	74.0%	72.4%	63.4%	65.1%	62.6%	63.6%	64.3%	65.6%	61.4%
Part-Time	27.2%	26.0%	27.6%	36.6%	34.9%	37.4%	36.4%	35.7%	34.4%	38.6%
<b>Staff and Administrators</b>										
Full-Time	720	718	675	596	574	541	523	479	450	438
Part-Time	408	428	428	404	475	470	455	232	188	201
<b>Total</b>	<b>1,128</b>	<b>1,146</b>	<b>1,103</b>	<b>1,000</b>	<b>1,049</b>	<b>1,011</b>	<b>978</b>	<b>711</b>	<b>638</b>	<b>639</b>
<b>Percent</b>										
Full-Time	63.8%	62.7%	61.2%	59.6%	54.7%	53.5%	53.5%	67.4%	70.5%	68.5%
Part-Time	36.2%	37.3%	38.8%	40.4%	45.3%	46.5%	46.5%	32.6%	29.5%	31.5%
FTSE per Full-time Faculty	38.6	37.0	35.8	33.8	27.9	27.7	29.0	28.1	28.9	26.8
FTSE per Full-Time Staff Member	28.2	28.5	23.6	24.8	20.8	20.9	21.9	22.3	22.8	21.3
FTSE*	20,282	20,442	15,956	14,762	11,921	11,323	11,478	10,662	10,260	9,339
<b>Average Annual Faculty Salary**</b>	<b>\$ 54,321</b>	<b>\$ 48,798</b>	<b>\$ 52,058</b>	<b>\$ 43,811</b>	<b>\$ 38,540</b>	<b>\$ 37,064</b>	<b>\$ 36,187</b>	<b>\$ 34,733</b>	<b>\$ 34,766</b>	<b>\$ 33,114</b>

Source: South Texas College District Office of Human Resources

Notes:

\* FTSE was obtained from Statistical Supplement 6

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

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

**Academic**

Student Classification	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	18,941	67.63%	16,690	63.30%	11,123	51.34%	12,295	62.07%	11,254	60.96%
31-60 hours	7,609	27.17%	5,532	20.98%	5,537	25.56%	4,144	20.92%	4,154	22.50%
> 60 hours	1,456	5.20%	4,146	15.72%	5,006	23.10%	3,369	17.01%	3,052	16.54%
<b>Total</b>	<b>28,006</b>	<b>100.00%</b>	<b>26,368</b>	<b>100.00%</b>	<b>21,666</b>	<b>100.00%</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>

Semester Hour Load	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	151	0.54%	158	0.60%	82	0.38%	179	0.90%	140	0.76%
3-5 semester hours	6,545	23.37%	6,297	23.88%	5,486	25.32%	4,314	21.78%	4,072	22.06%
6-8 semester hours	6,483	23.15%	6,328	24.00%	5,507	25.42%	4,897	24.72%	4,297	23.28%
9-11 semester hours	5,555	19.84%	4,966	18.83%	4,051	18.70%	3,484	17.59%	3,343	18.11%
12-14 semester hours	8,221	29.35%	7,683	29.14%	5,827	26.89%	6,173	31.16%	5,949	32.23%
15-17 semester hours	919	3.28%	810	3.07%	643	2.97%	696	3.51%	587	3.18%
18 & over	132	0.47%	126	0.48%	70	0.32%	65	0.34%	72	0.38%
<b>Total</b>	<b>28,006</b>	<b>100.00%</b>	<b>26,368</b>	<b>100.00%</b>	<b>21,666</b>	<b>100.00%</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>

Average course load                      8.57                      8.46                      8.26                      8.57                      9.00

Tuition Status	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	27,105	96.79%	25,564	96.95%	20,859	96.28%	19,006	95.95%	17,806	94.46%
Texas Resident (out-of-District)	600	2.14%	502	1.90%	374	1.73%	352	1.78%	301	1.63%
Non-Resident Tuition	301	1.07%	302	1.15%	433	2.00%	450	2.27%	353	1.91%
<b>Total</b>	<b>28,006</b>	<b>100.00%</b>	<b>23,368</b>	<b>100.00%</b>	<b>21,666</b>	<b>100.00%</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>

Source: CBM001

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

**Continuing Education**

Student Classification (Contact Hours)	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Continuing Education (CE)	1,069	97.36%	1,175	98.57%	921	98.40%	778	98.98%	574	98.60%
CE Not State Funded	29	2.64%	17	1.43%	15	1.60%	8	1.02%	8	1.40%
<b>Total</b>	<b>1,098</b>	<b>100.00%</b>	<b>1,192</b>	<b>100.00%</b>	<b>936</b>	<b>100.00%</b>	<b>786</b>	<b>100.00%</b>	<b>582</b>	<b>100.00%</b>

Contact Hour Load	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
3-5 semester hours	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
6-8 semester hours	77	7.01%	86	7.21%	105	11.22%	10	1.27%	9	1.55%
9-11 semester hours	-	0.00%	-	0.00%	6	0.64%	6	0.76%	-	0.00%
12-14 semester hours	265	24.13%	481	40.35%	345	36.85%	274	34.86%	227	39.00%
15-17 semester hours	7	0.64%	22	1.85%	30	3.21%	-	0.00%	26	4.47%
18 & over	749	68.22%	603	50.59%	450	48.08%	496	63.11%	320	54.98%
<b>Total</b>	<b>1,098</b>	<b>100.00%</b>	<b>1,192</b>	<b>100.00%</b>	<b>936</b>	<b>100.00%</b>	<b>786</b>	<b>100.00%</b>	<b>582</b>	<b>100.00%</b>

Average course load                      49.59                      49.59                      43.36                      49.76                      44.28

Tuition Status	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Both contract and non-contract courses	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Contract course(s) only	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Non-contract course(s) only	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%	582	100.00%
<b>Total</b>	<b>1,098</b>	<b>100.00%</b>	<b>1,192</b>	<b>100.00%</b>	<b>936</b>	<b>100.00%</b>	<b>786</b>	<b>100.00%</b>	<b>582</b>	<b>100.00%</b>

Source: CBM00A Item #21 Tuition Status of CE Students



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

	<b>Academic</b>									
	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Gender</b>										
Female	16,039	57.27%	15,233	57.77%	12,714	58.68%	11,553	58.32%	10,920	59.15%
Male	11,967	42.73%	11,135	42.23%	8,952	41.32%	8,255	41.68%	7,540	40.85%
<b>Total</b>	<b>28,006</b>	<b>100.00%</b>	<b>26,368</b>	<b>100.00%</b>	<b>21,666</b>	<b>100.00%</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>
<b>Ethnic Origin</b>										
White	911	3.25%	786	2.98%	671	3.10%	628	3.17%	614	3.33%
Hispanic	24,853	88.74%	24,567	93.17%	20,387	94.10%	18,542	93.61%	17,333	93.89%
African American	39	0.14%	91	0.35%	73	0.34%	56	0.28%	44	0.24%
Asian	80	0.29%	259	0.98%	273	1.26%	232	1.17%	209	1.13%
Foreign	55	0.20%	170	0.64%	146	0.67%	132	0.67%	81	0.44%
Native American	33	0.12%	13	0.05%	16	0.07%	15	0.08%	11	0.06%
Unknown	2,035	7.26%	482	1.83%	100	0.46%	203	1.02%	168	0.91%
<b>Total</b>	<b>28,006</b>	<b>100.00%</b>	<b>26,368</b>	<b>100.00%</b>	<b>21,666</b>	<b>100.00%</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>
<b>Age</b>										
Under 18	4,079	14.56%	6,639	25.18%	5,584	25.77%	1,829	9.23%	3,814	20.66%
18 - 21	12,132	43.32%	9,630	36.52%	7,913	36.52%	8,643	43.63%	6,785	36.76%
22 - 24	4,042	14.43%	3,289	12.47%	2,713	12.52%	3,315	16.74%	2,530	13.71%
25 - 35	5,499	19.64%	4,909	18.62%	3,953	18.25%	4,329	21.85%	3,829	20.74%
36 - 50	2,014	7.19%	1,712	6.49%	1,334	6.16%	1,499	7.57%	1,330	7.20%
51 & over	240	0.86%	189	0.72%	169	0.78%	189	0.95%	172	0.93%
Unknown	-	-	-	-	-	-	4	0.03%	-	-
<b>Total</b>	<b>28,006</b>	<b>100.00%</b>	<b>26,368</b>	<b>100.00%</b>	<b>21,666</b>	<b>100.00%</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>
Average Age	22.1		22.0		22.0		24.0		23.0	

Source: CBM001

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

**Continuing Education**

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Gender</b>										
Female	678	61.75%	638	53.52%	436	46.58%	422	53.69%	330	56.70%
Male	420	38.25%	554	46.48%	500	53.42%	364	46.31%	252	43.30%
<b>Total</b>	<b>1,098</b>	<b>100.00%</b>	<b>1,192</b>	<b>100.00%</b>	<b>936</b>	<b>100.00%</b>	<b>786</b>	<b>100.00%</b>	<b>582</b>	<b>100.00%</b>
<b>Ethnic Origin</b>										
White	24	2.19%	549	46.07%	226	24.14%	137	17.43%	24	4.12%
Hispanic	433	39.44%	640	53.69%	705	75.32%	647	82.32%	552	94.85%
African American	-	0.00%	1	0.08%	1	0.11%	-	0.00%	1	0.17%
Asian	1	0.09%	1	0.08%	3	0.32%	2	0.25%	4	0.69%
Foreign	3	0.27%	-	0.00%	-	0.00%	-	0.00%	1	0.17%
Native American	1	0.09%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Unknown	636	57.92%	1	0.08%	1	0.11%	-	0.00%	-	0.00%
<b>Total</b>	<b>1,098</b>	<b>100.00%</b>	<b>1,192</b>	<b>100.00%</b>	<b>936</b>	<b>100.00%</b>	<b>786</b>	<b>100.00%</b>	<b>582</b>	<b>100.00%</b>
<b>Age</b>										
Under 18	14	1.28%	12	1.01%	3	0.32%	7	0.89%	11	1.89%
18 -21	202	18.40%	263	22.06%	158	16.88%	176	22.39%	112	19.24%
22 - 24	84	7.65%	92	7.72%	68	7.27%	72	9.16%	63	10.83%
25 - 35	319	29.05%	336	28.19%	280	29.91%	244	31.04%	172	29.55%
36 - 50	388	35.34%	384	32.21%	332	35.47%	227	28.88%	174	29.90%
51 & over	91	8.28%	105	8.81%	95	10.15%	60	7.64%	50	8.59%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total</b>	<b>1,098</b>	<b>100.00%</b>	<b>1,192</b>	<b>100.00%</b>	<b>936</b>	<b>100.00%</b>	<b>786</b>	<b>100.00%</b>	<b>582</b>	<b>100.00%</b>
Average Age	33.80		33.35		34.71		32.18		32.82	

Source: CBM00A

**Statistical Supplement 17**  
**Transfers to Senior Institutions**  
**Students as of Fall 2010**  
(includes only public senior colleges in Texas)  
(unaudited)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
	Academic	Technical	Tech-Prep		
1 University of Texas - Pan American	3,117	217	71	3,405	67.12%
2 Texas A&M University	239	3	5	247	4.87%
3 Texas A&M University - Kingsville	212	17	1	230	4.53%
4 University of Texas at Austin	217	4	4	225	4.44%
5 University of Texas at San Antonio	161	10	6	177	3.49%
6 Texas State University - San Marcos	147	8	5	160	3.15%
7 Texas Southmost College	49	22	1	72	1.42%
8 University of Texas at Brownsville	65	3	-	68	1.34%
9 Texas A&M International University	61	5	2	68	1.34%
10 Texas A&M University - Corpus Christi	55	8	-	63	1.24%
11 Texas State Technical College - Harlingen	39	20	4	63	1.24%
12 Texas Tech University	28	4	-	32	0.63%
13 Austin Community College	21	4	2	27	0.53%
14 Blinn College	19	3	1	23	0.45%
15 University of North Texas	22	-	-	22	0.43%
16 Laredo Community College	8	11	1	20	0.39%
17 University of Houston	18	-	1	19	0.37%
18 Texas Woman's University	15	3	1	19	0.37%
19 ACCD - San Antonio College	14	4	1	19	0.37%
20 Sam Houston State University	14	1	-	15	0.30%
21 University of Texas at Arlington	9	4	-	13	0.26%
22 Del Mar College	7	4	1	12	0.24%
23 Houston Community College System	6	6	-	12	0.24%
24 ACCD - Northwest Vista College	9	-	1	10	0.20%
25 Stephen F. Austin State University	7	1	2	10	0.20%
26 Coastal Bend College	6	2	1	9	0.18%
27 University of Texas Health Science Center at San Antonio	5	2	-	7	0.14%
28 ACCD - St. Philip's College	5	1	1	7	0.14%
29 Sul Ross State University	5	-	-	5	0.10%
30 Tarleton State University	5	-	-	5	0.10%
31 Texas A&M University at Galveston	5	-	-	5	0.10%
32 University of Texas at Dallas	4	-	-	4	0.08%
<b>Total</b>	<b>4,594</b>	<b>367</b>	<b>112</b>	<b>5,073</b>	<b>100.00%</b>

Source:  
Texas Higher Education Data ASALFS Students Pursuing Additional Education – South Texas College  
ASALFS South Texas College - <http://www.txhighereddata.org/reports/performance/ctcasalf/ctcadd/>

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

	Fiscal Year				
	2011	2010	2009	2008	2007
Academic Buildings	22	22	22	15	15
Square footage	897,023	897,023	898,166	495,797	495,797
Academic Portable Buildings	44	42	20	20	20
Square footage	72,865	69,793	36,769	36,769	36,769
Libraries	3	3	3	3	3
Square footage	105,507	105,507	105,507	54,958	54,958
Number of volumes	133,283	139,625	136,217	130,167	132,064
Administrative and Support Buildings	12	12	11	10	10
Square footage	232,309	232,309	234,664	196,009	196,009
Administrative and Support Portable Buildings	8	8	6	6	6
Square footage	12,964	12,964	8,352	8,352	8,352
Dining Facilities	5	5	3	3	3
Square footage	15,343	15,343	11,845	11,845	11,845
Average daily customers	1,059	1,257	516	702	624
Fitness Facilities	2	2	2	2	2
Square footage	37,432	37,432	37,432	14,697	14,697
Plant Facilities	1	1	1	1	1
Square footage	11,754	11,754	11,754	11,754	11,754
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	28	28	35	22	25
Shuttle/bus	2	2	-	-	-

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

**Statistical Supplement 19**  
**Changes in Net Assets**  
**Fiscal Years 2003-2010**  
(unaudited)

	For the Fiscal Year Ended		
	2011	2010	2009
<b>Operating Revenues</b>			
Tuition and fees (net of discounts)	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311
Federal grants and contracts	6,172,207	8,979,526	7,015,595
State grants and contracts	6,335,567	6,711,706	5,412,226
Local grants and contracts	1,380,691	1,255,944	1,129,509
Non-governmental grants and contracts	2,796,686	2,200,618	1,594,568
Auxiliary enterprises	1,877,501	1,666,738	1,403,045
General operating revenues	545,846	1,988,232	2,280,483
<b>Total Operating Revenues</b>	<b>37,390,206</b>	<b>39,956,379</b>	<b>35,396,737</b>
<b>Operating Expenses</b>			
Instruction	57,359,050	55,454,200	48,698,353
Research	6,303	-	-
Public service	640,673	2,460,617	2,637,239
Academic support	12,035,474	9,565,508	9,271,172
Student services	9,939,104	10,264,591	9,070,935
Institutional support	20,293,881	19,044,676	17,197,508
Operations and maintenance of plant	10,270,614	10,437,077	10,356,102
Scholarships and fellowships	39,320,494	37,212,122	23,176,417
Auxiliary enterprises	1,421,243	1,524,084	1,498,378
Depreciation	6,265,826	5,923,105	5,848,873
<b>Total Operating Expenses</b>	<b>157,552,662</b>	<b>151,885,980</b>	<b>127,754,977</b>
<b>Operating Loss</b>	<b>\$ (120,162,456)</b>	<b>\$ (111,929,601)</b>	<b>\$ (92,358,240)</b>

Note: Other non-operating expenses were segregated into separate categories for FY2011, FY2010, FY2009 and FY2008. The segregation was not done for the previous years.

For the Fiscal Year Ended

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$	15,075,608	\$ 12,657,625	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388	\$ 8,457,156
	6,508,073	5,057,914	6,653,576	8,591,817	7,416,615	6,664,390
	4,292,294	3,068,738	3,094,018	3,553,359	2,948,994	4,427,500
	741,390	922,667	756,312	757,398	801,324	634,491
	1,555,367	1,192,509	1,017,893	1,525,659	998,230	638,326
	1,300,682	874,962	906,335	838,057	733,900	653,691
	1,129,049	1,493,987	1,680,707	872,885	1,518,171	856,798
	<b>30,602,463</b>	<b>25,268,402</b>	<b>28,276,377</b>	<b>27,592,663</b>	<b>22,848,622</b>	<b>22,332,352</b>
	42,291,067	37,853,111	36,144,166	32,107,169	29,670,904	28,715,797
	-	-	19,663	11,768	-	-
	2,924,649	1,795,019	2,847,813	2,106,665	2,354,241	3,078,549
	8,241,265	8,089,561	7,542,624	6,707,548	4,175,859	3,952,084
	8,057,220	7,727,628	6,476,443	6,021,112	5,334,153	5,021,938
	15,303,315	14,169,127	13,255,074	11,765,777	10,611,400	11,222,528
	9,336,528	8,712,299	8,473,871	7,137,221	4,746,623	4,705,159
	19,424,919	15,819,630	19,681,397	22,958,306	22,956,070	23,070,993
	655,258	422,150	438,747	411,684	346,671	380,737
	5,391,971	5,285,190	5,165,342	4,215,249	2,647,695	3,826,761
	<b>111,626,192</b>	<b>99,873,715</b>	<b>100,045,140</b>	<b>93,442,499</b>	<b>82,843,616</b>	<b>83,974,546</b>
\$	<b>(81,023,729)</b>	\$ <b>(74,605,313)</b>	\$ <b>(71,768,763)</b>	\$ <b>(65,849,836)</b>	\$ <b>(59,994,994)</b>	\$ <b>(61,642,194)</b>

(Continued)

**Statistical Supplement 19**  
**Changes in Net Assets**  
**Fiscal Years 2003 - 2010**  
(unaudited)

	For the Fiscal Year Ended		
	2011	2010	2009
Non-Operating Revenues (Expenses)			
State allocations	\$ 36,676,953	\$ 37,514,938	\$ 33,173,275
Ad-valorem taxes			
Taxes for maintenance & operations	33,798,861	34,314,946	33,731,408
Taxes for debt service	12,187,090	12,197,541	12,212,764
Federal revenue, non-operating	66,972,554	59,089,947	34,498,524
Gifts	309,868	663,193	775,113
Investment income (net of investment expenses)	327,497	388,426	1,335,180
Interest on capital related debt	(2,172,754)	(2,986,702)	(3,186,226)
Loss on sale/disposal/return of capital assets	(3,500)	(4,698)	(77,747)
Non-capital construction costs	(464,503)	(2,268,529)	(1,038,216)
Bond costs amortization	(465,630)	(353,037)	(353,037)
Other non-operating revenues (expenses)	(396,032)	(673,262)	(706,561)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>146,770,404</b>	<b>137,882,763</b>	<b>110,364,477</b>
Income before capital contributions	26,607,948	25,953,162	18,006,237
Capital contributions	732,061	1,248,559	2,407,855
Addition to permanent and term endowment	300	-	9,690
Special item	-	-	374,140
Increase in net assets	27,340,309	27,201,721	20,797,922
Net assets-beginning of year	229,691,712	202,489,991	181,692,069
<b>Net assets-end of year</b>	<b>\$ 257,032,021</b>	<b>\$ 229,691,712</b>	<b>\$ 202,489,991</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2011 are available.

(Continued)

For the Fiscal Year Ended						
2008	2007	2006	2005	2004	2003	
\$ 32,857,808	\$ 30,311,961	\$ 29,972,196	\$ 24,945,029	\$ 24,128,754	\$ 22,825,281	
30,822,108	27,439,614	24,854,665	22,405,071	19,805,773	18,412,034	
12,319,291	11,151,789	11,017,119	11,258,100	11,592,841	11,338,611	
28,470,310	25,966,042	26,726,564	28,314,872	26,605,135	26,377,402	
519,842	351,586	215,177	190,148	3,265,398	186,027	
2,627,475	4,653,487	3,684,413	2,352,936	2,585,128	3,161,603	
(3,046,995)	(4,926,778)	(4,662,868)	(3,704,377)	(4,606,271)	(4,783,540)	
-	-	-	-	-	-	
(735,663)	-	-	-	-	-	
(353,211)	-	-	-	-	-	
(426,718)	(1,712,405)	(1,091,717)	(5,949,680)	(2,017,952)	(938,790)	
<b>103,054,247</b>	<b>93,235,296</b>	<b>90,715,549</b>	<b>79,812,099</b>	<b>81,358,806</b>	<b>76,578,628</b>	
22,030,518	18,629,983	18,946,786	13,962,263	21,363,812	14,936,434	
86,333	308,894	194,956	2,437,397	103,290	20,202	
-	-	-	-	-	-	
-	-	-	-	-	-	
22,116,851	18,938,877	19,141,742	16,399,660	21,467,732	14,956,636	
159,575,218	140,636,341	121,494,599	105,094,939	83,627,207	68,670,571	
<b>\$ 181,692,069</b>	<b>\$ 159,575,218</b>	<b>\$ 140,636,341</b>	<b>\$ 121,494,599</b>	<b>\$ 105,094,939</b>	<b>\$ 83,627,207</b>	

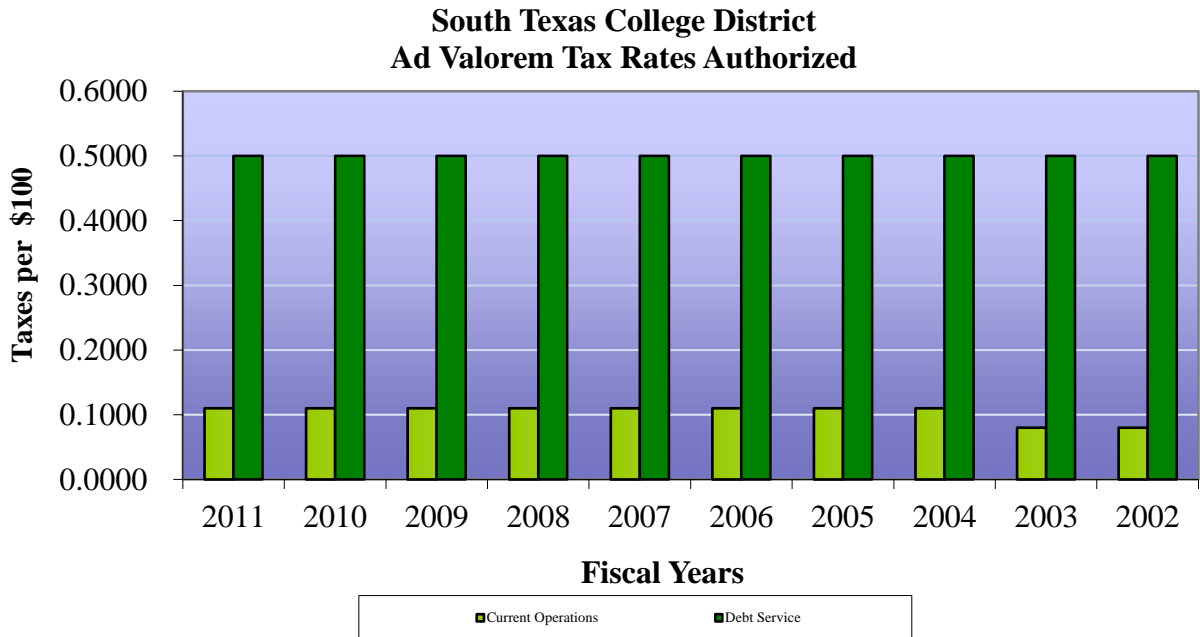




This page intentionally left blank.

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

Fiscal Year	Current Operations	Debt Service	Total
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
2006	0.1100	0.5000	0.6100
2005	0.1100	0.5000	0.6100
2004	0.1100	0.5000	0.6100
2003	0.0800	0.5000	0.5800
2002	0.0800	0.5000	0.5800



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 to STC District	Tax Year 2010	Tax Year 2009	Tax Year 2008	Tax Year 2007
South Texas College District	100.00%	\$0.149700	\$0.149100	\$0.149800	\$0.154000
<b>HIDALGO COUNTY</b>					
<b>Cities:</b>					
Alamo	100.00%	0.591910	0.591910	0.591910	0.592850
Alton	100.00%	0.485000	0.049500	0.497400	0.499900
Donna	100.00%	1.125979	1.038320	0.989999	0.989999
Edcouch	100.00%	0.854200	0.854200	0.901200	0.899000
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	100.00%	0.904200	0.904200	0.904220	0.741851
Granjeno	100.00%	0.375700	0.037200	0.311100	0.281000
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.532300	0.517600	0.567800	0.560100
La Villa	100.00%	0.623400	0.623400	0.839600	0.772400
McAllen	100.00%	0.421300	0.421300	0.421300	0.421300
Mercedes	100.00%	0.790000	0.790000	0.805000	0.850000
Mission	100.00%	0.556600	0.556600	0.566600	0.556600
Palmview	100.00%	0.453400	0.443800	0.467964	0.352146
Penitas	100.00%	0.329600	0.308500	0.338900	0.275000
Pharr	100.00%	0.680000	0.680000	0.683120	0.683120
Progreso	100.00%	0.455300	0.455300	0.414700	0.422200
San Juan	100.00%	0.738600	0.738600	0.699300	0.699300
Sullivan City	100.00%	0.322000	0.323200	0.326000	0.326000
Weslaco	100.00%	0.696700	0.696700	0.696700	0.696700
<b>School Districts:</b>					
Donna ISD	100.00%	1.258200	1.177900	1.200000	1.200000
Edcouch-Elsa ISD	100.00%	1.258000	1.258000	1.258000	1.258000
Edinburg ISD	100.00%	1.239800	1.219800	1.189800	1.115200
Hidalgo ISD	100.00%	1.586400	1.436400	1.350000	1.320000
La Joya ISD	100.00%	1.311000	1.311000	1.321600	1.252000
La Villa ISD	100.00%	1.224800	1.224800	1.224800	1.224800
McAllen ISD	100.00%	1.165000	1.165000	1.145000	1.145000
Mercedes ISD	100.00%	1.290000	1.290000	1.290000	1.290000
Mission ISD	100.00%	1.300000	1.280000	1.240000	1.180000
Monte Alto ISD	100.00%	1.350000	1.220000	1.240000	1.186000
PSJA ISD	100.00%	1.359200	1.301300	1.271000	1.211300
Progreso ISD	100.00%	1.430000	1.310000	1.340000	1.239000
Sharyland ISD	100.00%	1.200000	1.200000	1.185000	1.185000
South Texas ISD	100.00%	0.049200	0.049200	0.049200	0.049200
Valley View ISD	100.00%	1.317000	1.317000	1.317000	1.255200
Weslaco ISD	100.00%	1.139700	1.139700	1.139700	1.104700

Tax Year 2006	Tax Year 2005	Tax Year 2004	Tax Year 2003	Tax Year 2002	Tax Year 2001
\$0.154800	\$0.158900	\$0.164700	\$0.173800	\$0.177600	\$0.089700
0.592850	0.553800	0.553800	0.522337	0.536390	0.536390
0.426600	0.426600	0.409600	0.429600	0.399000	0.405600
0.989999	0.989138	0.991648	1.039828	1.037270	1.037270
0.899000	0.773400	0.776100	0.797200	0.784860	0.784860
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.792720	0.810000	0.691735	0.751050	0.753399	0.753399
0.304900	0.275478	0.283700	0.275500	0.253431	0.253100
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.586200	0.565200	0.597900	0.646500	0.660400	0.670800
0.851600	0.785800	0.781000	0.761000	0.817500	0.778700
0.421300	0.421300	0.421300	0.421300	0.421300	0.421300
0.870000	0.870000	0.870000	0.870000	0.840000	0.850000
0.556600	0.558900	0.539800	0.550000	0.550000	0.620000
0.337009	0.334301	0.307025	0.310717	0.308097	0.311902
0.300000	0.300000	0.300000	0.300000	0.293400	0.293400
0.683120	0.683120	0.683120	0.683120	0.690000	0.662310
0.413900	0.389600	0.373600	0.387300	0.365400	0.365400
0.699300	0.699368	0.681369	0.683102	0.687546	0.687546
0.300000	0.300000	0.300000	0.300000	0.000000	0.000000
0.699500	0.699500	0.699500	0.699500	0.735900	0.779100
1.530000	1.660000	1.660000	1.660000	1.560000	1.490000
1.543400	1.600000	1.600000	1.600000	1.600000	1.600000
1.445200	1.575100	1.595100	1.599300	1.551600	1.411100
1.540000	1.610000	1.590000	1.590000	1.570000	1.570000
1.582000	1.642000	1.642000	1.569900	1.569900	1.528000
1.517800	1.626700	1.606700	1.586700	1.566700	1.427600
1.478000	1.615500	1.540000	1.540000	1.542500	1.542500
1.570000	1.660000	1.660000	1.620000	1.620000	1.590000
1.457400	1.663200	1.569100	1.584100	1.584100	1.534100
1.427300	1.546000	1.566400	1.577600	1.580600	1.545900
1.519400	1.613534	1.613534	1.611538	1.622068	1.621665
1.604600	1.654000	1.654000	1.654000	1.688000	1.590000
1.545100	1.565000	1.565000	1.555000	1.540000	1.540000
0.039200	0.039200	0.039200	0.039200	0.039200	0.039200
1.548800	1.548900	1.548900	1.480000	1.480000	1.470000
1.341800	1.430000	1.430000	1.430000	1.430000	1.430000

(Continued)

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

Governmental Subdivision	Percent Applicable to STC District	Tax Year 2010	Tax Year 2009	Tax Year 2008	Tax Year 2007
<b>HIDALGO COUNTY</b>					
<b>Special Districts:</b>					
Hidalgo County	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage Dist. #1	100.00%	0.072500	0.072500	0.070000	0.049200
EMS District #1	100.00%	0.013400	0.013200	0.013200	0.014700
EMS District #2	100.00%	0.031100	0.028400	0.029000	0.028000
EMS District #3	100.00%	0.008800	0.008000	0.007500	0.008600
EMS District #4	100.00%	0.024500	0.024000	0.021800	0.022800
Donna Irrigation #1	100.00%	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	59.73%	0.510000	0.000000	0.480000	0.000000
Engleman Water District #6	100.00%	0.220000	0.210000	0.280000	0.270000
Kennedy Co GCD	100.00%	0.012500	0.015000	0.020000	0.000000
<b>STARR COUNTY</b>					
<b>Cities:</b>					
Roma	100.00%	0.508710	0.446330	0.444620	0.453780
Rio Grande City	100.00%	0.506460	0.350000	0.292292	0.292292
Escobares City	100.00%	0.322050	0.300000	0.300000	0.000000
<b>School Districts:</b>					
Rio Grande City ISD	100.00%	1.489500	1.413000	1.418900	1.418900
Roma ISD	100.00%	1.464760	1.416680	1.437683	1.234090
San Isidro ISD	100.00%	1.030000	1.040000	1.040000	1.040000
<b>Special Districts:</b>					
Starr County Memorial Hospital District	100.00%	0.204604	0.193676	0.200178	0.196300
Starr County	100.00%	0.460100	0.520400	0.514200	0.514200
F&M & FC	100.00%	0.239100	0.178800	0.185000	0.185000

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

(Continued)

<u>Tax Year</u> 2006	<u>Tax Year</u> 2005	<u>Tax Year</u> 2004	<u>Tax Year</u> 2003	<u>Tax Year</u> 2002	<u>Tax Year</u> 2001
0.590000	0.590000	0.590000	0.590000	0.590000	0.519500
0.043100	0.043500	0.043500	0.043500	0.045600	0.045600
0.015700	0.016700	0.017500	0.018300	0.018300	0.018900
0.027400	0.026200	0.024700	0.027500	0.027500	0.027500
0.010300	0.011500	0.011500	0.012500	0.012500	0.012500
0.024100	0.024100	0.024100	0.024100	0.025700	0.025300
0.210000	0.210000	0.210000	0.210000	0.200000	0.200000
0.540000	0.550000	0.550000	0.560000	0.000000	0.000000
0.274600	0.290000	0.290000	0.335700	0.335700	0.335700
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.394940	0.394940	0.394940	0.377500	0.380000	0.363770
0.292292	0.290000	0.000000	0.000000	0.000000	0.000000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
1.599800	1.594600	1.566000	1.566000	1.513900	1.513900
1.521000	1.594900	1.619700	1.594100	1.595900	1.570000
1.370000	1.500000	1.500000	1.500000	1.478900	1.500000
0.133400	0.115300	0.111400	0.124200	0.115100	0.122800
0.441000	0.446000	0.446000	0.468300	0.436800	0.420300
0.168200	0.168400	0.168400	0.161100	0.148900	0.147200

**Statistical Supplement 22**  
**Computation of Direct and Overlapping Debt**  
**August 31, 2011**  
(unaudited)

Overlapping Agencies	Outstanding Bonds	As of	Applicable to Direct	
			Percent	Amount
Alamo, City of	\$ 8,690,000 *	01/31/11	100.00%	\$ 8,690,000
Donna ISD	113,674,129	08/31/10	100.00%	113,674,129
Donna, City of	37,643,531	09/30/09	100.00%	37,643,531
Edcouch-Elsa ISD	48,404,396	08/31/09	100.00%	48,404,396
Edinburg CISD	231,937,926	11/30/09	100.00%	231,937,926
Edinburg, City of	41,859,908	09/30/09	100.00%	41,859,908
Elsa, City of	385,651 *	01/31/11	100.00%	385,651
Hidalgo Co.	197,250,000 *	01/31/11	100.00%	197,250,000
Hidalgo Co. DD #1	96,675,000 *	01/31/11	100.00%	96,675,000
Hidalgo ISD	52,655,000 *	01/31/11	100.00%	52,655,000
Hidalgo, City of	4,160,467	03/31/10	100.00%	4,160,467
La Joya ISD	315,476,962 *	01/31/11	100.00%	315,476,962
La Joya, City of	180,000 *	01/31/11	100.00%	180,000
La Villa ISD	6,110,500 *	01/31/11	100.00%	6,110,500
Lyford CISD	9,339,997 *	01/31/11	6.04%	564,136
McAllen ISD	114,960,991 *	01/31/11	100.00%	114,960,991
McAllen, City of	31,935,448	03/01/10	100.00%	31,935,448
Mercedes ISD	55,667,693 *	01/31/11	100.00%	55,667,693
Mercedes, City of	12,474,328	09/30/10	100.00%	12,474,328
Mission CISD	161,461,652	08/31/09	100.00%	161,461,652
Mission, City of	31,100,102	09/30/10	100.00%	31,100,102
Monte Alto ISD	15,351,000	05/31/10	100.00%	15,351,000
Pharr, City of	26,015,000 *	01/31/11	100.00%	26,015,000
Pharr-San Juan-Alamo ISD	390,596,446	08/31/09	100.00%	390,596,446
Progreso ISD	32,254,752	08/01/10	100.00%	32,254,752
Rio Grande City CISD	133,959,986 *	01/31/11	100.00%	133,959,986
Rio Grande City, City of	6,376,803	09/30/09	100.00%	6,376,803
Roma ISD	70,724,989 *	01/31/11	100.00%	70,724,989
San Juan, City of	15,852,464	07/30/10	100.00%	15,852,464

<u>Overlapping Agencies</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Applicable to Direct</u>	
			<u>Percent</u>	<u>Amount</u>
Sharyland ISD	83,898,994 *	01/31/11	100.00%	83,898,994
Starr Co	4,101,053 *	01/31/11	100.00%	4,101,053
Valley View ISD	56,299,869 *	01/31/11	100.00%	56,299,869
Weslaco ISD	81,743,999 *	01/31/11	100.00%	81,743,999
Weslaco, City of	25,945,003	09/30/09	100.00%	25,945,003
<b>Total Net Overlapping Debt:</b>				<b>2,506,388,178</b>
South Texas College District		08/31/10		57,820,648
<b>Total Direct and Overlapping Debt:</b>				<b>\$ 2,564,208,826</b>

Source: Municipal Advisory Council of Texas

Note:  
\* Gross Debt





This page intentionally left blank.



# *Special Reports*



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 Board of Trustees  
South Texas College

Members of the Board:

We have audited the financial statements of South Texas College as of and for the years ended August 31, 2011 and 2010 and have issued our report thereon dated December 2, 2011. 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.

Internal Control Over Financial Reporting

Management of South Texas College is responsible for establishing and maintaining effective control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

We noted certain matters that we reported to management of the College in a separate letter dated December 7, 2011.

### 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.

This report is intended solely for the information and use of the audit committee, management, the Texas Higher Education Coordinating Board and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
December 7, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
FEDERAL MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees  
South Texas College

Members of the Board:

Compliance

We have audited South Texas College's compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2011. South Texas College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, South Texas College complied, in all material respects, with the 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, 2011.

### Internal Control Over Compliance

Management of South Texas College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. 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 a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Texas Higher Education Coordinating Board and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
December 7, 2011



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 Board of Trustees  
South Texas College

Members of the Board:

Compliance

We have audited South Texas College's compliance with the types of compliance requirements described in the Texas Governor's Office of Budget and Planning, 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, 2011. South Texas College's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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 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. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, South Texas College complied, in all material respects, with the 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, 2011.

### Internal Control Over Compliance

Management of South Texas College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. 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 a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Texas Higher Education Coordinating Board and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
December 7, 2011



SOUTH TEXAS COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2011

---

**Section I - Summary of Auditor's Results**

---

*Financial Statements*

Type of auditor's report issued:

Unqualified

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:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with section  
510(a) of OMB Circular A-133?

\_\_\_ 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, 2011

---

**Section I - Summary of Auditor's Results**

---

*State Awards (Continued)*

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

Any audit findings disclosed that are required to  
 be reported in accordance with 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>
	Student Financial Aid Cluster
84.007	FSEOG
84.033	Federal College Workstudy
84.063	Pell Grant
84.375	Academic Competitiveness Grants (ACG)
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grant

State major programs: Texas Educational Opportunity Grant- Initial Year  
 Texas Grant I- Renewal Year  
 Jobs and Education for Texans- Technology  
 Student Support Services  
 Skills Development Fund # 15

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

Federal	\$	2,194,343
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, 2011

---

**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, 2011

---

**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, 2011

**FEDERAL**

Not Applicable.

**STATE**

Not Applicable.



This page intentionally left blank.



[www.southtexascollege.edu](http://www.southtexascollege.edu)