



South Texas College District Comprehensive Annual Financial Report

**Fiscal Years Ended
August 31, 2012 and 2011**

Serving Hidalgo County and Starr County, Texas





South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2012 and 2011



Prepared by the Business Office

Hidalgo County and Starr County, Texas

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Introductory Section



Starr County Campus



South Texas College District
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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South Texas College District

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December 6, 2012

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, 2012 and 2011, 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.

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

Comprehensive Annual Financial Report

The South Texas College District Comprehensive Annual Financial Report for the fiscal year ended August 31, 2012, 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.

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

Long Chilton, LLP, Certified Public Accountants, have issued an unqualified opinion on South Texas College District's financial statements for the year ended August 31, 2012. The independent auditors' report is included in the financial section of this report on page 25.

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.

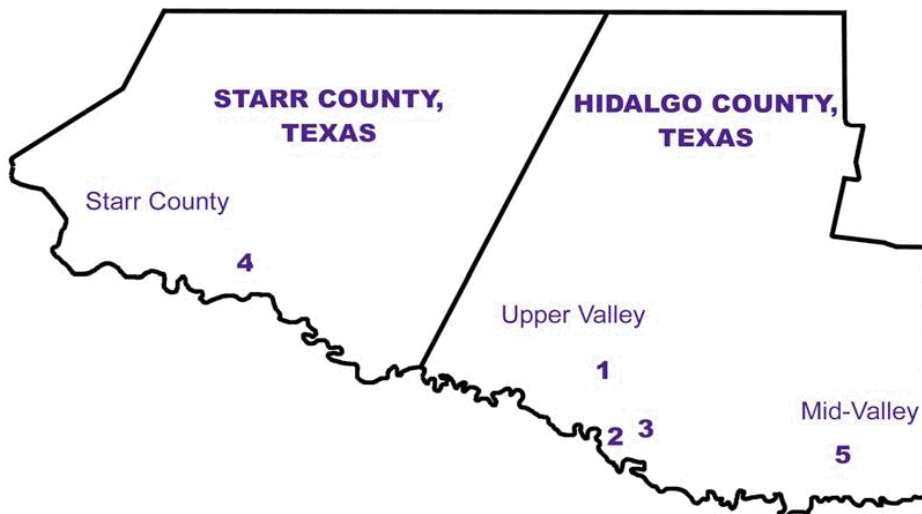
In fiscal year 2003, the District received approval from the Texas Higher Education Coordinating Board to be one of three community colleges in Texas to grant baccalaureate degrees in applied science and applied technology. On December 7, 2004, South Texas College District was approved as a Level II 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, which are the Bachelor's of Applied Technology in Technology Management, Bachelor's of Applied Technology in Computer and Information Technologies and Bachelor's of Applied Technology in Medical and Health Management, which was approved in 2011.

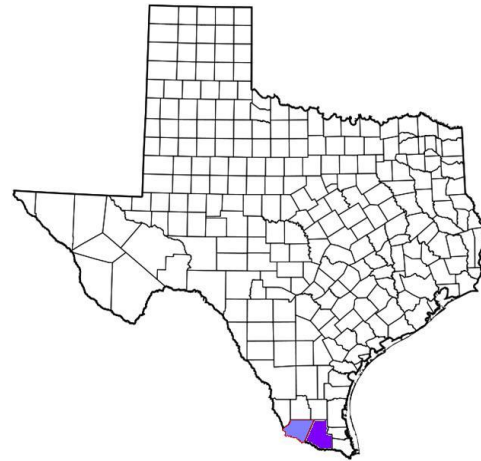
The District was created on September 1, 1993, by Texas Senate Bill 251, now codified as Section 130.0311, as amended, Texas Education Code, to serve Hidalgo and Starr Counties. It is the only community college in Texas to have been established prior to a taxing district being approved by local voters. 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 members of the Board of Trustees serve staggered six-year terms with elections held in May of each even-numbered year. Policy making functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the President, who is the Chief Executive Officer of the District.

The District's Board of Trustees voted unanimously at its June 24, 2004, meeting to change the name of the District from South Texas Community College District to South Texas College District to reflect 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 the Starr County Campus in Rio Grande City offer traditional college programs. The Dr. Ramiro R. Casso Nursing and Allied Health Campus, and the Technology Campus in McAllen provide specialized training for students entering the workforce. 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 1,900 faculty and staff serve South Texas College District's six campuses.



South Texas College District is located in the Rio Grande Valley of Texas, near the southernmost part of Texas along the U.S.-Mexico border. This region is composed of four counties including Hidalgo, Cameron, Starr and Willacy. The 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 District, and are 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 2011 enrollment had a 5% increase over the District’s Fall 2010 enrollment. To meet the demands of its increasing enrollment, in May 2012, South Texas College District opened its newest addition, the Pecan Campus West Academic Building, a two-story, 50,000-square-foot facility.

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

FALL SEMESTER ENROLLMENT					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Fall	Fall	Fall	Fall	Fall
	2007	2008	2009	2010	2011
Academic					
Headcount	19,808	21,666	26,368	28,006	29,513
Full-time equivalent	13,765	14,913	18,599	19,944	21,065
Continuing Education					
Headcount	1,849	2,596	3,613	4,545	2,274
Full-time equivalent	798	667	1,246	900	683

ANNUAL ENROLLMENT – ACADEMIC					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Unduplicated credit hours	381,140	424,869	537,540	561,301	562,423
Unduplicated contact hours	7,777,984	8,791,648	10,973,760	11,745,072	11,495,216
Unduplicated full-time equivalent	12,705	14,162	17,918	18,710	18,747
Unduplicated headcount	27,940	30,796	36,211	36,871	36,932

South Texas College District has more than 70 articulation agreements in place with colleges across the country, including 18 with the University of Texas-Pan American (UTPA) and 19 with the University of Texas at Brownsville (UTB). During fiscal year 2012, South Texas College District and the University of Texas-Pan American, signed 12 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, an Associate of Arts, or an Associate in Engineering degree in the fields of physics, english, fine arts, history, philosophy, sociology, language and cultural studies, electrical, civil, manufacturing or mechanical engineering.

South Texas College District has developed three intensive academic programs for high school 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 21 school districts at over 64 high school sites throughout Hidalgo and Starr Counties. Approximately 10,000 students enrolled in the program during the Spring 2012 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 15 online Associate Degrees and four online Certificates in the following fields: Interdisciplinary Studies, Education, Anthropology, Psychology, Social Work, Sociology, Business Administration Transfer Plan, Criminal Justice, Language and Cultural Studies, Mexican American Studies, English, Human Resources Specialist, Business Administration Technology Management, Accounting Clerk, Computer Applications Specialist, Management, and Human Resources Assistant.

South Texas Colleges District's Respiratory Therapy Program has been awarded a five-year Initial Accreditation by the Commission on Accreditation for Respiratory Care (CoARC). The program has provided 54 graduated therapists in three years to fill the healthcare community's needs.

With a total of approximately 720 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 450 faculty members with master's degrees, 45 with double master's degrees, 1 with triple master's degrees, 129 with doctorate degrees, and 1 with double doctorate degrees. In certificate and other programs, there are 62 faculty members holding bachelor degrees, 22 holding double bachelor degrees, and 1 holding triple bachelor degrees; 62 faculty members holding associate degrees, 17 holding double associate degrees, 6 holding certificates, 5 holding double certificates and 1 holding triple certificates. Several instructors fall into more than one category.

ECONOMIC CONDITION

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 2012 estimated population of 63,186. 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 797,806 in 2012. Both counties are located in the Rio Grande Valley of South Texas and border the Republic of Mexico, served by nine international bridges.

According to CNN Money, the McAllen Metropolitan Statistical Area (MSA) ranked number seven as the fastest growing U.S. City in 2012 growing 39.3% from 2000 to 2010. The McAllen MSA was also noted as the fastest growing metro area in the nation in the Fiscal Times, 2012. 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. 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).

Despite 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 decreased from 12.6% in 2011 to 11.7% in 2012.
- The unemployment rate for Starr County decreased from 16.8% in 2011 to 14.7% in 2012.
- Per capita income in Hidalgo County increased from \$12,056 in 2011 to \$16,272 in 2012.
- Per capita income in Starr County increased from \$8,099 in 2011 to \$11,980 in 2012.
- Sales tax receipts in Hidalgo County increased 9.4% from 2011 to 2012.
- Sales tax receipts in Starr County increased 3.3% from 2011 to 2012.

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

- In 2012, *Forbes Magazine* recognized McAllen-Edinburg-Mission as number three in its annual “Nation’s Mid-Size Best Cities in the U.S. for Jobs” list. Texas cities like Austin, Houston, Fort Worth and Dallas-Plano-Irving are also on the top 10 list with the strong growth in manufacturing, technology-related employment and business services. In 2012, The McAllen-Edinburg-Mission area is also ranked as number one in the nation for long-term job growth according the U.S. Bureau of Labor Statistics.
- As the United States continues to report job losses and a slow economic recovery, McAllen’s local businesses are seeing successes that are earning national accolades. According to a *GoodNewsMcAllen* article early in 2012, the McAllen area ranks in the top five of the Healthiest Small-Business Climate in the South.
- A master plan has been completed for a research and education park, 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), of which the District is a member. NAAMREI partners focus on transforming the region into a world leader for advanced and rapid response manufacturing. The project aims to provide opportunity, generate jobs and improve quality of life for Rio South Texas residents.
- The housing indicators are improving in McAllen midway through 2012. Existing home sales are showing an increase of 66.2% for the second quarter and over 17.3% on sales for the year-to-date. Prices decreased by 15.3% on average in the second quarter, and nearly 1.6% 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 2012, McAllen was ranked number four in the list of the “Top 10 Cities People Are Moving To” in the United States according to the Fiscal Times. The proximity to the

U.S.–Mexico border, two universities, five major hospitals and manufacturing companies have been an attraction to movers. (Source: The Fiscal Times, www.thefiscaltimes.com)

- McAllen is ranked number three as the lowest cost-of-living city in the nation, according to research provided by the Council for Community and Economic Research on June 2012. The prices on transportation, health care, miscellaneous and retail are running below the U.S. average. Figures were compiled for various cities by checking local prices every three months on some goods and services. (Source: Good News McAllen, www.goodnewsmcallen.com)
- An article from “*The Business Insider*” reported that McAllen ranked number 20 as the Best-Performing Cities in America. The unemployment and employment rate; the gross metro product and home prices were indicators considered for this analysis performed by the Brookings Institute in March 2012.
- The International Trade Administration has named the McAllen metro area the seventh best export market in Texas and 50th in the country. McAllen metro area is one of the country’s leading exporters of computer and electronic products ranking 20th nationally. McAllen is also ranked 36th for high crop exports in the country. (Source: Valley Business Report, www.valleybusinessreport.com)
- An article from Good News McAllen released on October 2011 showed that McAllen-Edinburg-Mission metro area ranked number 14 on the list of “Most Secure Places to Live” in the nation. The study range includes crime statistics, extreme weather, risk of natural disasters, foreclosures, terrorist threats and job loss numbers.

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 500,000. These two interdependent communities are joined by three international bridges that allow economic and cultural exchanges on a daily basis. Reynosa has a diverse economic base, which includes oil and natural gas resources, livestock, agriculture, tourist trade and industry. This city is the fastest growing city in the state of Tamaulipas and is the fifth fastest growing city in Mexico. (Sources: mcallen.org, larevistadelvalle.com, McAllen Economic Development Corporation and inegi.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 the northern United States and Canadian

Winters. Approximately 144,000 Winter Texans come into the Valley, often returning year after year, injecting over \$700 million into the local economy. (Source: wintertexaninfo.com, themonitor.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 estimated population was 36,721. Weslaco is known for preserving its history and it has about 15 historic landmarks from the early 1900's. The city focuses its energy on attracting business and industry. It is the front door to business and trade between the United States and Mexico. 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 outpacing 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's 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 five separate graduation ceremonies in May 2012, where more than 4,300 students received degrees. Among those who celebrated this milestone were the District's Bachelor of Applied Technology (BAT) Program students. A total of 128 graduates earned their bachelor degrees.

Additionally, the District graduated 71 students from its Dual Enrollment Medical Science Academy (DEMSA), 31 students from the Dual Enrollment Engineering Academy (DEEA), and 5 students from the Dual Enrollment Computer Science Academy (DECSA). The students obtained their college diplomas weeks before earning their high school diplomas.

South Texas College District's Early College High School Program serves students by implementing innovative approaches that continue to provide access, with affordability, to all the high school students in our community. Progreso Independent School District was the first school district to partner with the district 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. In fiscal year 2012, the Texas Education Agency approved six more colleges - Edinburg, Edinburg Economedes, PSJA Memorial, Mission, La Joya STEM, and La Villa - as Early College High Schools for a total of 15 in the region.

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, or finding employment upon completion.

Long-Term Financial Planning

The District has no short-term or long-term loans at August 31, 2012.

At August 31, 2012, the District has outstanding bonds payable for Bond Series 2003 and Bond Series 2004 in the amounts of \$1,595,500 and \$8,190,000, respectively. Bond 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 \$2,370,000, \$22,119,991 and \$18,556,029 for Bond Series 2007 MTR, Bond Series 2007 LTR and Bond Series 2010 LTR, respectively. Total bonds payable at August 31, 2012, was \$52,831,020. 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 10 years.

TAX LEVY RATES (Per \$100 of assessed valuation)				
Fiscal Year	Current Operations	Debt Service	Taxable Assessed Value (TAV)	Total Tax Collections
2003	0.11000	0.06760	16,533,570,305	27,727,098
2004	0.11000	0.06380	17,601,778,873	29,691,941
2005	0.11000	0.05470	19,869,963,507	32,077,466
2006	0.11000	0.04890	21,527,704,669	33,785,446
2007	0.11000	0.04480	23,658,082,495	36,997,639
2008	0.11000	0.04400	26,529,232,568	40,964,399
2009	0.11000	0.03980	28,933,493,707	43,734,507
2010	0.11000	0.03910	30,304,183,226	44,615,970
2011	0.11000	0.03970	30,089,658,977	44,329,200
2012	0.11000	0.04070	29,518,175,339	44,157,110

The District's average collection rate over the past 10 years, including collection of delinquent taxes, has been 97.51%.

The tax base has increased by an average of 6.76% annually over the past 10 years. The tax base has increased from \$16,533,570,305 in fiscal year 2003 to \$29,518,175,339 in fiscal year 2012.

The District's property value has shown a steady increase due to a tremendous amount of development, except for the fiscal years 2011 and 2012. Much of the farmland found in Hidalgo County is being converted into residential subdivisions, which are increasing property values for the county; however, a slight reduction of 0.71% and 1.90% was noted in fiscal years 2011 and 2012, respectively. One of the main factors that caused a decrease in the tax base was a decrease in mineral values. The decrease in property values resulted in tax collection reductions in fiscal years 2011 and 2012 for \$286,770 and \$172,090, respectively.

In fiscal years 1997 through 2012, the District has set aside a total of \$82,750,000 for construction of facilities and a total of \$20,713,236 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 or exceeded the minimum range over the past three years.

	August 31, 2010	August 31, 2011	August 31, 2012
Current Unrestricted Fund Balance	\$53,722,303	\$60,837,499	\$79,624,462
Next Fiscal Year Budgeted Unrestricted Fund Expenses (including transfers and contingencies)	\$139,065,755	\$138,129,609	\$134,562,226
Fund Balance as a % of Total Expenses	39%	44%	59%
Number of Months Expenses in Reserve	4.6 months	5.3 months	7.1 months

As of August 31, 2012, the District's Board of Trustees has designated \$7,500,000 of the unrestricted net assets for the purpose of supplementing future employee health insurance costs.

In fiscal year 2012, 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 6.22, 6.76 and 9.04 for fiscal year 2010, 2011 and 2012, 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 2012. The changes included increasing the Enrollment Fee if registered, paid or financial aid processed on or after August 1st, January 1st, May 15th and June 15th, for the Fall semester, Spring semester, Summer I and Summer II, respectively, from \$125 to \$150, the Reinstatement Fee (after census date) from \$150 to \$200, and the Student ID Replacement Fee from \$10 to \$15. The THEA/Accuplacer Reservation and Preparation Fee and the Developmental Studies Fee

increased to \$25 and \$50, respectively. For parking permits, the second, third, fourth and fifth permit violation increased by \$10. The differential tuition charges related to the following programs were increased by \$5 per semester credit hour in fiscal year 2012: Associate Degree Nursing, Occupational Therapy Assistant, Physical Therapist Assistant, Radiologic Technology, Vocational Nursing, Pharmacy Technology, Respiratory Therapy, 3000/4000 level courses and Emergency Medical Technology. Additional fees approved were GED Testing Reservation, First, Second, Third or more Repeated Course per credit hour (excludes developmental), Hybrid Course Fee per credit hour, Graduation Gown Purchase Fee, Parking Permit Fee, and Child Care Center Reservation Fee for fall/spring semester breaks.

The District's Investment Policy and Strategy Statement is reviewed and approved annually by the Board of Trustees. At August 31, 2012, the District had a total amount of \$143,784,917 in bank deposits, consisting of seven money market accounts totaling \$46,582,675 and six certificates of deposit totaling \$97,202,242. 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, 2012, total investments were \$143,798,327.

Interest revenue earned on money market accounts and certificates of deposit during fiscal year 2012 totaled \$417,075. 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

The District's major initiatives included the following:

- South Texas College District was selected as one of seven community colleges in Texas to participate in the Achieving the Dream Texas Peer Coaching Initiative in 2012. The initiative is designed to accelerate the transfer of effective practices from college to college with the long-term goal of positively impacting student outcome gains in Texas. Through this initiative, South Texas College District will provide support to at least two other Texas colleges on evidence-based effective student success strategies and will receive a grant of \$10,000 from Achieving the Dream, Inc. to assist with the activities associated with their participation in the initiative.
- The Texas Higher Education Coordinating Board, the Texas Association of Community Colleges, El Paso Community College, Alamo Colleges, the Dallas Community College District, the Lone Star College System and South Texas College District are working together on a new initiative called "*Texas Completes*". The goal is to significantly improve Texas post-secondary student success.

- Major construction completed during fiscal year 2012 included Pecan South Boulevard Entrance and West Loop, Pecan West Loop Road Phase II, Pecan West Academic Building and Technology Building B Welding Ventilation System. Also completed during fiscal year 2012 were the Pecan Building G Science Lab Improvements, Mid Valley ADA Walkway Improvements, Mid Valley Portable Buildings Infrastructure, Mid Valley Child Development Covered Walkway and Nursing Allied Health Respiratory Therapy Lab Expansion.
- 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 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 60 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 18 years, South Texas College District has grown from a student headcount of over 1,000 in Fall 1993 to over 28,000 in Spring 2012. The District's unrestricted fund budget increased from \$2,325,212 in 1993 to \$138,129,609 in 2012.

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:

- The U.S. Department of Education ranked South Texas College District number four on the list of the most affordable institutions in the nation, and is in the top 25 with the lowest tuition. 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. (Source: U.S. Department of Education)
- *Community College Week’s* annual community college rankings released in 2012 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 three in the nation in awarding associate degrees in education.
 - Number four in the nation in awarding associate degrees to Hispanics.
 - Number nine 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 and corrections, family and consumer sciences/human sciences, homeland security, law enforcement, firefighting and related protective services, multi/interdisciplinary studies, parks, recreation, leisure and fitness studies, and registered nursing, nursing administration, nursing research and clinical nursing.
- *Diverse Education’s Top 100 Degree Producers of Minority Degrees* ranks South Texas College District in awarding associate degrees in June 2012 as number one in the nation in awarding associate degrees to Hispanic students in the field of business/commerce general, education and psychology, and number two in the nation in awarding associate degrees in education and business/commerce general to all minority students.
- According to a report released by *Excelencia in Education*, entitled: *Finding Your Workforce: The Top 25 Institutions Graduating Latinos in Science, Technology, Engineering, and Mathematics (STEM) by Academic Level (2009-10)*, South Texas College District is a top college producing Latino graduates at the certificate and associate level.
- South Texas College District was recently honored in July 2012 by the Texas Distance Learning Association (TxDLA) with an award for Outstanding Institutional Commitment to Service to TxDLA. The award honors colleges that go above and beyond in their support of TxDLA.
- South Texas College District was one of only four community colleges from across the state to receive special recognition from the Texas Association of Business. The award applauds the District’s efforts to increase its graduation rate, as well as help students progress through the higher education system in a timely manner.
- South Texas College District’s President, Dr. Shirley A. Reed, has been elected to serve on the American Association of Community Colleges (AACC) Board of Directors for a three-year term starting in July 2012. As a member of the institution, she will work with colleagues from United States and Canada to enhance the Association’s function as the voice of the community colleges.

- In fiscal year 2011, South Texas College District received 13 National Institute for Staff and Organizational Development (NISOD) Excellence Awards during the 2011 NISOD annual conference in Austin, Texas. 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: NISOD Excellence Awards, www.nisod.org)
- On May 20, 2011, the Government Treasurers' Organization of Texas presented the Certificate of Distinction to South Texas College District for its investment policy for the third straight time. The certificate was issued for the District's success in developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas. The Certificate of Distinction is effective for a two-year period ending August 31, 2014.

Certificate of Achievement

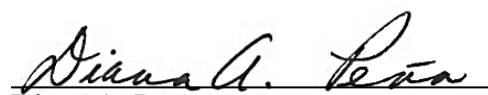
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Texas College District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2011. This is the ninth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

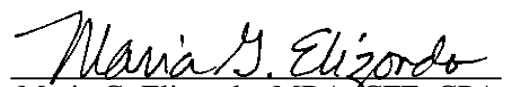
A Certificate of Achievement is valid for a period of only one year. We believe that the District's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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


 Maria G. Elizondo, MBA, CFE, CPA
 Comptroller



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South Texas College District
ADMINISTRATIVE OFFICIALS
For the Fiscal Year 2012

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

South Texas College District
BOARD OF TRUSTEES
For the Fiscal Year 2012

Rose Benavidez
Chair



President of Starr County Industrial Foundation
District 1
Representing Starr County
First Term: Nov. 2009 – May 2012
Second Term: May 2012 – May 2018
Serves as a member of the Facilities Committee

Graciela Farias
Secretary



District 2
Representing La Joya, Western Mission, Palmview, Sullivan City,
Penitas and Western Alton
First Term: May 2012 – May 2018
Serves as a member of the Education and Workforce Innovation
Committee

South Texas College District
BOARD OF TRUSTEES
For the Fiscal Year 2012

Paul R. Rodriguez
Member



CEO of Valley Land Title Co.
District 3
Representing South McAllen, Southwest Pharr, Hidalgo, Sharyland,
Southeast Mission and Granjeno
First Term: August 2012 – May 2016

Gary Gurwitz
Member



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

South Texas College District
BOARD OF TRUSTEES
For the Fiscal Year 2012

Dr. Alejo Salinas, Jr.
Member



Clinical Lecturer, University of Texas-Pan American
 Retired Superintendent/Superintendent Emeritus, Hidalgo Independent School District
 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 Chair of the Education and Workforce Innovation Committee and as a member of the Finance and Human Resources Committee
 Formerly served as a member of the Facilities Committee

Jesse Villarreal
Member



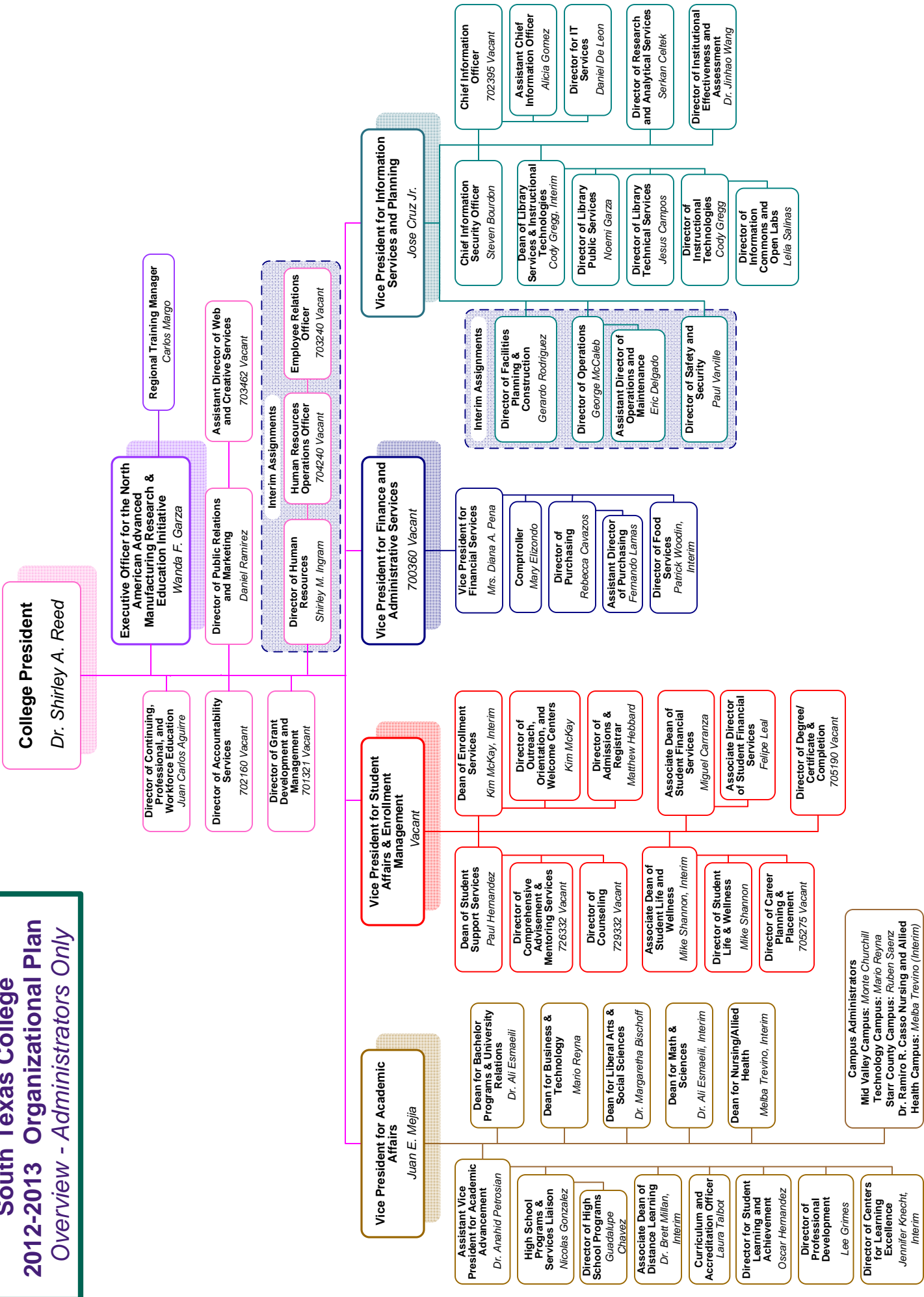
Parental Involvement Department, Weslaco Independent School District
 District 6
 Representing Donna, South Alamo, South San Juan, South East Pharr, South Weslaco and Progreso
 First Term: May 2000 – May 2006
 Second Term: May 2006 – May 2012
 Third Term: May 2012 – May 2018
 Serves as a member of the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

Roy De Leon
Vice Chair



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 and Human Resources Committee
 Formerly served as Chair of the Board and as a member of the Facilities Committee

South Texas College 2012-2013 Organizational Plan Overview - Administrators Only



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, 2011

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.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

Financial Section



Mid-Valley Campus



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, 2012 and August 31, 2011, 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, 2012 and August 31, 2011 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 6, 2012 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Texas College's basic financial statements. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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, are presented for purposes of additional analysis and are not a part of the financial statements. The schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Texas College's basic financial statements. The introductory section, supplementary information section (excluding the schedules of expenditures of federal and state awards), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 6, 2012

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011

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, 2012, and comparative information for the year ended August 31, 2011. 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 \$293,087,941 at August 31, 2012. Of this amount, \$117,854,250 may be used to meet the District's ongoing obligations.
- ◆ Total combined net assets increased by \$35,968,893 in fiscal year 2012. Unrestricted net assets increased by \$25,451,396, primarily consisting of an increase to unrestricted net assets, and renewals and replacements net assets. This is due to an increase in revenues over expenses, which can be attributed to a decrease in operating expenses, primarily in instruction expenses, and scholarships and fellowships expenses.
- ◆ There was a change in the increase in net assets by \$8,541,557 from \$27,427,336 in fiscal year 2011 to \$35,968,893 in fiscal year 2012. This can be attributed to a decrease in operating expenses and a decrease in non-operating federal revenue due to a reduction of Title IV revenue.
- ◆ During fiscal year 2012, the balance of cash and cash equivalents, and short-term and other investments increased by \$27,153,115 from \$116,639,622 at August 31, 2011, to \$143,792,737 on August 31, 2012, or 23%.
- ◆ Capital assets, net of accumulated depreciation, at August 31, 2012, had an increase of \$1,185,844 from August 31, 2011, due to an increase of \$2,649,251 in buildings, an increase of \$85,456 in land improvements, an increase of \$157,684 in land, an increase in furniture and equipment of \$1,139,336 and an increase in art work collections of \$11,000. Other changes included a decrease in construction in progress of \$2,584,578, a decrease in library books of \$76,531, and a decrease in telecommunication equipment of \$195,774.

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

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011

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

These three statements will assist the reader in determining whether the District, as a whole, is performing financially better this year as compared to last year. The financial statements are presented using the accrual basis of accounting. 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.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011

**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).

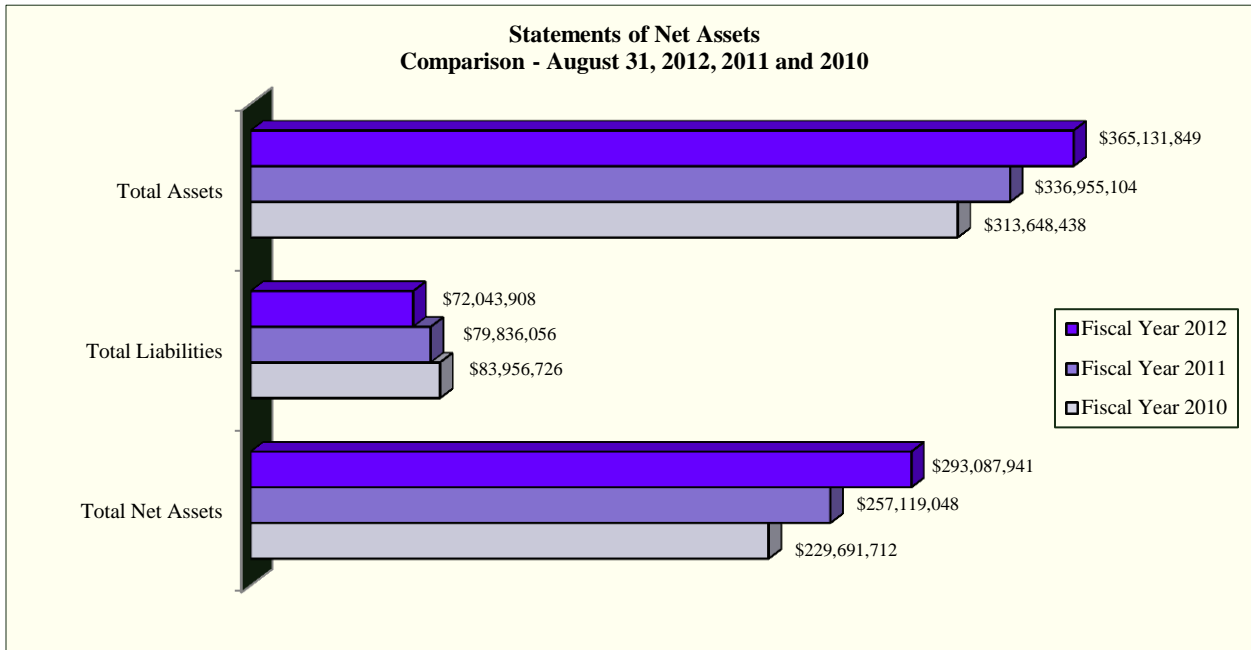
Current assets consist mainly of cash and cash equivalents, short-term investments and receivables. Cash and short-term investments are maintained at levels necessary to cover current liabilities as they come due and to ensure adequate liquidity as funds are needed for expenditures associated with building 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:

	Statements of Net Assets		
	2012	2011	2010
Assets			
Current assets	\$ 159,476,811	\$ 132,329,255	\$ 111,060,936
Capital assets, net	205,089,105	203,903,261	201,762,667
Noncurrent assets	565,933	722,588	824,835
Total Assets	<u>365,131,849</u>	<u>336,955,104</u>	<u>313,648,438</u>
Liabilities			
Current liabilities	26,203,956	25,493,977	19,971,372
Noncurrent liabilities	45,839,952	54,342,079	63,985,354
Total Liabilities	<u>72,043,908</u>	<u>79,836,056</u>	<u>83,956,726</u>
Net Assets			
Invested in capital assets, net of related debt	156,914,256	147,207,945	136,773,512
Restricted expendable	17,978,771	17,161,889	16,906,861
Restricted non-expendable	340,664	346,360	346,050
Unrestricted	117,854,250	92,402,854	75,665,289
Total Net Assets	<u>\$ 293,087,941</u>	<u>\$ 257,119,048</u>	<u>\$ 229,691,712</u>

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011



Fiscal Year 2012 Compared To 2011

Total assets increased by \$28,176,745 from \$336,955,104 at August 31, 2011, to \$365,131,849 on August 31, 2012. A review of the Statements of Net Assets will reveal that the increase was primarily attributable to an increase of \$18,807,031 in cash and cash equivalents, an increase of \$8,346,084 in short-term investments and an increase of \$1,185,844 in capital assets. This was mainly offset by a decrease in deferred bond issuance costs of \$156,655.

Total liabilities from 2011 to 2012 decreased by \$7,792,148 from \$79,836,056 at August 31, 2011, to \$72,043,908 on August 31, 2012. The major factor contributing to the change was a decrease in total bonds payable of \$9,044,244, due to principal payments and associated amortization of bond premium and deferred loss, and a decrease in accounts payable of \$884,167. This was mainly offset by an increase in unearned revenue of \$1,999,872.

The combination of the increase in total assets from 2011 to 2012 of \$28,176,745 and the decrease in total liabilities of \$7,792,148 yields an increase in total net assets of \$35,968,893. Fifty-four percent of net assets, \$156,914,256, 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 represent an additional 6.3% of net assets. The remaining unrestricted net assets may be used for educational or general operations of the District.

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Fiscal Year 2011 Compared To 2010

The total assets increased by \$23,306,666 from \$313,648,438 at August 31, 2010, to \$336,955,104 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 \$4,120,670 from \$83,956,726 at August 31, 2010 to \$79,836,056 on August 31, 2011. The primary cause was a decrease in total bonds payable of \$8,795,113, 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 \$23,306,666 and the decrease in total liabilities of \$4,120,670 yields an increase in total net assets of \$27,427,336. Fifty-seven percent of net assets, \$147,207,945, 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 6.8% of net assets. The remaining unrestricted net assets may be used for educational or general operations of the District.

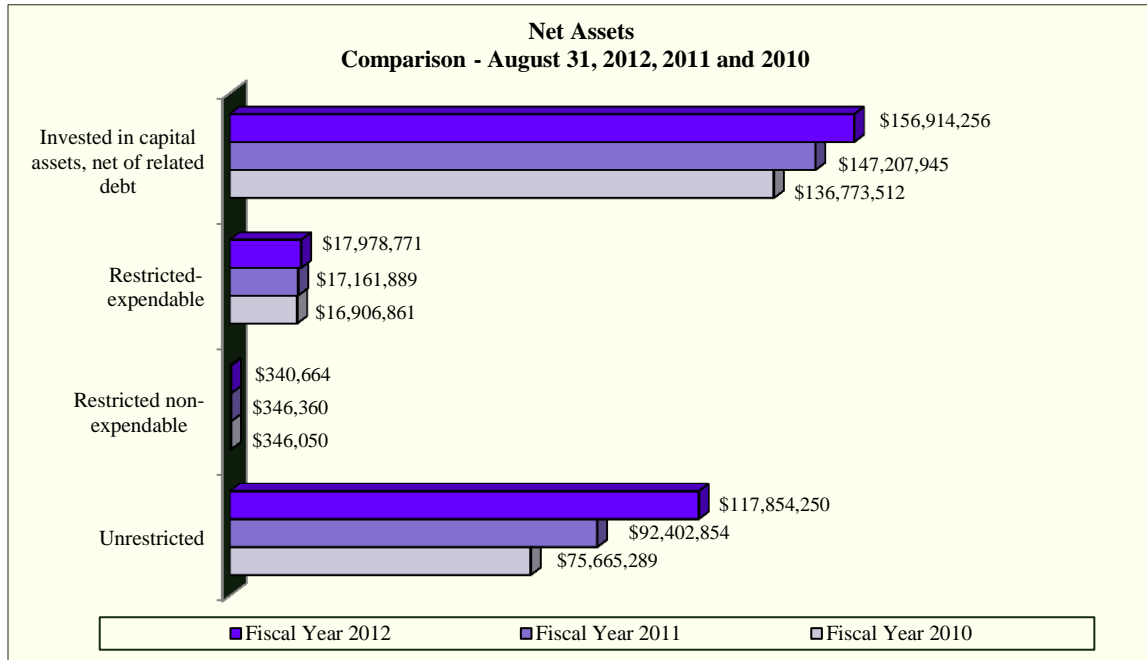
The District included a note disclosure regarding the retirement funds appropriated by the state. Texas Constitution Article 16, Section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the state's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 Legislative Session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the state's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted general revenue appropriation for each year of the biennium state budget.

There is no pending litigation concerning this issue to construe the constitutional funding requirements, or to hold that the state biennium appropriations satisfy those requirements, or to attempt to collect any shortfall contributions from any community college district.

The District has calculated that as of August 31, 2012, the contribution that has not been paid to TRS on behalf of the District employees is \$1,438,422.

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The following is a graphic illustration of net assets at August 31, 2012, 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:

SOUTH TEXAS COLLEGE DISTRICT
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Statements of Revenues, Expenses, and Changes in Net Assets

	2012	2011	2010
Operating revenues	\$ 37,471,221	\$ 37,390,206	\$ 39,956,379
Operating expenses	144,597,510	157,552,662	151,885,980
Operating loss	(107,126,289)	(120,162,456)	(111,929,601)
Non-operating revenues and expenses	141,066,848	146,857,431	137,882,763
Capital contributions	22,740	732,061	1,248,559
Additions (deductions) to permanent and term endowment	(4,700)	300	-
Extraordinary item	2,010,294	-	-
Increase in net assets	35,968,893	27,427,336	27,201,721
Net assets-beginning of year, as restated	257,119,048	229,691,712	202,489,991
Net Assets-End of Year	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712

Fiscal Year 2012 Compared To 2011

An operating loss of \$107,126,289 resulted in fiscal year 2012. State appropriations, ad-valorem taxes, investment income and Title IV revenue, while budgeted for operations, are not considered to be exchange transactions and are therefore, classified as non-operating revenues according to generally accepted accounting principles. This will usually cause the District to show a significant operating loss.

The operating loss decreased by \$13,036,167 or 10.8%, from \$120,162,456 in fiscal year 2011 to \$107,126,289 in fiscal year 2012. Operating revenues increased by \$81,015, and total operating expenses decreased by \$12,955,152.

The increase in operating revenues of \$81,015 primarily consisted of an increase of \$1,301,801 in tuition and fees, and \$458,493 in state grants and contracts. This was mainly offset by a decrease of \$1,424,200 in federal grants and contracts, \$106,204 in general operating revenues, \$87,556 in local grants and contracts, and \$56,552 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 2012. The changes included increasing the Enrollment Fee if registered, paid or financial aid processed on or after August 1st, January 1st, May 15th and June 15th from \$125 to \$150, the Reinstatement Fee (after Census date) from \$150 to \$200, and the Student ID Replacement Fee from \$10 to \$15. The THEA/Accuplacer Reservation and Preparation Fee, and the Developmental Studies Fee increased to \$25 and \$50, respectively. Also, the fee for second, third, fourth and fifth parking permit violations increased \$10. The differential tuition charges

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related to the following programs increased \$5 per semester credit hour in fiscal year 2012: Associate Degree Nursing, Occupational Therapy Assistant, Physical Therapist Assistant, Radiologic Technology, Vocational Nursing, Pharmacy Technology, Respiratory Therapy, 3000/4000 level courses and Emergency Medical Technology. Additional fees approved are: GED Testing Reservation, First, Second, Third or More Repeated Course per credit hour (excludes Developmental), Hybrid Course Fee per credit hour, Graduation Gown Purchase Fee, Parking Permit Fee, and the Child Care Center Reservation Fee for fall/spring semester breaks.

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 41.6% of total revenues, a decrease from \$16,685,151 in fiscal year 2011 to \$15,575,336 in fiscal year 2012.

In fiscal year 2012, the decrease in operating expenses of \$12,955,152 was due to budgeted level of spending associated with the reduction of state funding and lower operating costs associated with decreased enrollment.

An analysis of operating expenses by function indicates a decrease in scholarships by \$7,447,412 or 19%, a decrease in instruction by \$3,459,245 or 6%, a decrease in institutional support by \$798,996 or 4% and a decrease in operations and maintenance of plant by \$810,857 or 8%. The decrease of \$3,459,245 in instruction costs is related to a decrease in faculty salaries and associated benefits due to a slight reduction in annual student enrollment as well as a strategic initiative to reduce the number of course sections offered for low enrollment classes. The decrease of \$7,447,412 in scholarships and fellowships is directly related to the reduced federal financial aid to students resulting from a change in provisions allowing students to use 2012 awards for Summer 2011. Operating expenses under the remaining elements of costs decreased due to the District taking a conservative approach to spending in response to the decrease in state funding.

In fiscal year 2012, South Texas College District reported an extraordinary item in the amount of \$2,010,294 for the insurance proceeds received for hail damaged roofs and related equipment at the Pecan Campus, Technology Campus and Pecan Plaza located in McAllen.

Fiscal Year 2011 Compared To 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.

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The \$2,566,173 decrease in operating revenues 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% of total revenues, a decrease from \$19,147,794 in fiscal year 2010 to \$16,685,151 in fiscal year 2011.

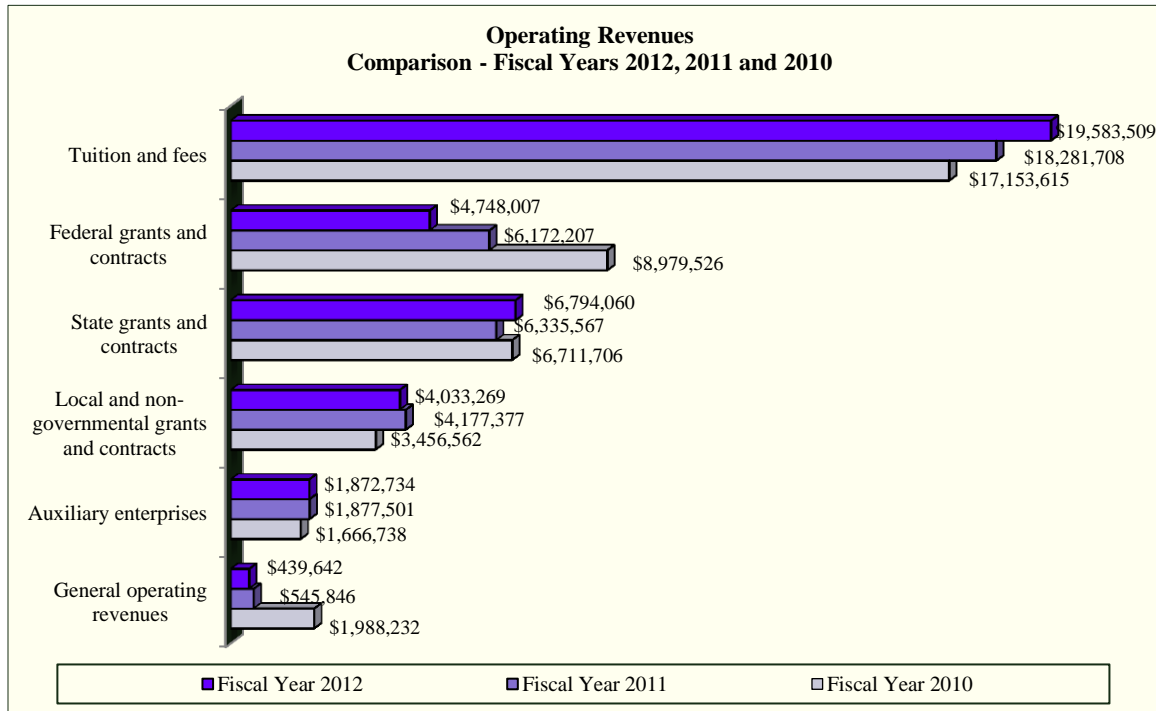
In fiscal year 2011, the increase in operating expenses of \$5,666,682 was due to the budgeted level of spending associated with increased personnel costs and increased operating costs associated with newly expanded facilities and increases in enrollment.

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

**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Operating revenues, used to fund operating expenses, consisted of the following percentages of the total:

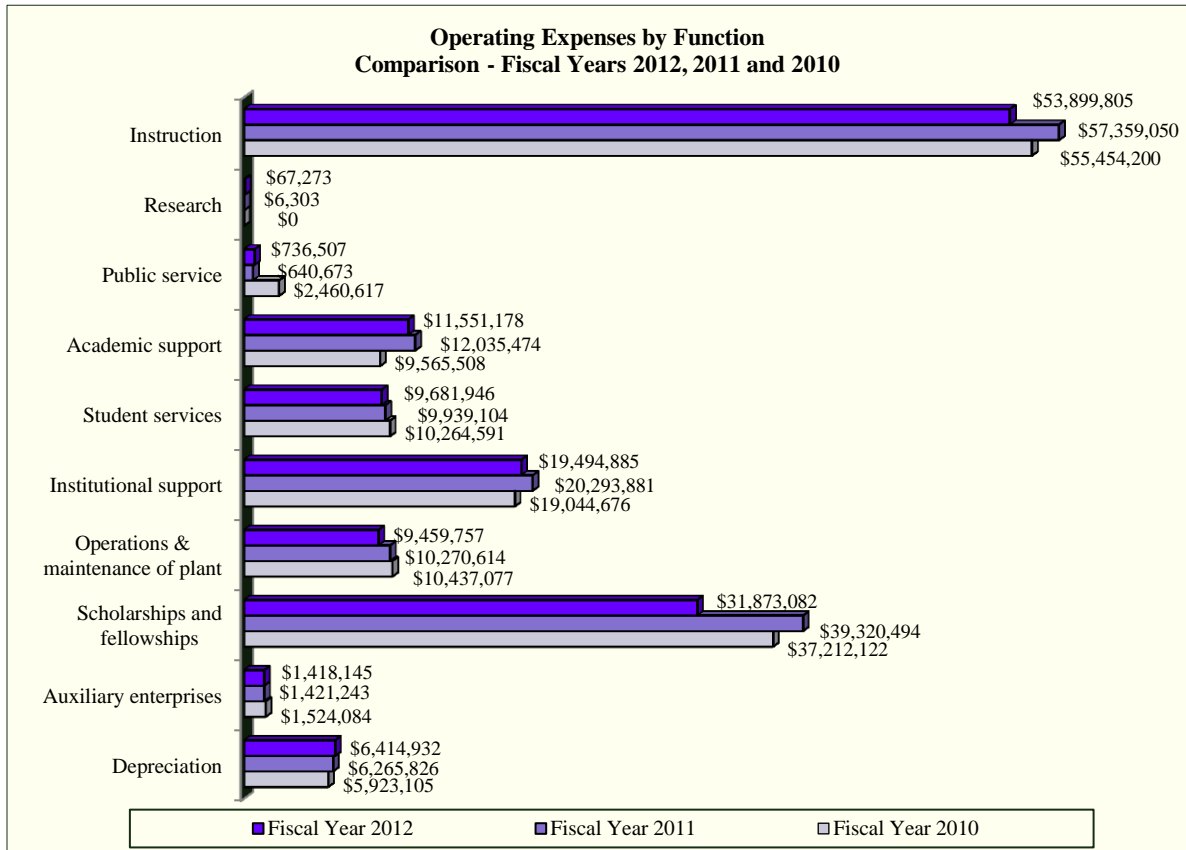
Operating Revenues	2012		2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$55,255,652, \$50,854,045, and \$43,725,063)	\$ 19,583,509	52.26%	\$ 18,281,708	48.90%	\$ 17,153,615	42.93%
Federal grants and contracts	4,748,007	12.67%	6,172,207	16.51%	8,979,526	22.47%
State grants and contracts	6,794,060	18.13%	6,335,567	16.94%	6,711,706	16.80%
Local and non-governmental grants and contracts	4,033,269	10.77%	4,177,377	11.17%	3,456,562	8.65%
Auxiliary enterprises	1,872,734	5.00%	1,877,501	5.02%	1,666,738	4.17%
General operating revenues	439,642	1.17%	545,846	1.46%	1,988,232	4.98%
Total	\$ 37,471,221	100.00%	\$ 37,390,206	100.00%	\$ 39,956,379	100.00%



**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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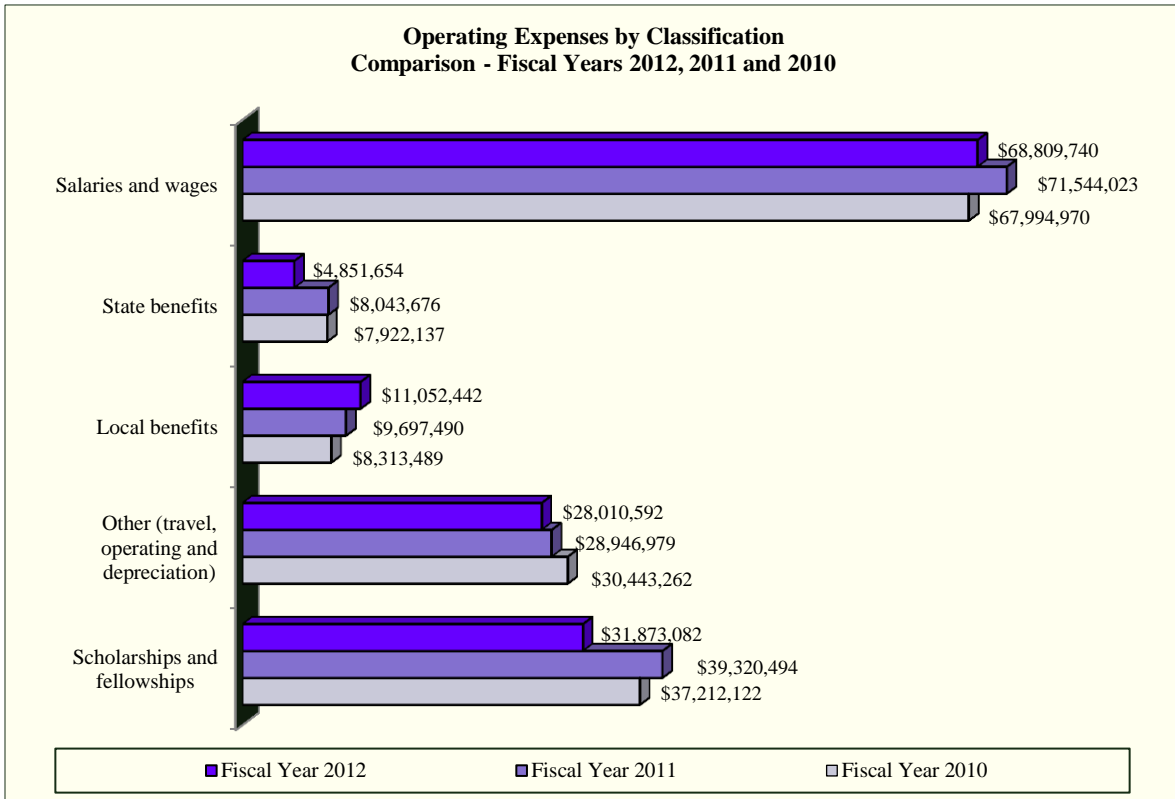
Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated below:

Operating Expenses by Function	2012		2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 53,899,805	37.27%	\$ 57,359,050	36.40%	\$ 55,454,200	36.51%
Research	67,273	0.05%	6,303	0.00%	-	0.00%
Public service	736,507	0.51%	640,673	0.41%	2,460,617	1.62%
Academic support	11,551,178	7.99%	12,035,474	7.64%	9,565,508	6.30%
Student services	9,681,946	6.70%	9,939,104	6.31%	10,264,591	6.76%
Institutional support	19,494,885	13.48%	20,293,881	12.88%	19,044,676	12.54%
Operations and maintenance of plant	9,459,757	6.54%	10,270,614	6.52%	10,437,077	6.87%
Scholarships and fellowships	31,873,082	22.04%	39,320,494	24.96%	37,212,122	24.50%
Auxiliary enterprises	1,418,145	0.98%	1,421,243	0.90%	1,524,084	1.00%
Depreciation	6,414,932	4.44%	6,265,826	3.98%	5,923,105	3.90%
Total	\$ 144,597,510	100.00%	\$ 157,552,662	100.00%	\$ 151,885,980	100.00%



**SOUTH TEXAS COLLEGE DISTRICT
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Operating Expenses by Classification	2012		2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and wages	\$ 68,809,740	47.59%	\$ 71,544,023	45.41%	\$ 67,994,970	44.77%
State benefits	4,851,654	3.36%	8,043,676	5.11%	7,922,137	5.22%
Local benefits	11,052,442	7.64%	9,697,490	6.15%	8,313,489	5.47%
Other (travel, operating and depreciation)	28,010,592	19.37%	28,946,979	18.37%	30,443,262	20.04%
Scholarships and fellowships	31,873,082	22.04%	39,320,494	24.96%	37,212,122	24.50%
Total	\$ 144,597,510	100.00%	\$ 157,552,662	100.00%	\$ 151,885,980	100.00%



SOUTH TEXAS COLLEGE DISTRICT
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Non-operating revenues consisted of the following:

Non-Operating Revenues	2012		2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State allocations	\$ 37,017,673	25.47%	\$ 36,676,953	24.40%	\$ 37,514,938	26.02%
Ad-valorem taxes – maintenance and operations	33,244,142	22.88%	33,798,861	22.49%	34,314,946	23.80%
Ad-valorem taxes – debt service	12,276,741	8.45%	12,187,090	8.11%	12,197,541	8.46%
Federal revenue, non-operating	61,950,136	42.63%	66,972,554	44.57%	59,089,947	40.99%
Gifts	418,605	0.29%	309,868	0.21%	663,193	0.46%
Investment income (net of investment expenses)	417,075	0.28%	327,497	0.22%	388,426	0.27%
Gain on disposal of capital assets	2,793	0.00%	-	0.00%	-	0.00%
Total	\$ 145,327,165	100.00%	\$ 150,272,823	100.00%	\$ 144,168,991	100.00%

Non-operating expenses consisted of the following:

Non-Operating Expenses	2012		2011		2010	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Interest on capital related debt	\$ 1,821,871	42.76%	\$ 2,054,633	60.16%	\$ 2,986,702	47.51%
Loss on sale/disposal/return of capital assets	-	0.00%	3,500	0.10%	4,698	0.07%
Non-capital construction costs	1,400,934	32.88%	464,503	13.60%	2,268,529	36.09%
Bond costs amortization	536,677	12.60%	496,724	14.54%	353,037	5.62%
Other non-operating expenses	500,835	11.76%	396,032	11.60%	673,262	10.71%
Total	4,260,317	100.00%	3,415,392	100.00%	6,286,228	100.00%
Net non-operating revenues (expenses)	\$ 141,066,848		\$ 146,857,431		\$ 137,882,763	

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.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 \$55,255,652, \$50,854,045 and \$43,725,063 in fiscal years 2012, 2011 and 2010, 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 2012, state allocations received increased by \$340,720 due mainly to an increase in contact hour funding of \$3,889,976, which was offset by a decrease in Professional Nursing Shortage Reduction of \$231,865, a decrease of \$125,369 in enrollment growth and a reduction of \$3,192,022 of state on-behalf benefits. State allocations totaling \$37,017,673 consisted of \$32,166,019 of contact hour funding and \$4,851,654 of state on-behalf benefits, which consisted of state group insurance of \$2,917,183 and state retirement matching of \$1,934,471. The contact hour allocations are received in 10 monthly payments, September through December and March through August.
- ◆ The District's state allocation for contact hour funding was increased by \$3,889,976 from \$28,276,043 in fiscal year 2011 to \$32,166,019 in fiscal year 2012.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties decreased by \$571,483,638 or 1.9% from \$30,089,658,977 in fiscal year 2011 to \$29,518,175,339 in fiscal year 2012. Tax collections, net of penalties and interest, decreased 0.39% from \$44,329,200 in fiscal year 2011, to \$44,157,110 in fiscal year 2012.
- ◆ The District's federal Title IV grant programs revenue decreased by \$5,022,418 from \$66,972,554 in fiscal year 2011 to \$61,950,136 in fiscal year 2012 due mainly to the reduced federal financial aid to students resulting from a change in provisions allowing students to use 2012 awards for Summer 2011.
- ◆ 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 10 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.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties decreased by \$214,524,249 or 0.71% from \$30,304,183,226 in fiscal year 2010 to \$30,089,658,977 in

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fiscal year 2011. Tax collections, net of penalties and interest, decreased 0.64% from \$44,615,970 in fiscal year 2010, to \$44,329,200 in fiscal year 2011.

- ◆ The tax rates assessed in fiscal years 2010, 2011 and 2012, were \$0.1491, \$0.1497 and \$0.1507, respectively.
- ◆ The District's federal Title IV grant programs revenue increased by \$7,882,607 from \$59,089,947 in fiscal year 2010 to \$66,972,554 in fiscal year 2011 due mainly to an increase of Pell awards for eligible students. This includes the increase in maximum award per year and a growth in awards due to additional enrollment during the academic year.

Statement 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 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:

	Statements of Cash Flows		
	2012	2011	2010
Cash provided (used) by:			
Operating activities	\$ (98,917,463)	\$ (103,785,802)	\$ (105,082,148)
Non-capital financing activities	131,723,386	133,183,243	126,903,375
Capital and related financing activities	(6,068,632)	(6,751,979)	(17,918,238)
Investing activities	(7,930,260)	(8,946,066)	(4,573,827)
Net change in cash and cash equivalents	18,807,031	13,699,396	(670,838)
Cash and cash equivalents-September 1,	27,783,464	14,084,068	14,754,906
Cash and cash equivalents-August 31,	\$ 46,590,495	\$ 27,783,464	\$ 14,084,068

Fiscal Year 2012 Compared To 2011

The Statements of Cash Flows indicates an overall increase in cash and cash equivalents of \$18,807,031 at August 31, 2012 and an overall increase in cash and cash equivalents of \$13,699,396 at August 31, 2011.

SOUTH TEXAS COLLEGE DISTRICT
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Net cash used by operating activities decreased by \$4,868,339. The primary use of cash in operations was in payment of salaries and benefits, which decreased by \$3,566,343 from \$85,404,784 in fiscal year 2011 to \$81,838,441 in fiscal year 2012, followed by payments for scholarships and fellowships, which decreased by \$7,232,957 from \$39,178,259 in fiscal year 2011 to \$31,945,302 in fiscal year 2012 and payments to suppliers for goods and services, which decreased by \$2,890,364, from \$25,446,704 in fiscal year 2011 to \$22,556,340 in fiscal year 2012. Sources of cash from operating activities are primarily from student and other customers, and grants and contracts. Students and other customers decreased by \$4,605,909 from \$27,365,816 in fiscal year 2011 to \$22,759,907 in fiscal year 2012. Grants and contracts decreased by \$3,270,294 from \$19,428,124 in fiscal year 2011 to \$16,157,830 in fiscal year 2012. A major change in net cash used was in payments for non-operating construction costs, which increased by \$934,881 from \$464,453 in fiscal year 2011 to \$1,399,334 in fiscal year 2012.

Net cash provided by non-capital financing activities decreased by \$1,459,857. Sources of cash from non-capital financing activities are primarily from non-operating federal revenue, state allocations and ad-valorem taxes for maintenance and operations. Non-operating federal revenue decreased by \$5,022,418 from \$66,972,554 in fiscal year 2011 to \$61,950,136 in fiscal year 2012. State allocations increased by \$1,679,408 from \$32,421,082 in fiscal year 2011 to \$34,100,490 in fiscal year 2012. Ad-valorem taxes for maintenance and operations had a decrease of \$125,392 from \$33,609,558 in fiscal year 2011 to \$33,484,166 in fiscal year 2012.

Net cash used by capital and related financing activities decreased by \$683,347. Capital and related financing activities include payment of capital debt, both, principal and interest, as well as capital asset acquisitions. Capital asset acquisitions decreased by \$483,587 from \$7,714,549 in fiscal year 2011 to \$7,230,962 in fiscal year 2012. Payment of capital debt had a minimal increase of \$2,958 from \$11,148,942 in fiscal year 2011 to \$11,151,900 in fiscal year 2012. The major source of cash from capital and related financing activities is from ad-valorem taxes-debt services, which increased by \$219,988 from \$12,165,355 in fiscal year 2011 to \$12,385,343 in fiscal year 2012.

Net cash used by investing activities decreased by \$1,015,806. Investing activities include purchase of investments, proceeds from sale and maturity of investments, and receipts from interest on investments. Purchase of investments decreased by \$4,000,000 from \$18,000,000 in fiscal year 2011 to \$14,000,000 in fiscal year 2012. Proceeds from sale and maturity of investments decreased by, \$2,962,777 from \$8,616,693 in fiscal year 2011 to \$5,653,916 in fiscal year 2012. Receipts from interest on investments decreased by, \$21,417 from \$437,241 in fiscal year 2011 to \$415,824 in fiscal year 2012.

Fiscal Year 2011 Compared To 2010

The Statements of Cash Flows indicates an overall increase in cash and cash equivalents of \$13,699,396 at August 31, 2011, and an overall decrease in cash and cash equivalents of \$670,838 at August 31, 2010.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011

Net cash used by operating activities decreased by \$1,296,346. The primary use of cash in operations was in payment of salaries and benefits, which increased by \$5,221,483 from \$80,183,301 in fiscal year 2010 to \$85,404,784 in fiscal year 2011, followed by payments for scholarships and fellowships, which increased by \$3,143,814 from \$36,034,445 in fiscal year 2010 to \$39,178,259 in fiscal year 2011 and payments to suppliers for goods and services, which increased by \$2,196,287, from \$23,250,417 in fiscal year 2010 to \$25,446,704 in fiscal year 2011. Sources of cash from operating activities are primarily from student and other customers, and grants and contracts. Student and other customers increased by \$8,078,728 from \$19,287,088 in fiscal year 2010 to \$27,365,816 in fiscal year 2011. Grants and contracts increased by \$2,047,576 from \$17,380,548 in fiscal year 2010 to \$19,428,124 in fiscal year 2011. A major change in net cash used was in payments for non-operating construction costs, which decreased by \$1,804,126 from \$2,268,579 in fiscal year 2010 to \$464,453 in fiscal year 2011.

Net cash provided by non-capital financing activities increased by \$6,279,868. Sources of cash from non-capital financing activities are primarily from non-operating federal revenue, state allocations and ad-valorem taxes for maintenance and operations. Non-operating federal revenue increased by \$7,882,607 from \$59,089,947 in fiscal year 2010 to \$66,972,554 in fiscal year 2011. State allocations decreased by \$663,518 from \$33,084,600 in fiscal year 2010 to \$32,421,082 in fiscal year 2011. Ad-valorem taxes for maintenance and operations had a decrease of \$408,275 from \$34,017,833 in fiscal year 2010 to \$33,609,558 in fiscal year 2011.

Net cash used by capital and related financing activities decreased by \$11,166,259. Capital and related financing activities include payment of capital debt, both, principal and interest, as well as capital asset acquisitions. Capital asset acquisitions decreased by \$13,542,673 from \$21,257,222 in fiscal year 2010 to \$7,714,549 in fiscal year 2011. Payment of capital debt had a minimal decrease of \$1,593 from \$11,150,535 in fiscal year 2010 to \$11,148,942 in fiscal year 2011. The major source of cash from capital and related financing activities is from ad-valorem taxes-debt services, which decreased by \$7,516 from \$12,172,871 in fiscal year 2010 to \$12,165,355 in fiscal year 2011. A major change in net cash used was in contribution received in aid of construction, which decreased by \$2,487,606 from \$2,497,606 in fiscal year 2010 to \$10,000 in fiscal year 2011.

Net cash used by investing activities increased by \$4,372,239. Investing activities include purchase of investments, proceeds from sale and maturity of investments, and receipts from interest on investments. Purchase of investments decreased by \$25,617,876 from \$43,617,876 in fiscal year 2010 to \$18,000,000 in fiscal year 2011. Proceeds from sale and maturity of investments decreased by, \$30,152,003 from \$38,768,696 in fiscal year 2010 to \$8,616,693 fiscal year 2011. Receipts from interest on investments increased by, \$161,888 from \$275,353 in fiscal year 2010 to \$437,241 in fiscal year 2011.

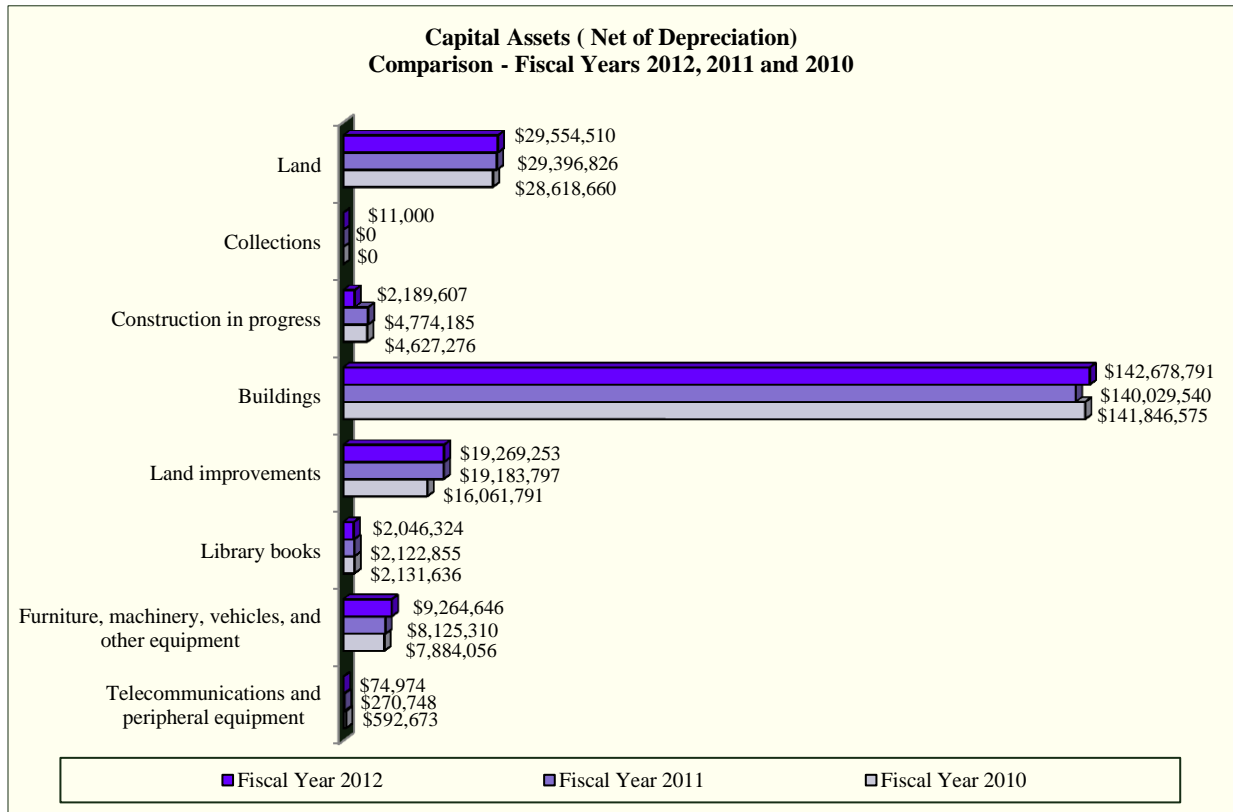
SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

The District had \$259,989,900 in capital assets and \$54,900,795 in accumulated depreciation at August 31, 2012.

	Capital Assets (Net of Depreciation)		
	2012	2011	2010
Land	\$ 29,554,510	\$ 29,396,826	\$ 28,618,660
Collections	11,000	-	-
Construction in progress	2,189,607	4,774,185	4,627,276
Buildings	142,678,791	140,029,540	141,846,575
Land improvements	19,269,253	19,183,797	16,061,791
Library books	2,046,324	2,122,855	2,131,636
Furniture, machinery, vehicles, and other equipment	9,264,646	8,125,310	7,884,056
Telecommunications and peripheral equipment	74,974	270,748	592,673
Net capital assets	\$ 205,089,105	\$ 203,903,261	\$ 201,762,667

The following is a graphic illustration of capital assets, net of depreciation at August 31, 2012, 2011 and 2010.



SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011

Fiscal Year 2012 Compared To 2011

From fiscal year 2011 to fiscal year 2012, buildings, net of depreciation, increased by \$2,649,251, land increased by \$157,684, land improvements increased by \$85,456 and construction in progress decreased by \$2,584,578 due to the completion of several construction projects.

Fiscal Year 2011 Compared To 2010

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.

The bonds payable liability balances at August 31, 2012, 2011 and 2010 are as follows:

Outstanding Debt – Bonds			
	2012	2011	2010
South Texas College Tax Bonds, Series 2002	\$ -	\$ 4,630,000	\$ 19,060,000
South Texas College Tax Bonds, Series 2003	1,595,000	3,130,000	14,140,000
South Texas College Tax Bonds, Series 2004	8,190,000	9,615,000	11,005,000
South Texas College Tax Bonds, Series 2007 MTR	2,370,000	2,660,000	2,935,000
South Texas College Tax Bonds, Series 2007 LTR	22,119,991	22,384,991	22,639,991
South Texas College Tax Bonds, Series 2010 LTR	18,556,029	18,969,296	-
Total Bonds Payable	\$ 52,831,020	\$ 61,389,287	\$ 69,779,991

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 32%, from 27,940 in fiscal year 2008 to 36,932 in fiscal year 2012. The unduplicated contact hour generation has increased 48%, from 7,777,984 contact hours in 2008 to 11,495,216 contact hours in 2012.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012 and 2011

For additional information concerning capital assets and debt administration, see Notes No. 5, No. 6, No. 7, No. 8 and No. 9 in the Notes to the Financial Statements.

See Note No. 26 in the Notes to Financial Statements for contractual commitments for capital expenditures at August 31, 2012. In fiscal years 1997 through 2012, the District has set aside a total of \$82,750,000 for construction of facilities and a total of \$20,713,236 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 2012 was \$0.0407 per \$100 valuation of taxable property.

ECONOMIC OUTLOOK

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

The District's overall financial position is strong. Increases in tuition and fee revenues and conservative spending practices have contributed to the District's ability to realize an increase in net 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, 2012 and 2011**

Exhibit 1

	FY 2012	FY 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 46,590,495	\$ 27,783,464
Short-term investments	97,202,242	88,856,158
Accounts receivable (net of allowance for doubtful accounts of \$2,805,081 in 2012 and \$1,473,908 in 2011)	14,963,171	15,032,626
Deposits in escrow	146,884	133,207
Prepaid expenses	574,019	523,800
Total Current Assets	159,476,811	132,329,255
Noncurrent Assets:		
Endowment investments	5,590	5,590
Deferred bond issuance costs (net of related amortization of \$156,655 in 2012 and \$102,247 in 2011)	560,343	716,998
Capital assets, net (note 5)	205,089,105	203,903,261
Total Noncurrent Assets	205,655,038	204,625,849
Total Assets	365,131,849	336,955,104
LIABILITIES		
Current Liabilities:		
Accounts payable	2,281,123	3,165,290
Accrued liabilities	897,990	677,135
Accrued compensable absences - current portion	533,469	568,839
Funds held for others	301,255	360,380
Unearned revenue	13,677,961	11,678,089
Bonds payable - current portion	8,512,158	9,044,244
Total Current Liabilities	26,203,956	25,493,977
Noncurrent Liabilities:		
Accrued compensable absences	55,062	45,031
Bonds payable, net	45,784,890	54,297,048
Total Noncurrent Liabilities	45,839,952	54,342,079
Total Liabilities	72,043,908	79,836,056
NET ASSETS		
Invested in capital assets, net of related debt	156,914,256	147,207,945
Restricted for:		
Expendable		
Student aid	1,144,336	1,744,043
Instructional programs	1,086,445	1,263,895
Institutional activities	334,263	208,307
Loans	920,228	740,113
Debt service	14,493,499	13,205,531
Other purposes	-	
Non-expendable		
Endowment	340,664	346,360
Unrestricted	117,854,250	92,402,854
Total Net Assets (Schedule D)	293,087,941	257,119,048
Total Liabilities & Net Assets	\$ 365,131,849	\$ 336,955,104

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, 2012 and 2011

Exhibit 2

	FY 2012	FY 2011
OPERATING REVENUES		
Tuition and fees (net of discounts of \$55,255,652 in 2012 and \$50,854,045 in 2011)	\$ 19,583,509	\$ 18,281,708
Federal grants and contracts	4,748,007	6,172,207
State grants and contracts	6,794,060	6,335,567
Local grants and contracts	1,293,135	1,380,691
Non-governmental grants and contracts	2,740,134	2,796,686
Auxiliary enterprises	1,872,734	1,877,501
General operating revenues	439,642	545,846
Total Operating Revenues (Schedule A)	37,471,221	37,390,206
OPERATING EXPENSES		
Instruction	53,899,805	57,359,050
Research	67,273	6,303
Public service	736,507	640,673
Academic support	11,551,178	12,035,474
Student services	9,681,946	9,939,104
Institutional support	19,494,885	20,293,881
Operations and maintenance of plant	9,459,757	10,270,614
Scholarships and fellowships	31,873,082	39,320,494
Auxiliary enterprises	1,418,145	1,421,243
Depreciation	6,414,932	6,265,826
Total Operating Expenses (Schedule B)	144,597,510	157,552,662
OPERATING LOSS	(107,126,289)	(120,162,456)
NON-OPERATING REVENUES (EXPENSES)		
State allocations	37,017,673	36,676,953
Ad-valorem taxes		
Taxes for maintenance and operations	33,244,142	33,798,861
Taxes for debt service	12,276,741	12,187,090
Federal revenue, non-operating	61,950,136	66,972,554
Gifts	418,605	309,868
Investment income (net of investment expenses)	417,075	327,497
Interest on capital related debt	(1,821,871)	(2,054,633)
Gain (loss) on disposal of capital assets	2,793	(3,500)
Non-capital construction costs	(1,400,934)	(464,503)
Bond costs amortization	(536,677)	(496,724)
Other non-operating expenses	(500,835)	(396,032)
Net Non-Operating Revenues (Expenses) (Schedule C)	141,066,848	146,857,431
Income Before Contributions, Endowment and Extraordinary Item	33,940,559	26,694,975
Capital contributions	22,740	732,061
Additions (deductions) to permanent and term endowment	(4,700)	300
Extraordinary item	2,010,294	-
Increase In Net Assets	35,968,893	27,427,336
NET ASSETS		
Net Assets-Beginning of Year, as restated	257,119,048	229,691,712
Net Assets-End of Year	\$ 293,087,941	\$ 257,119,048

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, 2012 and 2011**

Exhibit 3

	FY 2012	FY 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 22,759,907	\$ 27,365,816
Receipts from grants and contracts	16,157,830	19,428,124
Payments to suppliers for goods or services	(22,556,340)	(25,446,704)
Payments to or on behalf of employees	(81,838,441)	(85,404,784)
Payments for scholarships and fellowships	(31,945,302)	(39,178,259)
Payments for loans issued to students	(111,684)	(659,874)
Receipts from collection of loans to students	153,235	598,852
Other receipts	328,988	339,965
Payments for non-operating construction costs	(1,399,334)	(464,453)
Payments for non-operating transactions	(466,322)	(364,485)
Net cash used by operating activities	(98,917,463)	(103,785,802)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state allocations	34,100,490	32,421,082
Receipts from ad-valorem taxes-maintenance and operation	33,484,166	33,609,558
Receipts from non-operating federal revenue	61,950,136	66,972,554
Payments for collection of taxes for maintenance and operation	(119,336)	(135,999)
Receipts from gifts or grants for other than capital purposes	393,804	291,251
Receipts from student organizations and other agency transactions	1,753,688	1,301,490
Payments to student organizations and other agency transactions	(1,846,403)	(1,278,145)
Receipts from private gifts for endowment	-	300
Receipts from endowment interest	1,247	1,152
Proceeds from insurance claims	2,010,294	-
Payments for endowment	(4,700)	-
Net cash provided by non-capital financing activities	131,723,386	133,183,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Refund of overpayment of issuance cost bond	-	3,362
Receipts from ad-valorem taxes-debt services	12,385,343	12,165,355
Payments for collection of taxes for debt service	(67,436)	(67,205)
Contribution received in aid of construction	10,000	10,000
Purchases of capital assets	(7,230,962)	(7,714,549)
Payments for deposit in escrow	(13,677)	-
Payments on capital debt-principal	(8,558,267)	(8,380,715)
Payments on capital debt-interest and fees	(2,593,633)	(2,768,227)
Net cash used by capital and related financing activities	(6,068,632)	(6,751,979)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturity of investments	5,653,916	8,616,693
Receipts from interest on investments	415,824	437,241
Purchase of investments	(14,000,000)	(18,000,000)
Net cash used by investing activities	(7,930,260)	(8,946,066)
Increase in cash and cash equivalents	18,807,031	13,699,396
Cash and cash equivalents-September 1,	27,783,464	14,084,068
Cash and cash equivalents-August 31,	\$ 46,590,495	\$ 27,783,464

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, 2012 and 2011

Exhibit 3

	FY 2012	FY 2011
Reconciliation of net operating loss to net cash used		
by operating activities:		
Operating loss	\$ (107,126,289)	\$ (120,162,456)
Adjustments to reconcile net operating loss to net cash used		
by operating activities:		
Depreciation expense	6,414,932	6,265,826
Payments made directly by state for benefits	2,917,183	4,255,871
Payments for non-operating construction costs	(1,399,334)	(464,453)
Payments for non-operating transactions	(466,323)	(364,485)
Changes in assets and liabilities:		
Receivables, net	(112,178)	1,967,581
Note receivable (adjusted for non-cash and non-operating amounts)	-	439
Prepaid expenses	(50,219)	140,568
Accounts payable	(1,073,647)	(3,035,192)
Accrued liabilities	(16,449)	(300,028)
Compensable absences	(25,339)	(75,439)
Deferred revenues	2,020,200	7,985,966
Net cash used by operating activities	\$ (98,917,463)	\$ (103,785,802)

Non-cash investing, capital, and financing activities for fiscal year 2012:

Two works of art were donated to the District with a fair value of \$11,000 in June 2012.

Library books donated to the District during the fiscal year amounted to \$1,740.

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

Premium - Bond Series 2002	214,774
Premium - Bond Series 2003	53,644
Premium - Bond Series 2002 & 2003 I&S	388
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	248,625

The deferred loss ending balance as of August 31, 2012, is \$535,396, \$55,148, \$577,891, and \$1,104,258 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 bond issuance cost are amortized over the debt repayment period for the following bond series.

Bond Series 2002	48,224
Bond Series 2003	20,608
Bond Series 2004	20,157
MTR Bond Series 2007	3,972
LTR Bond Series 2007	33,827
Bond Series 2010	29,867

Pledge contributions as of August 31, 2012, consisted of \$27,221 non-cash and \$237 cash.

Payments made directly by the state for benefits as of August 31, 2012, consisted of \$2,917,183.

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, 2012 and 2011

Exhibit 3**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	639,771
Premium - Bond Series 2003	363,393
Premium - Bond Series 2002 & 2003 I&S	1,938
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 bond issuance costs are amortized over the debt repayment period for the following bond series.

Bond Series 2002	143,649
Bond Series 2003	139,579
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.

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



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SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

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 U.S. Generally Accepted Accounting Principles, as established by the Governmental Accounting Standards Board (GASB). 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 (BTA).

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, 2012 and 2011

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 District'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 District. The principal operating revenues are tuition and related fees, net of discounts. The District also recognizes as operating revenue federal, state and local grants, non-governmental grants and contracts, auxiliary enterprises and other operating revenues. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. Non-operating revenues include activities that have the characteristic of non-exchange transactions, such as 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 IV funds. Transactions for which

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

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

cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as non-operating revenues or non-operating expenses. The operation of the bookstore is not performed by the District.

F. Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board of Trustees adopts the budget, for internal management use at the individual fund and account group level on which the books of the District are maintained, and it is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating 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. Noncurrent 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 noncurrent assets, are classified as noncurrent assets in the Statement of Net Assets.

I. Noncurrent Liabilities

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

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, 2012 and 2011

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 10% are maintained for facilities and land improvements and buildings.

N. Collections/Works of Art

The District’s capitalization policy includes works of art, historical treasures and similar assets with a \$5,000 threshold whether they are held as individual items or in a collection. Collections are not depreciated as they are deemed to have permanent value.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Unearned Revenues

Tuition and fees of \$13,182,436 and \$10,936,935 and federal, state, local, and private grants of \$495,525 and \$741,154 have been reported as unearned revenues at August 31, 2012, and 2011, respectively. Total unearned revenues were \$13,677,961 and \$11,678,089 at August 31, 2012, and 2011, 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, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Capitalization of Interest

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

S. 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.

T. 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.

U. 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

In fiscal year 2012, the District's Board of Trustees designated \$2,500,000 of the unrestricted net assets for the purpose of supplementing future employee health insurance costs. In fiscal year 2011, the District's Board of Trustees had designated \$5,000,000 for the same purpose. As a result, a total amount of \$7,500,000 is designated for the purpose of supplementing future employee health insurance costs at August 31, 2012.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

W. Prior Year Restatement and Reclassification of Net Assets

At August 31, 2012, the August 31, 2011, total net assets were restated as follows:

	Balance August 31, 2011 As Previously Reported	Correction of Reported Assets/Liabilities	Balance August 31, 2011 As Restated
Invested in capital assets, net of related debt	\$ 147,102,213	\$ 105,732	\$ 147,207,945
Restricted for student aid	\$ -	\$ 1,744,043	\$ 1,744,043
Restricted for instructional programs	\$ -	\$ 1,263,895	\$ 1,263,895
Restricted for gifts & contributions	\$ -	\$ 208,307	\$ 208,307
Restricted for debt service	\$ 13,205,520	\$ 11	\$ 13,205,531
Restricted for other purposes	\$ 3,511,193	\$ (3,511,193)	\$ -
Unrestricted	\$ 92,126,622	\$ 276,232	\$ 92,402,854
Total Net Assets	\$ 257,032,021	\$ 87,027	\$ 257,119,048

At August 31, 2012, the August 31, 2011, bond cost and bond premium amortizations for Limited Tax Obligation Bonds, Series 2002 and Limited Tax General Obligation Bonds, Series 2003 were understated by \$31,094 and \$118,121, respectively.

A restatement was made in the Statements of Net Assets, the Statements of Revenues, Expenses and Change in Net Assets, the Schedule of Non-Operating Revenues and Expenses, and the Schedule of Net Assets by Source and Availability for the bond cost and bond premium amortizations.

A reclassification in the Statements of Net Assets was necessary in the net assets section to segregate restricted for other purposes into their properly titled category of restricted for student aid, instructional programs, and gifts and contributions and unrestricted net assets.

Note 3 – Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) obligations of political subdivisions rated not less than “AAA” by a national investment rating firm, (4) certificates of deposit, (5) no-load money market mutual funds registered and regulated by the Securities and Exchange Commission, (6) eligible investment pools organized and operating in compliance with the Public Funds Investment Act and (7) other instruments and obligations authorized by the statute.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 4 – Cash, Cash Equivalents and Investments

The Public Funds Investment Act allows funds belonging to South Texas College District to be invested. District policy delegates this authority to three investment officers.

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objectives of the policy are preservation of capital, safety of District funds, and maintenance of sufficient liquidity, maximization of return within acceptable risk constraints and diversification of investments. At August 31, 2012, and 2011, the carrying amount of South Texas College’s District bank deposits and investments was \$143,798,327 and \$116,645,212, respectively. Federal Deposit Insurance Corporation (FDIC) of \$250,000 served as collateral for 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 \$165,000,000 and \$130,000,000 for the years ended August 31, 2012, and 2011, 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 cash equivalents reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Demand deposits	\$ 46,582,675	\$ 27,775,644
Change funds on hand	7,820	7,820
Total Cash and Cash Equivalents	<u>\$ 46,590,495</u>	<u>\$ 27,783,464</u>

Total deposits and investments at August 31, 2012, and 2011, are as follows:

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

<u>Type of Security</u>	<u>Fair Value</u> <u>August 31, 2012</u>	<u>Fair Value</u> <u>August 31, 2011</u>
Certificates of deposit	\$ 97,202,242	\$ 88,856,158
Endowment investment	5,590	5,590
Total Investments	<u>97,207,832</u>	<u>88,861,748</u>
Total Cash and Cash Equivalents	<u>46,590,495</u>	<u>27,783,464</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 143,798,327</u>	<u>\$ 116,645,212</u>

Exhibit 1

Cash and cash equivalents	\$ 46,590,495	\$ 27,783,464
Short-term investments	97,202,242	88,856,158
Endowment investment	5,590	5,590
Total Reconciliation to Exhibit 1	<u>\$ 143,798,327</u>	<u>\$ 116,645,212</u>

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

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

Endowment investment consists of a donated coin collection.

As of August 31, 2012, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weight Average Maturity (Years)</u>
Certificates of Deposit	\$ 97,202,242	0.5000

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>
Certificates of Deposit	\$ 88,856,158	0.5000

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 and limits the weighted average maturity of its investment portfolio to 270 days or less, the District does not purchase any investments with maturities greater than 2 years. 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, investments in money market mutual funds regulated by the SEC, or eligible investment pools must be continuously rated no lower than AAA or AAA-m and 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 must be rated not less than AAA or its equivalent. Certificates of deposit must be secured by obligations described above or a letter of credit. All of the District’s investments are in the form of certificates of deposit, which at August 31, 2012 were collateralized by a letter of credit and were FDIC insured.

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%. At August 31, 2012, 100% of the District’s investment portfolio is in certificates of deposit.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2012, was as follows:

	Balance September 1, 2011	Increases	Decreases	Balance August 31, 2012
<u>Not Depreciated:</u>				
Land	\$ 29,396,826	\$ 157,684	\$ -	\$ 29,554,510
Collections	-	11,000	-	11,000
Construction in progress	4,774,185	5,957,833	8,542,411	2,189,607
Subtotal	<u>34,171,011</u>	<u>6,126,517</u>	<u>8,542,411</u>	<u>31,755,117</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	161,220,520	7,350,414	1,751,113	166,819,821
Land improvements	<u>23,779,797</u>	<u>1,191,997</u>	<u>-</u>	<u>24,971,794</u>
Total Buildings and Other Land Improvements	185,000,317	8,542,411	1,751,113	191,791,615
Library books	4,863,611	226,988	-	5,090,599
Furniture, machinery, vehicles, and other equipment	17,979,642	3,000,092	29,140	20,950,594
Telecommunications and peripheral equipment	<u>10,495,661</u>	<u>-</u>	<u>93,686</u>	<u>10,401,975</u>
Total Buildings and Other Capital Assets	<u>218,339,231</u>	<u>11,769,491</u>	<u>1,873,939</u>	<u>228,234,783</u>
<u>Accumulated Depreciation:</u>				
Buildings	21,190,980	2,950,050	-	24,141,030
Land improvements	4,596,000	1,106,541	-	5,702,541
Library books	2,740,756	303,519	-	3,044,275
Furniture, machinery, vehicles, and other equipment	9,854,332	1,859,048	27,432	11,685,948
Telecommunications and peripheral equipment	<u>10,224,913</u>	<u>195,774</u>	<u>93,686</u>	<u>10,327,001</u>
Total Accumulated Depreciation	<u>48,606,981</u>	<u>6,414,932</u>	<u>121,118</u>	<u>54,900,795</u>
Net Buildings and Other Capital Assets	<u>169,732,250</u>	<u>5,354,559</u>	<u>1,752,821</u>	<u>173,333,988</u>
Total Capital Assets, Net	<u>\$ 203,903,261</u>	<u>\$ 11,481,076</u>	<u>\$ 10,295,232</u>	<u>\$ 205,089,105</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
Buildings	\$ 140,029,540	\$ 4,400,364	\$ 1,751,113	\$ 142,678,791
Land improvements	19,183,797	85,456	-	19,269,253
Library books	2,122,855	(76,531)	-	2,046,324
Furniture, machinery, vehicles, and other equipment	8,125,310	1,141,044	1,708	9,264,646
Telecommunications and peripheral equipment	<u>270,748</u>	<u>(195,774)</u>	<u>-</u>	<u>74,974</u>
Total Net Buildings and Other Capital Assets	<u>\$ 169,732,250</u>	<u>\$ 5,354,559</u>	<u>\$ 1,752,821</u>	<u>\$ 173,333,988</u>

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 5 – Capital Assets (Continued)

In addition to the \$11,000 art work/collection which is capitalized but not depreciated (see Note 2N-Collections/Works of Art), the District has other art work/collections that it does not capitalize in the amount of \$58,365. These collections adhere to the District’s policy to (a) held for public exhibitions, education or research in furtherance of public service, rather than financial gain, (b) protected, kept unencumbered, cared for and preserved and (c) require the process from sales of collection items to be used to acquire other items for collections, may be charged to operations at time of purchase rather than capitalized.

Construction in progress as of August 31, 2012, including capitalized interest of \$143,066, consists of the following:

Project	Balance August 31, 2011	Additions / Deductions	Completed	Balance August 31, 2012
Nursing Allied Health Resp. Therapy Lab Ren.	\$ 5,500	\$ (5,500)	\$ -	\$ -
Pecan West Academic Building	4,172,213	3,009,649	7,181,862	-
Pecan South Blvd. Entrance & West Loop Road	565,677	168,423	734,100	-
Pecan West Loop Road Phase II	26,955	430,942	457,897	-
Pecan Building G Fume Hoods	-	103,708	-	103,708
Pecan DMARC Relocation	-	3,150	-	3,150
Tech Southwest Building Renovation	-	44,990	-	44,990
Tech Southwest Building	-	1,593,429	-	1,593,429
Tech Welding Ventilation System	3,840	164,712	168,552	-
Mid Valley Building G Science Lab Impr.	-	347,141	-	347,141
Mid Valley Parking Expansion	-	53,317	-	53,317
Pecan Plaza Re-roofing	-	19,246	-	19,246
Starr HVAC Chiller Replacement	-	24,626	-	24,626
Total	\$ 4,774,185	\$ 5,957,833	\$ 8,542,411	\$ 2,189,607

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 5 – Capital Assets (Continued)

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

	Balance September 1, 2010	Increases	Decreases	Balance August 31, 2011
<u>Not Depreciated:</u>				
Land	\$ 28,618,660	\$ 778,166	\$ -	\$ 29,396,826
Construction in progress	4,627,276	5,400,072	5,253,163	4,774,185
Subtotal	<u>33,245,936</u>	<u>6,178,238</u>	<u>5,253,163</u>	<u>34,171,011</u>
<u>Buildings and Other Capital Assets:</u>				
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	179,747,154	5,253,163	-	185,000,317
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 Buildings and Other Capital Assets	<u>210,861,886</u>	<u>7,484,845</u>	<u>7,500</u>	<u>218,339,231</u>
<u>Accumulated Depreciation:</u>				
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>
Net Buildings and Other Capital Assets	<u>168,516,731</u>	<u>1,219,019</u>	<u>3,500</u>	<u>169,732,250</u>
Net Capital Assets	<u>\$ 201,762,667</u>	<u>\$ 7,397,257</u>	<u>\$ 5,256,663</u>	<u>\$ 203,903,261</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
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
Total Net Buildings and Other Capital Assets	<u>\$ 168,516,731</u>	<u>\$ 1,219,019</u>	<u>\$ 3,500</u>	<u>\$ 169,732,250</u>

The District has other art work/collections that it does not capitalize in the amount of \$46,715.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 5 – Capital Assets (Continued)

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	-
Total	\$ 4,627,276	\$ 5,400,072	\$ 5,253,163	\$ 4,774,185

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 6 – Long Term Liabilities

Long-term liabilities activity for the year ended August 31, 2012, was as follows:

	Balance			Balance		Current
	September 1, 2011	Additions	Reductions	August 31, 2012	Portion	
Bonds						
South Texas College District Tax Bonds, Series 2002	\$ 4,630,000	\$ -	\$ 4,630,000	\$ -	\$ -	
South Texas College District Tax Bonds, Series 2003	3,130,000	-	1,535,000	1,595,000	1,595,000	
South Texas College District Tax Bonds, Series 2004	9,615,000	-	1,425,000	8,190,000	1,490,000	
South Texas College District Tax Bonds, Series 2007 MTR	2,660,000	-	290,000	2,370,000	300,000	
South Texas College District Tax Bonds, Series 2007 LTR	22,384,991	-	265,000	22,119,991	275,000	
South Texas College District Tax Bonds, Series 2010 LTR	18,969,296	-	413,267	18,556,029	4,581,028	
Subtotal	<u>61,389,287</u>	<u>-</u>	<u>8,558,267</u>	<u>52,831,020</u>	<u>8,241,028</u>	
Accrued Compensable Absences	613,870	35,453	60,792	588,531	533,469	
Total Liabilities	<u>\$ 62,003,157</u>	<u>\$ 35,453</u>	<u>\$ 8,619,059</u>	<u>\$ 53,419,551</u>	<u>\$ 8,774,497</u>	
Bond Detail						
Total Bonds Payable	\$ 61,389,287	\$ -	\$ 8,558,267	\$ 52,831,020	\$ 8,241,028	
Premium on Bonds Payable	4,604,720	-	865,999	3,738,721	651,153	
Deferred Refunding Costs	(2,652,716)	-	(380,023)	(2,272,693)	(380,023)	
Total Bond Liabilities	<u>\$ 63,341,291</u>	<u>\$ -</u>	<u>\$ 9,044,243</u>	<u>\$ 54,297,048</u>	<u>\$ 8,512,158</u>	
Less Current Bonds Payable				(8,512,158)		
Total Noncurrent Bonds Payable				<u>\$ 45,784,890</u>		

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 6 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2012, on the above bond issues are as follows:

	<u>Deferred Bond Issuance Cost</u>	<u>Bond Premium</u>	<u>Deferred Loss</u>
South Texas College District Tax Bonds, Series 2003	\$ 20,608	\$ 53,960	\$ -
South Texas College District Tax Bonds, Series 2004	99,902	705,975	535,396
South Texas College District Tax Bonds, Series 2007 MTR	27,804	11,662	55,148
South Texas College District Tax Bonds, Series 2007 LTR	202,959	1,226,751	577,891
South Texas College District Tax Bonds, Series 2010 LTR	209,070	1,740,373	1,104,258
Total	<u>\$ 560,343</u>	<u>\$ 3,738,721</u>	<u>\$ 2,272,693</u>

Arbitrage

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2012, the District did not have a liability.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 6 – Long Term Liabilities (Continued)

For comparison purposes, the long-term liabilities activity for the year ended August 31, 2011, was as follows:

	Balance			Balance	
	September 1, 2010	Additions	Reductions	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
Total Liabilities	<u>\$ 70,469,300</u>	<u>\$ 19,625,134</u>	<u>\$ 28,091,277</u>	<u>\$ 62,003,157</u>	<u>\$ 9,127,106</u>
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	1,549,165	4,604,721	865,999
Deferred Refunding Costs	(1,612,979)	(1,386,049)	(346,312)	(2,652,716)	(380,022)
Total Bond Liabilities	<u>\$ 72,136,405</u>	<u>\$ 20,348,455</u>	<u>\$ 29,143,568</u>	<u>\$ 63,341,292</u>	<u>\$ 9,044,244</u>
Less Current Bonds Payable				(9,044,244)	
Total Noncurrent Bonds Payable				<u>\$ 54,297,048</u>	

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 6 – 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	\$ 48,224	\$ 214,846	\$ -
South Texas College District Tax Bonds, Series 2003	41,215	107,920	-
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	238,938	1,988,998	1,262,009
Total	\$ 716,998	\$ 4,604,721	\$ 2,652,716

Arbitrage

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2011, the District did not have a liability.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 7 – Debt and Lease Obligations and Rental Agreements

As of August 31, 2012, bonds payable were due in annual installments varying from \$265,000 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:

Fiscal Year	General Obligation Bond		Total
	Principal	Interest	
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	11,150,651
2016	8,710,000	1,330,400	10,040,400
2017	9,040,000	914,000	9,954,000
2018-2019	9,570,000	493,650	10,063,650
Total	\$ 52,831,020	\$ 10,668,081	\$ 63,499,101

For comparison purposes, as of August 31, 2011, bonds payable were 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:

Fiscal Year	General Obligation Bond		Total
	Principal	Interest	
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
Total	\$ 61,389,287	\$ 13,261,714	\$ 74,651,000

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

Fund Group	August 31, 2012	August 31, 2011
Unrestricted Current Funds	\$ 410,204	\$ 417,305

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

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

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

Year Ended	August 31, 2012 Minimum Future Lease Payments	August 31, 2011 Minimum Future Lease Payments
2012	\$ -	\$ 48,339
2013	44,095	31,645
2014	24,333	16,084
2015	7,589	6,702
2016	-	-
2017	-	-
Total	\$ 76,017	\$ 102,770

During fiscal year 2012, the District leased office space at the Pecan Plaza to two different parties on a month to month lease for a period of six months ending January 2012. The District also leases space at the Mid Valley Campus and Starr County Campus to nonprofit agencies. In fiscal year 2012, the District’s rental income from these leases was \$71,229. Annual future minimum receipts under these agreements for fiscal year 2013 are \$55,029. No future receipts are expected for fiscal years 2014 and 2015.

Note 8 – Bonds Payable

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

	2012	2011
\$71,230,000 South Texas College District Limited Tax General Obligation Bonds, Series 2002 due in varying installments through 2012, 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

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 8 – Bonds Payable (Continued)

	2012	2011
<p>\$22,845,000 South Texas College District Limited Tax General Obligation Bonds, Series 2003 due in varying installments through 2013, 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>	1,595,000	3,130,000
<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>	8,190,000	9,615,000
<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>	2,370,000	2,660,000
<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>	22,119,991	22,384,991

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 8- Bonds Payable (Continued)

	2012	2011
\$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	18,556,029	8,969,296
Total Bonds Payable	\$ 52,831,020	\$ 61,389,287

Bonds Payable are due in annual installments varying from \$265,000 to \$6,990,000 with interest rates from 2.0% to 5.6% with the final installment due in 2019.

Note 9 – Advance Refunding of Bonds

On November 18, 2010, South Texas College District issued 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 \$18,556,028. 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 eight years by \$1,133,675 and gave the District an economic gain of \$1,033,562. The portion of post refunding Limited Tax Obligation Bonds, Series 2002 were paid as of August 31, 2012, and Limited Tax Obligation Bonds, Series 2003 outstanding at August 31, 2012, is \$1,595,000. 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, 2012 and 2011

Note 9 – 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 were paid as of August 31, 2012, therefore, there are no outstanding liabilities as of August 31, 2012.

Note 10 – 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 website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications 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 during the fiscal year; (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 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's 6.0% contribution, for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2012, 2011, and 2010 were \$1,194,351, \$2,957,765, and \$2,682,526, respectively. The District paid additional state contributions for the years ended August 31, 2012, 2011 and 2010 in the amount of \$318,568, \$403,277 and \$402,888, respectively.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 10 – Employees’ Retirement Plan (Continued)

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

	August 31, 2012	August 31, 2011	August 31, 2010
Total payroll for TRS	\$ 49,188,881	\$ 50,587,618	\$ 46,998,644
State contributions	\$ 1,194,351	\$ 2,957,765	\$ 2,682,526
District contributions	318,568	403,277	402,888
Total Contributions-active	1,512,919	3,361,042	3,085,414
District contributions-retirees	31,468	33,684	31,277
Total Contributions	\$ 1,544,387	\$ 3,394,726	\$ 3,116,691
 Member Contributions	 \$ 3,175,434	 \$ 3,248,831	 \$ 3,021,667

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.

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 6.0% for fiscal year 2012 and 6.4% for fiscal years 2011-2010. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2012, 2011 and 2010, respectively. The District contributes 2.5% for fiscal year 2012 and 2.1% for fiscal years 2011-2010 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 \$740,120, \$830,040, and \$809,273 for the fiscal years ended August 31, 2012, 2011 and 2010, 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, associated District contributions and state contributions made on behalf of the District, and member contributions were as follows:

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 10 – Employees’ Retirement Plan (Continued)

	August 31, 2012	August 31, 2011	August 31, 2010
Total payroll for ORP	\$ 12,335,313	\$ 12,969,373	\$ 12,644,859
State contributions	\$ 740,120	\$ 830,040	\$ 809,273
District contributions	66,236	67,415	64,459
Total Contributions	\$ 806,356	\$ 897,455	\$ 873,732
 Member Contributions	 \$ 856,796	 \$ 899,532	 \$ 874,110

The total payroll for all District employees was \$68,809,740, \$71,544,023 and \$67,994,970 for fiscal years 2012, 2011 and 2010, respectively. The total payroll of employees covered by the Teacher Retirement System was \$49,188,881, \$50,587,618 and \$46,998,644, and the total payroll of employees covered by the Optional Retirement Program was \$12,335,313, \$12,969,373 and \$12,644,859, for fiscal years 2012, 2011 and 2010, respectively.

Note 11 – 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, 2012, the District has 75 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 78 participated in 2011. A total of \$314,182 and \$308,252 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2012 and 2011, respectively.

As of August 31, 2012, the District has 68 employees participating in Section 457 Deferred Compensation Plan (DCP) and 64 participated in 2011. A total of \$174,213 and \$174,672 in payroll deductions have been invested in Section 457 Deferred Compensation Plan (DCP) during the fiscal years 2012 and 2011, respectively.

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

Note 12 – Compensable Absences

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

All hours of unused accumulated vacation leave, except as authorized by the Board of Trustees, must be used by March 1, following the fiscal year in which it was accumulated. Any vacation leave not used by that date is forfeited. A time extension may be requested from the District’s President for

SOUTH TEXAS COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2012 and 2011

Note 12 – Compensable Absences (Continued)

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.

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Compensable absences-beginning	\$ 613,870	\$ 689,309
Net additions and reductions	(25,339)	(75,439)
Total Compensable Absences	<u>\$ 588,531</u>	<u>\$ 613,870</u>
Current portion	<u>\$ 533,469</u>	<u>\$ 568,839</u>

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 13 – Pending Lawsuits and Claims

A. Litigation

On August 31, 2012, various lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

B. Federal and State Assisted Grant Programs

The District participates in several federal and state assisted grant programs. Although the District's grant programs have been audited in accordance with the provisions of OMB Circular A-133 and the State of Texas Single Audit Circular through August 31, 2012, these programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 14 – Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2012, and August 31, 2011, were as follows:

	August 31, 2012	August 31, 2011
Student receivables-delinquent	\$ 3,824,802	\$ 1,943,423
Student receivables-other	81,549	110,288
Taxes receivables	11,352,479	11,549,972
Federal receivables	1,560,903	1,771,747
Interest receivables	4	1
Accounts receivables		
Bookstore and auxiliary	59,037	64,656
State, local and private	691,181	797,125
Pledges receivable	17,437	27,147
Agency	26	9,400
Other receivables	180,834	232,775
Subtotal	17,768,252	16,506,534
Allowance for doubtful accounts-student	(2,532,168)	(1,166,054)
Allowance for doubtful accounts-taxes	(272,913)	(307,854)
Total Receivables–Exhibit 1	\$ 14,963,171	\$ 15,032,626

Taxes receivables may not all be collected within one year.

Payables

Payables at August 31, 2012, and August 31, 2011, were as follows:

	August 31, 2012		August 31, 2011	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor payable				
Vendors	\$ 1,735,766	\$ -	\$ 1,640,314	\$ -
Construction	247,069	-	1,011,358	-
Construction retainage	20,007	-	197,136	-
Salaries & benefits	-	316,978	-	333,427
Students payable	52,750	-	140,731	-
Accrued interest	-	581,012	-	343,708
Other Payables	225,531	-	175,751	-
Total Payables–Exhibit 1	\$ 2,281,123	\$ 897,990	\$ 3,165,290	\$ 677,135

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 15 – Funds Held for Others

At August 31, 2012, and at August 31, 2011, the District held, in trust funds, amounts of \$301,255 and \$360,380, respectively that pertain primarily to student organizations. These funds are not available to support the District’s programs.

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 2012 and 2011, for which monies have not been received nor funds expended totaled \$4,704,330 and \$4,120,216, respectively.

These amounts are comprised of the following:

	August 31, 2012	August 31, 2011
Federal contracts and grant awards	\$ 2,440,419	\$ 1,806,750
State contracts and grant awards	2,162,873	1,716,224
Private contracts and grant awards	101,038	597,242
Total	\$ 4,704,330	\$ 4,120,216

Note 17 – 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 \$438.30 per month for the year ended August 31, 2012 and \$413.26 per month for the year ended August 31, 2011, for the Blue Cross Blue Shield-Health Select Plan. The state’s contribution totaled \$2,917,183 for fiscal year 2012 and \$4,255,871 for fiscal year 2011.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

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

The cost of providing those benefits for 34 retirees in the year ended August 31, 2012, was \$184,959 and for 29 retirees in the year ended August 31, 2011, was \$131,972. For 1,175 Blue Cross Blue Shield-Health Select Plan active employees, the cost of providing benefits was \$2,732,224 for the year ended August 31, 2012. Active employee benefits for 1,215 Blue Cross Blue Shield-Health Select Plan active employees cost \$4,123,899 for the year ended August 31, 2011.

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

	August 31, 2012	August 31, 2011
Full time employees	1,175	1,215
Number of retirees	34	29
Active employee-state	\$ 2,732,224	\$ 4,123,899
Retiree-state	184,959	131,972
Total State Contributions	2,917,183	4,255,871
District contributions	4,950,338	3,337,394
Total Health Insurance Cost	\$ 7,867,521	\$ 7,593,265

Note 18 – Ad Valorem Tax

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

	August 31, 2012	August 31, 2011
Assessed valuation of the District	\$ 30,664,264,073	\$ 31,217,862,360
Less: Exemptions	1,146,088,734	1,128,203,383
Less: Abatements	-	-
Net Assessed Valuation of the District	\$ 29,518,175,339	\$ 30,089,658,977

	Fiscal Year 2012			Fiscal Year 2011		
	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	\$ 0.0407	\$ 0.1507	\$ 0.1100	\$ 0.0397	\$ 0.1497

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 18 – Ad Valorem Tax (Continued)

Taxes levied for the year ended August 31, 2012, and 2011 amounted to \$45,813,277 and \$46,372,420, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

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

	August 31, 2012			August 31, 2011		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$ 30,196,127	\$ 11,172,569	\$ 41,368,696	\$ 30,564,028	\$ 11,030,836	\$ 41,594,864
Delinquent taxes collected	2,036,784	751,630	2,788,414	1,994,970	739,366	2,734,336
Penalties & interest collected	1,154,709	430,793	1,585,502	1,141,953	423,660	1,565,613
Total Collections	<u>\$ 33,387,620</u>	<u>\$ 12,354,992</u>	<u>\$ 45,742,612</u>	<u>\$ 33,700,951</u>	<u>\$ 12,193,862</u>	<u>\$ 45,894,813</u>

Tax collections for the year ended August 31, 2012, and 2011, were 93.54% and 92.83%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes were \$272,913 and \$307,854 for the years ending August 31, 2012, and 2011, respectively. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

Note 19 – Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the year ended August 31, 2012 and 2011.

Note 20 – Related Parties

One member of the Board of Trustees is employed at the District’s depository bank. Another member of the Board of Trustees provided professional services to the District’s depository bank and other entities that conducted business with the District during fiscal year 2012.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 21 – Subsequent Events

Subsequent events were evaluated through December 6, 2012, the date which the financial statements were available to be issued. No subsequent events require disclosure in these financial statements.

Note 22 – 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 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, 2012, 2011, and 2010, were \$198,862, \$149,902 and \$105,778, respectively, which equaled the required contributions each year.

Note 23 – On-Behalf Payments

For the fiscal years ended August 31, 2012 and 2011, the District recorded state on-behalf contributions for the Teacher Retirement System of \$1,194,351 and \$2,957,765, respectively, contributions for the Optional Retirement Program of \$740,120 and \$830,040, respectively, and contributions for health insurance of \$2,917,183 and \$4,255,871, respectively. The state's total on-

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 23 – On-Behalf Payments (Continued)

behalf contributions for the fiscal years ended August 31, 2012, and 2011 of \$4,851,654 and \$8,043,676, respectively, were recorded as revenues and expenses in the accompanying basic financial statements.

Note 24 – Auxiliary Operations

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

Note 25 – 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 2012 and 2011, property insurance covering the District’s buildings and properties including commercial inland marine coverage in an aggregate amount of \$219,542,696 and \$212,301,250 for fiscal years 2012 and 2011, respectively, \$34,100,000 in business income with extra expense coverage for fiscal years 2012 and 2011, and \$5,000,000 in education legal and employment practices liability for fiscal years 2012 and 2011. 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.

Note 26 – Construction and Improvement Commitments

Construction and improvement commitments for August 31, 2012, were as follows:

<u>Project</u>	<u>Contracted Amount</u>	<u>Spent to Date</u>	<u>Commitments</u>
Pecan Campus	\$ 7,237,295	\$ 7,234,095	\$ 3,200
Total	\$ 7,237,295	\$ 7,234,095	\$ 3,200

At August 31, 2012, the District had \$3,200 of remaining contractual commitments in construction and improvement projects.

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
Total	\$ 10,532,605	\$ 7,734,153	\$ 2,798,452

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 26 – Construction and Improvement Commitments (Continued)

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

Note 27 – Deposits in Escrow

South Texas College District entered into the following infrastructure improvement escrow agreements with the City of McAllen. In fiscal year 2012, \$13,677 was deposited into an escrow account for a sidewalk along Military Road at the Technology Campus. In fiscal year 2010, \$6,406 was deposited into an escrow account for a sidewalk along Ivy Avenue at the Pecan Campus and \$126,801 was deposited into an escrow account for the thirty foot portion of the Quince Avenue roadway dedication at the District’s west 15 acre parking lot.

Note 28 – 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 \$1,242, \$1,008 and \$2,166, in fiscal years 2012, 2011 and 2010, respectively.

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

The fund balances of the endowments were as follows:

Endowment	August 31, 2012	August 31, 2011
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	1,049	6,747
Roberto Gutierrez Sr. Endowment	903	901
Edwynne G. Cooper Endowment	5,590	5,590
Total Endowments	\$ 340,664	\$ 346,360

In fiscal year 2012, the District’s Board of Trustees accepted the Mission Economic Development Authority (MEDA) Scholarship Fund Endowment. The MEDA deposited \$3,151,875 into the MEDA Scholarship Fund Trust for the purpose of awarding and distributing scholarships to students of South Texas College District who reside in the City of Mission, Texas, and/or to establish educational facility(ies) within the City of Mission, Texas. Edward Jones Trust Company will serve as the initial sole trustee. South Texas College District, as the Trust’s initial sole beneficiary, will receive, each fiscal year of the Trust, distributions not to exceed an amount equal to the greater of the following: 1) the net income of the Trust and 2) 5% of the fair market value of the undistributed income and corpus of the Trust as of the last day of the Trust’s previous fiscal year. At August 31, 2012, the market value of the Trust was \$3,135,291. The Trust did not make any distributions to the District in fiscal year 2012.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 29 – Pledges of Gifts

The District records pledges of gifts when an unconditional promise to pay is received. At August 31, 2012, pledges receivable totaled \$17,437, which consisted of non-cash gifts of \$17,200 and \$237 in cash gifts. At August 31, 2011, pledges receivable totaled \$27,147, which consisted of non-cash gifts of \$24,492 and \$2,655 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 30 – Contingencies

Texas Constitution Article 16, Section 67(b)(3) provides that the State of Texas must contribute “not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system,” referring to the State’s Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the state’s contribution to TRS/ORP on behalf of community colleges to only six percent of each district’s unrestricted general revenue appropriation for each year of the biennium state budget.

There is no pending litigation concerning this issue to construe the constitutional funding requirements; or to hold that the state biennium appropriations satisfy those requirements; or to attempt to collect any shortfall contributions from any community college district.

The District has calculated that as of August 31, 2012, the contribution that has not been paid to TRS on behalf of the District employees is \$1,438,422.

Note 31 – Extraordinary Item

In fiscal year 2012, South Texas College District reported an extraordinary item in the amount of \$2,010,294 for the insurance proceeds received for hail damaged roofs and related equipment at the Pecan Campus, Technology Campus and Pecan Plaza located in McAllen. The cost of repairs related to the extraordinary event is estimated at \$4,284,349 and will be incurred in fiscal year 2013.

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2012 (With Totals for the Year Ended August 31, 2011)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2012 Total	FY 2011 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 37,397,461	\$ -	\$ 37,397,461	\$ -	\$ 37,397,461	\$ 36,240,267
Out-of-district resident tuition	948,429	-	948,429	-	948,429	966,859
Non-resident tuition	2,999,540	-	2,999,540	-	2,999,540	2,631,752
TPEG state (set aside) *	1,744,821	-	1,744,821	-	1,744,821	1,773,581
State funded continuing education	579,689	-	579,689	-	579,689	650,501
TPEG non-credit (set aside) *	37,000	-	37,000	-	37,000	41,523
State funded workforce development	502,389	-	502,389	-	502,389	429,140
TPEG non-credit (set aside) *	32,067	-	32,067	-	32,067	27,392
Non-state funded continuing education	758,801	-	758,801	-	758,801	574,488
TPEG non-credit (set aside) *	49,229	-	49,229	-	49,229	36,672
Non-state funded workforce development	33,901	-	33,901	-	33,901	22,120
TPEG non-credit (set aside) *	2,164	-	2,164	-	2,164	1,411
Total Tuition	45,085,491	-	45,085,491	-	45,085,491	43,395,706
Fees:						
Student registration fee	7,486,669	-	7,486,669	-	7,486,669	7,162,006
Laboratory fees	1,143,563	-	1,143,563	-	1,143,563	1,070,916
Incidental fees	21,123,438	-	21,123,438	-	21,123,438	17,507,125
Total Fees	29,753,670	-	29,753,670	-	29,753,670	25,740,047
Scholarship Allowances and Discounts:						
Remissions and exemptions	(15,901,159)	-	(15,901,159)	-	(15,901,159)	(13,004,765)
TPEG allowances	(2,046,529)	-	(2,046,529)	-	(2,046,529)	(1,670,318)
Local grants to students	(526,930)	-	(526,930)	-	(526,930)	(418,149)
Private grants to students	(308,179)	-	(308,179)	-	(308,179)	(262,323)
State grants to students	(2,432,836)	-	(2,432,836)	-	(2,432,836)	(2,497,612)
Federal grants to students	(34,040,019)	-	(34,040,019)	-	(34,040,019)	(33,000,878)
Total Scholarship Allowances	(55,255,652)	-	(55,255,652)	-	(55,255,652)	(50,854,045)
Total Net Tuition and Fees	19,583,509	-	19,583,509	-	19,583,509	18,281,708
Additional Operating Revenues:						
Federal grants and contracts	251,616	4,496,391	4,748,007	-	4,748,007	6,172,207
State grants and contracts	16,854	6,777,206	6,794,060	-	6,794,060	6,335,567
Local grants and contracts	-	1,293,135	1,293,135	-	1,293,135	1,380,691
Non-governmental grants and contracts	1,837,127	903,007	2,740,134	-	2,740,134	2,796,686
General operating revenues	419,430	20,212	439,642	-	439,642	545,846
Total Additional Operating Revenues	\$ 2,525,027	\$ 13,489,951	\$ 16,014,978	\$ -	\$ 16,014,978	\$ 17,230,997

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2012 (With Totals for the Year Ended August 31, 2011)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2012 Total	FY 2011 Total
Auxiliary Enterprises:						
Bookstore	\$ -	\$ -	\$ -	\$ 512,039	\$ 512,039	\$ 507,027
Food service	-	-	-	756,468	756,468	742,078
Vending commissions	-	-	-	184,950	184,950	167,859
Copier commissions	-	-	-	25,377	25,377	33,230
Wellness center	-	-	-	48,312	48,312	66,277
Child care center	-	-	-	306,498	306,498	301,713
General conferences	-	-	-	35,490	35,490	58,567
Other	-	-	-	3,600	3,600	750
Total Auxiliary Enterprises	-	-	-	1,872,734	1,872,734	1,877,501
Total Operating Revenues	\$ 22,108,536	\$ 13,489,951	\$ 35,598,487	\$ 1,872,734	\$ 37,471,221	\$ 37,390,206
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$1,865,281 and \$1,880,579 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2012 and 2011, respectively.

South Texas College District
Schedule of Operating Expenses by Object
Year Ended August 31, 2012 (With Totals for the Year Ended August 31, 2011)

Schedule B

	Operating Expenses			Other Expenses	FY 2012 Total	FY 2011 Total
	Salaries and Wages	Benefits				
		State	Local			
Unrestricted-Educational Activities						
Instruction	\$ 41,125,269	\$ -	\$ 5,734,918	\$ 2,902,737	\$ 49,762,924	\$ 50,816,403
Public service	161,559	-	29,363	29,150	220,072	300,469
Academic support	5,948,499	-	961,110	1,667,516	8,577,125	8,369,947
Student services	6,202,870	-	1,018,294	1,210,501	8,431,665	8,294,032
Institutional support	9,181,626	-	1,569,292	7,351,746	18,102,664	17,813,255
Operation and maintenance of plant	2,619,893	-	871,331	5,966,458	9,457,682	10,260,777
Total Unrestricted Educational Activities	65,239,716	-	10,184,308	19,128,108	94,552,132	95,854,883
Restricted-Educational Activities						
Instruction	516,684	3,070,510	94,528	455,159	4,136,881	6,542,647
Research	6,074	-	2,005	59,194	67,273	6,303
Public service	350,415	-	64,180	101,840	516,435	340,204
Academic support	1,459,145	482,601	325,642	706,665	2,974,053	3,665,527
Student services	461,087	515,296	74,385	199,513	1,250,281	1,645,072
Institutional support	400,365	783,247	48,430	160,179	1,392,221	2,480,626
Operation and maintenance of plant	2,075	-	-	-	2,075	9,837
Scholarships and fellowships	-	-	-	31,873,082	31,873,082	39,320,494
Total Restricted Educational Activities	3,195,845	4,851,654	609,170	33,555,632	42,212,301	54,010,710
Total Educational Activities	68,435,561	4,851,654	10,793,478	52,683,740	136,764,433	149,865,593
Auxiliary Enterprises	374,179	-	258,964	785,002	1,418,145	1,421,243
Depreciation Expense-Buildings and other real estate improvements	-	-	-	4,177,710	4,177,710	3,948,191
Depreciation Expense-Books	-	-	-	303,518	303,518	298,125
Depreciation Expense-Equipment and furniture	-	-	-	1,933,704	1,933,704	2,019,510
Total Operating Expenses	\$ 68,809,740	\$ 4,851,654	\$ 11,052,442	\$ 59,883,674	\$ 144,597,510 (Exhibit 2)	\$ 157,552,662 (Exhibit 2)

South Texas College District
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2012 (With Totals for the Year Ended August 31, 2011)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2012 Total	FY 2011 Total
NON-OPERATING REVENUES:					
State allocations:					
Education and general state support academic	\$ 21,599,839	\$ -	\$ -	\$ 21,599,839	\$ 17,932,348
Education and general state support vocational	10,210,335	-	-	10,210,335	10,012,398
Education and general state support BAT	355,845	-	-	355,845	331,297
State group insurance	-	2,917,183	-	2,917,183	4,255,871
State retirement matching	-	1,934,471	-	1,934,471	3,787,805
Enrollment growth	-	-	-	-	125,369
Professional nursing shortage reduction	-	-	-	-	231,865
Total State Allocations	32,166,019	4,851,654	-	37,017,673	36,676,953
Ad-valorem taxes-maintenance and operations	33,244,142	-	-	33,244,142	33,798,861
Ad-valorem taxes-debt service	-	12,276,741	-	12,276,741	12,187,090
Federal revenue, non operating	-	61,950,136	-	61,950,136	66,972,554
Gifts	-	418,605	-	418,605	309,868
Investment income (net of investment expenses)	413,588	1,247	2,240	417,075	327,497
Gain on disposal of capital assets	2,793	-	-	2,793	-
Total Non-Operating Revenues	65,826,542	79,498,383	2,240	145,327,165	150,272,823
NON-OPERATING EXPENSES:					
Interest on capital related debt	1,821,871	-	-	1,821,871	2,054,633
Loss on disposal of capital assets	-	-	-	-	3,500
Non-capital construction costs	1,400,934	-	-	1,400,934	464,503
Bond costs amortization	536,677	-	-	536,677	496,724
Other non-operating expenses	-	500,835	-	500,835	396,032
Total Non-Operating Expenses	3,759,482	500,835	-	4,260,317	3,415,392
Net Non-Operating Revenues	\$ 62,067,060	\$ 78,997,548	\$ 2,240	\$ 141,066,848	\$ 146,857,431
				(Exhibit 2)	(Exhibit 2)

South Texas College District
Schedule of Net Assets by Source and Availability
Year Ended August 31, 2012 (With Totals for the Year Ended August 31, 2011)

	Detail by Source					FY 2012 Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt		
		Expendable	Non-Expendable			
Current:						
Unrestricted	\$ 79,624,462	\$ -	\$ -	\$ -		\$ 79,624,462
Board designated	7,500,000	-	-	-		7,500,000
Restricted						
Student aid	-	1,144,336	-	-		1,144,336
Instructional programs	-	1,086,445	-	-		1,086,445
Institutional activities	-	334,263	-	-		334,263
Auxiliary enterprises	1,731,022	-	-	-		1,731,022
Loan	-	920,228	-	-		920,228
Endowment:						
Quasi:						
Unrestricted	-	-	-	-		-
Restricted	-	-	-	-		-
Endowment						
True	-	-	340,664	-		340,664
Term (per instructions at maturity)	-	-	-	-		-
Life income contracts	-	-	-	-		-
Annuities	-	-	-	-		-
Plant:						
Unexpended	7,675,108	-	-	-		7,675,108
Renewals & replacements	21,323,658	-	-	-		21,323,658
Debt service	-	14,493,499	-	-		14,493,499
Investment in plant	-	-	-	156,914,256		156,914,256
Total Net Assets, August 31, 2012	117,854,250	17,978,771	340,664	156,914,256		293,087,941
						(Exhibit 1)
Total Net Assets, August 31, 2011	92,402,854	17,161,889	346,360	147,207,945		257,119,048
						(Exhibit 1)
Net Increase (Decrease) in Net Assets	\$ 25,451,396	\$ 816,882	\$ (5,696)	\$ 9,706,311		\$ 35,968,893
						(Exhibit 2)

Note: The Unexpended Plant Fund is earmarked in the fiscal year 2013 board approved budget for construction projects.
The Renewals & Replacements Plant Fund is earmarked in the fiscal year 2013 board approved budget for deferred maintenance projects.

Schedule D

Available for Current Operations

	Yes	No		Yes	No
	\$ 79,624,462	\$ -		-	-
	-	7,500,000		-	-
	-	1,144,336		-	-
	-	1,086,445		-	-
	-	334,263		-	-
	1,731,022	-		-	-
	-	920,228		-	-
	-	-		-	-
	-	-		-	-
	-	340,664		-	-
	-	-		-	-
	-	-		-	-
	-	-		-	-
	-	7,675,108		-	-
	-	21,323,658		-	-
	-	14,493,499		-	-
	-	156,914,256		-	-
	81,355,484	211,732,457		81,355,484	211,732,457
	62,407,390	194,711,658		62,407,390	194,711,658
	<u>\$ 18,948,094</u>	<u>\$ 17,020,799</u>		<u>\$ 18,948,094</u>	<u>\$ 17,020,799</u>

South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
FSEOG	84.007	594423	\$ 594,423
Federal Work-Study Program	84.033		581,466
Federal Pell Grant Program	84.063		60,865,567
TRIO Cluster			
TRIO Upward Bound Program	84.047		276,370
Higher Education Institutional Aid	84.031		56,904
Childcare Access Means Parents In School	84.335		250,894
Pass-Through From:			
Region One Education Service Center			
Migrant Education-State Grant Program	84.011		12,324
Texas Higher Education Coordinating Board			
Career and Technical Education-Basic Grants	84.048		1,487,748
La Joya Independent School District			
Migrant Education-High School Equivalency Program	84.141		2,239
Texas A&M University			
Migrant Education-High School Equivalency Program	84.141		3,139
University Texas-Pan American Foundation			
Migrant Education-High School Equivalency Program	84.141		7,454
Texas South Technical College			
Tech-Prep Education	84.243	8471	38,607
Hidalgo Independent School District			
Twenty-First Century Community Learning Centers	84.287		17,068
Progresso Independent School District			
Twenty-First Century Community Learning Centers	84.287		14,408
University Texas-Pan American Foundation			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		4,495
Total U.S. Department of Education			\$ 64,213,107
U.S. Department of Commerce			
Pass-Through From:			
Portland State University			
Broadband Technology Opportunities Program	11.557	200RED241	\$ 129,833
U.S. Department of Defense			
Direct Programs:			
Military Spouse Career Advancement			
	12.000		\$ 6,226
Pass-Through From:			
University of Texas-Pan American			
Basic, Applied and Advanced Research in Science and Engineering	12.630		62,018
Total U.S. Department of Defense			\$ 68,244
U.S. Department of Housing and Urban Development			
Direct Programs:			
Hispanic-Serving Institutions Assisting Communities			
	14.514		\$ 172,220

See Accompanying Notes to Schedule of Expenditures of Federal Awards

(Continued)

South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
U.S. Department of Labor			
Pass-Through From:			
Lower Rio Grande Valley Workforce WIA Cluster			
Workforce Investment Act-Adult Program	17.258		\$ 183,681
Workforce Investment Act-Adult Program	17.258	12-OPSP-002	15,818
Subtotal			<u>199,499</u>
Workforce Investment Act-Youth Activities	17.259		21,781
Workforce Investment Act-Dislocated Workers	17.260		123,253
Workforce Investment Act-Dislocated Workers	17.278	12-OPSP-002	4,963
Motivation Education & Training, Inc.			
Workforce Investment Act-Adult Program	17.258		286,512
Texas A&M Health Science Center			
Workforce Investment Act-Adult Program	17.258		298
State of Texas-Office of the Governor			
H-1B Job Training Grants	17.268		58,589
Total U.S. Department of Labor			<u>\$ 694,896</u>
National Science Foundation			
Pass-Through From:			
University of Texas-Pan American Education and Human Services	47.076	41EMEC021	\$ 13,603
National Endowment for the Humanities			
Pass-Through From:			
Humanities of Texas			
Promotion of the Humanities-Federal/State Partnership	45.129	2012-4241	\$ 1,085
U.S Department of Agriculture			
Pass-Through From:			
Texas A&M University Kingsville			
Hispanic Serving Institutions Education Grants	10.223	12-0109	\$ 55,622
U.S. Department of Veterans' Affairs			
Direct Programs:			
Post 9/11 Veterans Educational Assistance, Recovery Act	64.027		\$ 798,975
Vocational and Educational Counseling for Servicemembers and Veterans	64.125		293,205
Total U.S. Department of Veterans' Affairs			<u>\$ 1,092,179</u>
U.S. Department of Health & Human Services			
Pass-Through From:			
Texas Workforce Commission			
Temporary Assistance for Needy Families	93.558	2312TAN001	\$ 39,004
Community Action Council of South Texas			
Head Start Program	93.600		14,577
Hidalgo County Headstart			
Head Start Program	93.600		46,895

South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012

(Continued)
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
Texas Migrant Council Head Start Program	93.600		\$ 7,247
United Migrant Opportunity Services ARRA-Head Start	93.708		3,517
Hidalgo County ARRA-Community Services Block Grant	93.710		852
South Texas Development Council ARRA-Community Services Block Grant	93.710		178,893
Baylor College of Medicine Geriatric Education Center	93.969		24,056
Total U.S. Department of Health & Human Services			\$ 315,042
Corporation for National and Community Service			
Direct Programs:			
AmeriCorps-National Service Award	94.006		\$ 35,866
Note 1: Federal Assistance Reconciliation			
Federal Grants and Contracts Revenue-per Schedule A			\$ 4,496,391
Add: Indirect/Administrative Cost Recoveries-per Schedule A			251,616
Add: Non Operating Federal Revenue from Schedule C			61,950,136
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets			\$ 66,698,143
Reconciling Item:			
Add: Current year transactions for closed awards			
Academic Competitiveness Grant			\$ 91,320
Community Based Job Training Grants			2,000
Trade Adjustment Assistance			234
Total Federal Revenues per Schedule of Expenditures of Federal Awards			\$ 66,791,697

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

Note 3: Inkind Match

The Hispanic-Serving Institutions Assisting Communities grant received an inkind match in the amount of \$15,761 from the Housing Authority

**South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2012**

Schedule F

Grantor Agency/Program Title	Grant Contract Number	Total Expenditures
Texas Higher Education Coordinating Board		
Nursing Shortage Reduction > 70%		\$ 100,976
Early High School Graduate		69,559
Texas College Workstudy Program		110,191
TEXAS Grant I-Initial Year		1,961,056
TEXAS Grant I-Renewal Year		761,927
Texas Educational Opportunity Grant-Initial Year		278,720
Texas Educational Opportunity Grant-Renewal Year		403,515
Texas Be On Time Loan		8,250
Top 10% Scholarship Initial		110,000
Top 10% Scholarship Renewal		12,000
Texas Puente Integrated Reading/Writing Program	9787	25,120
Work-Study Mentorship Program	7074	26,374
State of Texas Assessments of Acad	6403	8,139
P-16 Adult Basic Education Innovation	7048	194,373
Intensive Summer Programs for Adult Education Students	6073	132,293
Total Texas Higher Education Coordinating Board		\$ 4,202,493
Lower Rio Grande Valley Workforce Development		
Workforce Solutions Leadership Development		\$ 4,471
McAllen Independent School District		
College & Career Transitions Initiative	2008-106	134,376
Pharr San Juan Alamo Independent School District		
Texas Prefreshman Engineering Program		3,176
University of Texas Pan American		
Master College Readiness Special Advisor		22,888
Roma Independent School District		
Texas Prefreshman Engineering Program		9,186
El Paso Community College		
Community College Developmental Education Initiative Program		8,970
Texas Comptroller of Public Accounts		
Jobs and Education for Texans-Technology Student Support Services	2.6.500000	215,122
Jobs and Education for Texans-Nursing	6095-06	290,999
Jobs and Education for Texans Grant Program		41,077
Total Texas Comptroller of Public Accounts		\$ 547,198
Texas Workforce Commission		
Skills for Small Business Program	2310SSD000	\$ 8,551
Skills Development Fund #15	2310SDF000	1,340,611
Skills Development Fund #16	2311SDF000	229,214
Skills Development Fund #17	2311SDF001	118,702
Skills Development Fund #18	2312SDF000	22,758
Total Texas Workforce Commission		\$ 1,719,836

**South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2012**

(Continued)
Schedule F

Grantor Agency/Program Title	Grant Contract Number	Total Expenditures
Texas Department of Agriculture		
Child And Adult Care Food Program		\$ 55,279
3E's Grant Program	E3E-12-062	2,168
Total Texas Department of Agriculture		\$ 57,447
Hidalgo County		
Substance Abuse Treatment Facility		\$ 1,290
Department of Assistive and Rehabilitative Services		\$ 184,462
Total State Financial Assistance		\$ 6,895,792
Note 1: State Assistance Reconciliation		
State Revenues-per Schedule A		\$ 6,794,060
Reconciling Item:		
Add: Revenue classified as Non Operating		
Professional Nursing Shortage Reduction		\$ 100,976
Add: Current year transactions for closed awards		
Combat Exemption Reimbursement of Children of Deployed Military		756
Total State Revenues per Schedule of Expenditures of State Awards		\$ 6,895,792

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

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.



Statistical Section

**Nursing & Allied
Health Campus**



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.

Contents	Page
Financial Trends (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>	98-107, 134-137
Revenue Capacity (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>	108-117, 139-143
Debt Capacity (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>	118-123, 144-145
Demographic and Economic Information (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>	124-126
Operating and Other Information (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>	127-133

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 2003-2012
(unaudited)

Net Assets	For the Fiscal Year Ended August 31,			
	2012	2011	2010	2009
Invested in capital, net of related debt	\$ 156,914,256	\$ 147,207,945	\$ 136,773,512	\$ 113,996,844
Restricted expendable	17,978,771	17,161,889	16,906,861	14,027,153
Restricted non-expendable	340,664	346,360	346,050	346,041
Unrestricted	117,854,250	92,402,854	75,665,289	74,119,953
Total Net Assets	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712	\$ 202,489,991

For the Fiscal Year Ended August 31,

2008	2007	2006	2005	2004	2003
\$ 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
\$ 181,692,069	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599	\$ 105,094,939	\$ 83,627,207

Statistical Supplement 2
Revenues by Source
Fiscal Years 2003-2012
(unaudited)

	For the Year Ended August 31,			
	2012	2011	2010	2009
Operating Revenues				
Tuition and fees (net of discounts)	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311
Federal grants and contracts	4,748,007	6,172,207	8,979,526	7,015,595
State grants and contracts	6,794,060	6,335,567	6,711,706	5,412,226
Local grants and contracts	1,293,135	1,380,691	1,255,944	1,129,509
Non-governmental grants and contracts	2,740,134	2,796,686	2,200,618	1,594,568
Auxiliary enterprises	1,872,734	1,877,501	1,666,738	1,403,045
General operating revenues	439,642	545,846	1,988,232	2,280,483
Total Operating Revenues	37,471,221	37,390,206	39,956,379	35,396,737
Non-Operating Revenues				
State allocations	37,017,673	36,676,953	37,514,938	33,173,275
Ad-valorem taxes-maintenance and operations	33,244,142	33,798,861	34,314,946	33,731,408
Ad-valorem taxes-debt service	12,276,741	12,187,090	12,197,541	12,212,764
Federal revenue, non-operating	61,950,136	66,972,554	59,089,947	34,498,524
Gifts	418,605	309,868	663,193	775,113
Investment income (net of investment expenses)	417,075	327,497	388,426	1,335,180
Gain on disposal of capital assets	2,793	-	-	-
Other non-operating revenues	-	-	-	-
Total Non-Operating Revenues	145,327,165	150,272,823	144,168,991	115,726,264
Total Revenues	\$ 182,798,386	\$ 187,663,029	\$ 184,125,370	\$ 151,123,001

For the Year Ended August 31,

	2008		2007		2006		2005		2004		2003
\$	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
	30,602,463		25,268,402		28,276,377		27,592,663		22,848,622		22,332,352
	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		-		-		-
	107,616,834		99,874,479		96,471,978		89,466,156		87,983,029		82,300,958
\$	38,219,297	\$	125,142,881	\$	124,748,355	\$	117,058,819	\$	110,831,651	\$	104,633,310

(Continued)

Statistical Supplement 2
Revenues by Source
Fiscal Years 2003-2012
(unaudited)

	For the Year Ended August 31,			
	2012	2011	2010	2009
Operating Revenue				
Tuition and fees (net of discounts)	10.71%	9.74%	9.31%	10.96%
Federal grants and contracts	2.60%	3.29%	4.88%	4.64%
State grants and contracts	3.72%	3.38%	3.64%	3.58%
Local grants and contracts	0.71%	0.74%	0.68%	0.75%
Non-governmental grants and contracts	1.50%	1.49%	1.20%	1.06%
Auxiliary enterprises	1.02%	1.00%	0.91%	0.93%
General operating revenues	0.24%	0.28%	1.08%	1.51%
Total Operating Revenues	20.50%	19.92%	21.70%	23.43%
Non-Operating Revenues				
State allocations	20.25%	19.55%	20.37%	21.95%
Ad-valorem taxes-maintenance and operations	18.19%	18.01%	18.65%	22.32%
Ad-valorem taxes-debt service	6.71%	6.49%	6.62%	8.08%
Federal revenue, non-operating	33.89%	35.69%	32.09%	22.83%
Gifts	0.23%	0.17%	0.36%	0.51%
Investment income (net of investment expenses)	0.23%	0.17%	0.21%	0.88%
Gain on disposal of capital assets	-	-	-	-
Other non-operating revenues	-	-	-	-
Total Non-Operating Revenues	79.50%	80.08%	78.30%	76.57%
Total Revenues	100.00%	100.00%	100.00%	100.00%

Note: 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%
22.14%	20.19%	22.68%	23.57%	20.62%	21.34%
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%
-	-	-	-	-	-
-	-	-	-	-	-
77.86%	79.81%	77.32%	76.43%	79.38%	78.66%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2003-2012
(unaudited)

	For the Year Ended August 31,			
	2012	2011	2010	2009
Operating Expenses				
Instruction	\$ 53,899,805	\$ 57,359,050	\$ 55,454,200	\$ 48,698,353
Research	67,273	6,303	-	-
Public service	736,507	640,673	2,460,617	2,637,239
Academic support	11,551,178	12,035,474	9,565,508	9,271,172
Student services	9,681,946	9,939,104	10,264,591	9,070,935
Institutional support	19,494,885	20,293,881	19,044,676	17,197,508
Operations and maintenance of plant	9,459,757	10,270,614	10,437,077	10,356,102
Scholarships and fellowships	31,873,082	39,320,494	37,212,122	23,176,417
Auxiliary enterprises	1,418,145	1,421,243	1,524,084	1,498,378
Depreciation	6,414,932	6,265,826	5,923,105	5,848,873
Total Operating Expenses	144,597,510	157,552,662	151,885,980	127,754,977
Non-Operating Expenses				
Interest on capital related debt	1,821,871	2,054,633	2,686,702	3,186,226
Loss on sale/disposal/return of capital assets	-	3,500	4,698	77,747
Non-capital construction costs	1,400,934	464,503	2,268,529	1,038,216
Bond costs amortization	536,677	496,724	353,037	353,037
Other non-operating expenses	500,835	396,032	673,262	706,561
Total Non-Operating Expenses	4,260,317	3,415,392	5,986,228	5,361,787
Total Expenses	\$ 148,857,827	\$ 160,968,054	\$ 157,872,208	\$ 133,116,764

Note: Other non-operating expenses were segregated into separate categories for FY 2012, FY 2011, FY 2010, FY 2009 and FY 2008. The segregation is not reflected in the previous years.

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003
\$	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
	111,626,192	99,873,715	100,045,140	93,442,499	82,843,616	83,974,546
	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
	4,562,587	6,639,183	5,756,429	9,654,057	6,624,223	5,722,330
\$	116,188,779	\$ 106,512,898	\$ 105,801,569	\$ 103,096,556	\$ 89,467,839	\$ 89,696,876

(Continued)

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2003-2012
(unaudited)

	For the Year Ended August 31,			
	2012	2011	2010	2009
Operating Expenses				
Instruction	36.22%	35.63%	35.13%	36.58%
Research	0.05%	-	-	-
Public service	0.49%	0.40%	1.56%	1.98%
Academic support	7.76%	7.48%	6.06%	6.96%
Student services	6.50%	6.17%	6.50%	6.82%
Institutional support	13.10%	12.61%	12.06%	12.92%
Operations and maintenance of plant	6.35%	6.38%	6.61%	7.78%
Scholarships and fellowships	21.41%	24.43%	23.57%	17.41%
Auxiliary enterprises	0.95%	0.88%	0.97%	1.13%
Depreciation	4.31%	3.89%	3.75%	4.39%
Total Operating Expenses	97.14%	97.87%	96.21%	95.97%
Non-Operating Expenses				
Interest on capital related debt	1.22%	1.28%	1.70%	2.39%
Loss on sale/disposal/return of capital assets	-	-	-	0.06%
Non-capital construction costs	0.94%	0.29%	1.44%	0.78%
Bond costs amortization	0.36%	0.31%	0.22%	0.27%
Other non-operating expenses	0.34%	0.25%	0.43%	0.53%
Total Non-Operating Expenses	2.86%	2.13%	3.79%	4.03%
Total Expenses	100.00%	100.00%	100.00%	100.00%

Notes:
Change in Net Assets reflected on Statistical Supplement 19.
Other non-operating expenses were segregated into separate categories for FY 2012, FY 2011, FY 2010, FY 2009 and FY 2008. The segregation is not reflected in 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%
96.07%	93.77%	94.56%	90.64%	92.60%	93.62%
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%
3.93%	6.23%	5.44%	9.36%	7.40%	6.38%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee (per student)	In-District Tuition (a)	Out-of-District Tuition (a)	Technology Fee	Learning Support Fee	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
2011	\$ 90/150	\$ 67	\$ 76	\$ 16	\$ 12	\$ 1,230/1,290	\$ 1,339/1,399	4.06%	0.00%
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%

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
2011	\$ 90/150	\$ 202	\$ 202	\$ 16	\$ 12	\$ 2,850/2,910	\$ 2,850/2,910	0.00%	0.00%
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%

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)
2011-12	\$ 30,664,264,073	\$ 1,146,088,734	\$ 29,518,175,339	96.26%	0.1100	0.0407	0.1507
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

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.



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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	FTSE (a & b)*	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (a & b)*	Total Contact Hours	State Appropriation per Contact Hour
2011-12	\$ 31,810,174	20,612	\$ 1,543	8,112,432	3,296,181	11,408,613	\$ 2.79
2010-11	27,944,746	20,282	1,378	8,185,840	3,076,852	11,262,692	2.48
2009-10	28,236,264	20,442	1,381	7,755,466	3,218,188	10,973,654	2.57
2008-09	25,271,072	15,956	1,584	6,123,504	2,639,854	8,763,358	2.88
2007-08	25,271,074	14,762	1,712	5,617,712	2,193,404	7,811,116	3.24
2006-07	23,228,528	11,921	1,949	5,221,392	1,876,011	7,097,403	3.27
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

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

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year			
		2012	2011	2010	2009
OXY USA Inc.	Oil & Gas	\$ 570,009,910	\$ -	\$ -	\$ -
AEP Texas Central Co.	Electric Utility	186,023,180	174,591,370	174,591,370	173,471,710
El Paso Production Oil & Gas	Oil & Gas	123,772,278	233,251,590	233,251,590	310,057,070
H E Butt Grocery Company	Grocery Chain	100,817,846	114,289,734	114,289,734	117,156,504
Wal Mart Property Tax Department	Retail Store	85,068,298	104,810,618	104,810,618	107,262,492
Frontera Generation LTD	Land & Improvements	70,561,190	82,100,300	82,100,300	82,417,210
Southwestern Bell Telephone	Telephone Utility	70,080,780	93,005,380	93,005,380	98,438,720
Calpine Construction Finance Co. LP	Electric Utility	69,200,480	87,490,000	87,490,000	97,713,920
Legend Natural Gas III LP	Oil & Gas	66,012,120	-	-	-
CPG Mercedes LP	Real Estate	59,589,853	60,625,220	60,625,220	-
Universal Health Services	Hospital	54,844,645	83,905,804	83,905,804	6,464,634
Rio Grande Regional Hospital	Hospital	52,965,623	66,677,559	66,677,559	67,737,830
Chevron U.S.A. Inc.	Oil & Gas	52,344,210	194,500,240	194,500,240	456,481,610
Simon Property Group - McAllen #2	Real Estate	50,708,897	50,944,799	50,944,799	-
Kerr-McGee Oil & Gas Onshore	Oil & Gas	48,146,650	107,433,880	107,433,880	-
Shell Western E&P Inc.	Oil & Gas	-	697,953,120	697,953,120	598,628,940
Smith Production Inc.	Oil & Gas	-	153,359,110	153,359,110	166,694,640
Chesapeake Operating	Oil & Gas	-	-	-	91,207,190
Trenton Street Corporation	Real Estate	-	-	-	58,908,315
Shell Western E&P (Total E&P)	Oil & Gas	-	-	-	56,191,760
Total E&P USA Inc.	Oil & Gas	-	-	-	-
Wal Mart Stores East, Inc. #452	Retail Store	-	-	-	-
Magic Valley Electric Co-op	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	-	-	-	-
Totals		1,660,145,960	2,304,938,724	2,304,938,724	2,568,832,545
Total Taxable Assessed Value		\$ 29,518,175,339	\$ 30,089,658,977	\$ 30,304,183,226	\$ 28,933,493,707

Sources:

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

South Texas College CAFR (FY Ended August 31, 2012): Note 12 – Ad Valorem Tax

Taxable Assessed Value (TAV) by Tax Year

2008	2007	2006	2005	2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
159,251,780	181,625,710	191,443,144	178,031,920	159,061,790	-
358,107,640	252,759,270	380,027,260	411,146,130	257,945,570	238,620,500
95,953,669	89,443,353	88,271,957	95,690,999	79,382,262	77,991,184
-	-	-	-	-	-
99,208,230	98,233,700	102,345,890	90,009,600	125,587,000	149,900,000
110,118,990	104,595,695	107,809,102	100,410,407	111,549,586	117,854,247
113,654,620	119,471,740	144,390,920	153,265,270	201,236,130	220,009,590
-	-	-	-	-	-
-	-	-	-	-	-
88,442,154	93,134,843	98,840,598	66,846,041	66,780,559	65,385,683
61,468,351	74,762,587	81,410,943	53,269,350	39,034,063	-
219,565,590	66,770,720	68,596,763	69,683,810	83,464,440	-
51,557,233	43,530,337	44,653,815	44,669,232	-	-
-	-	-	-	-	-
572,030,780	-	399,792,820	375,232,590	312,676,610	277,608,730
-	-	-	-	-	-
-	-	-	-	-	-
72,528,462	60,688,959	55,670,370	-	-	-
62,130,020	70,971,140	-	-	-	-
-	-	154,675,460	131,093,560	101,373,240	56,880,200
95,159,294	74,757,151	74,538,560	62,685,769	82,036,294	69,701,600
-	-	44,108,254	-	-	-
-	-	-	44,028,400	37,761,780	-
-	-	-	20,084,103	20,151,803	-
-	-	-	-	45,833,280	51,987,700
-	-	-	-	-	129,265,984
-	-	-	-	-	76,564,804
-	377,813,720	-	-	-	91,599,890
-	-	-	-	-	78,002,000
-	-	-	-	-	44,926,205
-	-	-	-	-	-
-	-	-	-	-	-
51,796,170	47,858,470	-	-	-	-
2,210,972,983	1,756,417,395	2,036,575,856	1,896,147,181	1,723,874,407	1,746,298,317
\$ 26,529,232,568	\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873	\$ 16,533,570,305

(Continued)

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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2012	2011	2010	2009
OXY USA Inc.	Oil & Gas	1.93%	-	-	-
AEP Texas Central Co.	Electric Utility	0.63%	0.58%	0.58%	0.60%
El Paso Production Oil & Gas	Oil & Gas	0.42%	0.77%	0.77%	1.07%
H E Butt Grocery Company	Grocery Chain	0.34%	0.38%	0.38%	0.40%
Wal Mart Property Tax Department	Retail Store	0.29%	0.35%	0.35%	0.37%
Frontera Generation LTD	Land & Improvements	0.24%	0.27%	0.27%	0.28%
Southwestern Bell Telephone	Telephone Utility	0.24%	0.31%	0.31%	0.34%
Calpine Construction Finance Co. LP	Electric Utility	0.23%	0.29%	0.29%	0.34%
Legend Natural Gas III LP	Oil & Gas	0.22%	-	-	-
CPG Mercedes LP	Real Estate	0.20%	0.20%	0.20%	-
Universal Health Services	Hospital	0.19%	0.28%	0.28%	0.30%
Rio Grande Regional Hospital	Hospital	0.18%	0.22%	0.22%	0.23%
Chevron U.S.A. Inc.	Oil & Gas	0.18%	0.64%	0.64%	1.57%
Simon Property Group - McAllen #2	Real Estate	0.17%	0.17%	0.17%	-
Kerr-McGee Oil & Gas Onshore	Oil & Gas	0.16%	0.36%	0.36%	-
Shell Western E&P Inc.	Oil & Gas	-	2.31%	2.31%	2.06%
Smith Production Inc.	Oil & Gas	-	0.51%	0.51%	0.57%
Chesapeake Operating	Oil & Gas	-	-	-	0.31%
Trenton Street Corporation	Real Estate	-	-	-	0.20%
Shell Western E&P (Total E&P)	Oil & Gas	-	-	-	0.19%
Total E&P USA Inc.	Oil & Gas	-	-	-	-
Wal Mart Stores East, Inc. #452	Retail Store	-	-	-	-
Magic Valley Electric Co-op	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	-	-	-	-
Totals		5.62%	7.64%	7.64%	8.83%

Sources:

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

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year

2008	2007	2006	2005	2004	2003
-	-	-	-	-	-
0.64%	0.77%	0.94%	0.95%	0.94%	-
1.45%	1.07%	1.86%	2.18%	1.52%	1.45%
0.39%	0.38%	0.43%	0.51%	0.47%	0.47%
-	-	-	-	-	-
0.40%	0.42%	0.50%	0.48%	0.74%	0.91%
0.44%	0.44%	0.53%	0.53%	0.66%	0.72%
0.46%	0.50%	0.71%	0.81%	1.18%	1.34%
-	-	-	-	-	-
-	-	-	-	-	-
0.36%	0.39%	0.48%	0.36%	0.39%	0.40%
0.25%	0.32%	0.40%	0.28%	0.23%	-
0.89%	0.28%	0.34%	0.37%	0.49%	-
0.21%	0.18%	0.22%	0.24%	-	-
-	-	-	-	-	-
-	-	1.96%	1.99%	1.84%	1.69%
-	-	-	-	-	-
-	-	-	-	-	-
0.29%	0.26%	0.27%	-	-	-
0.25%	0.30%	-	-	-	-
-	-	0.76%	0.70%	0.60%	0.35%
0.38%	0.32%	0.36%	0.33%	0.48%	0.42%
-	-	0.22%	-	-	-
-	-	-	0.23%	0.22%	-
-	-	-	0.11%	0.12%	-
-	-	-	-	0.27%	0.32%
-	-	-	-	-	0.78%
-	-	-	-	-	0.46%
-	-	-	-	-	0.56%
2.31%	1.60%	-	-	-	0.47%
-	-	-	-	-	0.27%
-	-	-	-	-	-
-	-	-	-	-	-
0.21%	0.20%	-	-	-	-
8.93%	7.43%	9.98%	10.07%	10.15%	10.61%

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)
2012	2011	\$ 44,227,775	\$ (49,842)	\$ 44,177,933	\$ 41,368,696
2011	2010	44,806,807	61,486	44,868,293	41,594,864
2010	2009	44,968,114	243,295	45,211,409	41,700,948
2009	2008	43,218,654	1,511,267	44,729,921	41,017,803
2008	2007	40,856,871	721,219	41,578,090	38,370,024
2007	2006	36,625,083	254,253	36,879,336	34,032,590
2006	2005	34,208,247	209,944	34,418,191	31,237,216
2005	2004	32,727,562	174,293	32,901,855	29,774,669
2004	2003	30,593,312	(27,566)	30,565,746	27,811,364
2003	2002	29,365,081	(60,250)	29,304,831	26,476,977

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)
93.54%	\$ -	\$ -	\$ 41,368,696	93.64%	\$ 2,809,237	6.36%
92.83%	-	1,422,002 *	43,016,866	95.87%	1,851,427	4.13%
92.73%	1,545,018 *	579,045	43,825,011	96.93%	1,386,398	3.07%
94.91%	2,361,659	296,131	43,675,593	97.64%	1,054,328	2.36%
93.91%	2,345,842	168,379	40,884,245	98.33%	693,845	1.67%
92.92%	2,259,714	98,665	36,390,969	98.68%	488,367	1.32%
91.31%	2,528,562	66,435	33,832,213	98.30%	585,978	1.70%
90.98%	2,573,532	47,942	32,396,143	98.46%	505,712	1.54%
90.91%	2,259,261	36,448	30,107,073	98.50%	458,673	1.50%
90.16%	2,428,897	28,814	28,934,688	98.74%	370,143	1.26%

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

	For the Year Ended August 31,			
	2012	2011	2010	2009
General Bonded Debt				
South Texas College District Tax Bonds, Series 1996	\$ -	\$ -	\$ -	\$ -
Public Property Finance Contractual Obligation Bond, Series 1999	-	-	-	260,000
South Texas College District Tax Bonds, Series 2002	-	4,630,000	19,060,000	23,445,000
South Texas College District Tax Bonds, Series 2003	1,595,000	3,130,000	14,140,000	15,560,000
South Texas College District Tax Bonds, Series 2004	8,190,000	9,615,000	11,005,000	12,160,000
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	2,370,000	2,660,000	2,935,000	2,945,000
South Texas College District Tax Bonds, Series 2007	22,119,991	22,384,991	22,639,991	22,884,991
South Texas College District Tax Bonds, Series 2010	18,556,029	18,969,296	-	-
Notes	-	-	-	-
Less: Funds restricted for debt service	(14,493,499)	(13,204,788)	(11,946,974)	(10,475,704)
Net general bonded debt	\$ 38,337,521	\$ 48,184,499	\$ 57,833,017	\$ 66,779,287
Other Debt				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Outstanding Debt	\$ 38,337,521	\$ 48,187,499	\$ 57,833,017	\$ 66,779,287
General Bonded Debt Ratios				
Per Capita (a)	\$ 41.04	\$ 51.58	\$ 65.59	\$ 78.06
Per FTSE (b)	1,860	2,376	2,829	4,185
As a percentage of Taxable Assessed Value (c)	0.13%	0.16%	0.19%	0.23%
As a percentage of personal income (d)	0.29%	0.51%	0.65%	0.78%
Total Outstanding Debt Ratios				
Per Capita (a)	\$ 41.04	\$ 51.58	\$ 65.59	\$ 78.06
Per FTSE (b)	1,860	2,376	2,829	4,185
As a percentage of Taxable Assessed Value (c)	0.13%	0.16%	0.19%	0.23%
As a percentage of personal income (d)	0.29%	0.51%	0.65%	0.78%

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,

2008	2007	2006	2005	2004	2003
\$ -	\$ -	\$ -	\$ 800,000	\$ 1,550,000	\$ 17,745,000
510,000	750,000	3,920,000	4,140,000	4,355,000	4,560,000
27,605,000	31,580,000	58,925,000	62,270,000	65,250,000	67,935,000
16,920,000	18,240,000	19,525,000	20,770,000	21,990,000	22,845,000
13,315,000	14,450,000	14,689,996	14,979,996	15,264,996	-
2,955,000	2,965,000	-	-	-	-
23,119,991	23,344,991	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(8,974,272)	(7,125,560)	(6,233,133)	(5,479,373)	(4,414,504)	(2,485,235)
\$ 75,450,719	\$ 84,204,431	\$ 90,826,863	\$ 97,480,623	\$ 103,995,492	\$ 110,599,765
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ 75,450,719	\$ 84,204,431	\$ 90,826,863	\$ 97,480,623	\$ 103,995,492	\$ 110,599,765
\$ 92.84	\$ 111.24	\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40
5,111	7,064	8,021	8,493	9,754	10,780
0.28%	0.36%	0.42%	0.49%	0.59%	0.67%
0.92%	0.69%	0.78%	0.94%	1.15%	1.29%
\$ 92.84	\$ 111.24	\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40
5,111	7,064	8,021	8,493	9,754	10,780
0.28%	0.36%	0.42%	0.49%	0.59%	0.67%
0.92%	0.69%	0.78%	0.94%	1.15%	1.29%

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

For the Year Ended August 31,

	2012	2011	2010	2009
Taxable Assessed Value	\$ 29,518,175,339	\$ 30,089,658,977	\$ 30,304,183,226	\$ 28,933,493,707
General Obligation Bonds				
Statutory Tax Levy Limit for Debt Service	\$ 147,590,877	\$ 150,448,295	\$ 151,520,916	\$ 144,667,469
Less: Funds Restricted for Repayment of General Obligation Bonds	(14,493,499)	(13,204,788)	(11,946,974)	(10,475,704)
Total Net General Obligation Debt	133,097,378	137,243,507	139,573,942	134,191,765
Current Year Debt Service Requirements	(11,151,900)	(11,148,943)	(11,150,535)	(11,146,701)
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 121,945,478	\$ 126,094,565	\$ 128,423,407	\$ 123,045,064
Net Current Requirements as a % of Statutory Limit	-2.26%	-1.37%	-0.53%	0.46%

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,

2008	2007	2006	2005	2004	2003
\$ 26,529,232,568	\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873	\$ 16,533,570,305
\$ 132,646,163	\$ 118,290,412	\$ 107,638,523	\$ 99,349,818	\$ 88,008,894	\$ 82,667,852
(8,974,272)	(7,125,560)	(6,233,133)	(5,479,373)	(4,414,505)	(2,485,235)
123,671,891	111,164,852	101,405,390	93,870,445	83,594,389	80,182,617
(11,147,686)	(11,135,516)	(10,947,644)	(10,743,226)	(10,521,954)	(10,246,291)
\$ 112,524,205	\$ 100,029,336	\$ 90,457,746	\$ 83,127,219	\$ 73,072,435	\$ 69,936,326
1.64%	3.39%	4.38%	5.30%	6.94%	9.39%



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

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

Statistical Supplement 12
Demographic and Economic Statistics – Taxing District
Last Ten Fiscal Years
(Unaudited)

Calendar Year	District Population (a)	Hidalgo County Median Household Money Income (b)	Starr County Median Household Money Income (c)	District Median Household Money Income (d=(b+c)/2)	Hidalgo County Personal Income Per Capita (e)	Starr County Personal Income Per Capita (5) (f)
2012	860,992 (2)	\$ 32,471 (6)	\$ 24,741 (6)	\$ 28,606	\$ 16,272 (1)	\$ 11,980 (1)
2011	848,228 (2)	33,558 (4)	19,931 (4)	26,745	12,056 (4)	8,099 (4)
2010	835,737 (2,3)	30,593 (4)	19,536 (4)	25,065	11,769 (4)	7,908 (4)
2009	855,503 (8)	30,863 (4)	19,493 (4)	25,178	12,009 (4)	7,980 (4)
2008	812,734 (8)	30,932 (4)	19,430 (4)	25,181	12,276 (4)	7,986 (4)
2007	756,956 (8)	30,153 (8)	23,070 (1)	26,612	18,316 (1)	13,854 (1)
2006	770,962 (8)	28,538 (3)	20,098 (1)	24,318	17,409 (5)	12,971
2005	744,499 (8)	24,808 (3)	17,843 (3)	21,326	16,738 (5)	12,364
2004	672,804 (8)	26,375 (3)	19,775 (3)	23,075	15,706 (5)	11,373
2003	660,706 (8)	25,937 (3)	19,185 (3)	22,561	15,062 (5)	11,079

Sources:

- (1) Texas Workforce Commission
- (2) Texas State Data Center-UTSA
- (3) U.S. Census Bureau
- (4) Economic Development Intelligence System
- (5) U.S. Bureau of Economic Analysis
- (6) Zoom Prospector
- (7) U.S. Department of Labor
- (8) First Southwest Company

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, 7) (i)	Starr County Unemployment Rate (1, 7) (j)	District Unemployment Rate (k)	State Unemployment Rate (1, 7) (l)	National Unemployment Rate (1) (m)
\$ 14,126	\$ 12,162,042	11.70%	14.70%	13.20%	7.05%	8.20%
10,078	9,414,444	12.60%	16.80%	14.70%	8.50%	9.10%
9,839	8,901,997	12.10%	17.90%	15.00%	8.50%	9.60%
9,995	8,550,752	11.60%	17.80%	14.70%	8.30%	9.80%
10,131	8,233,808	7.90%	10.90%	9.40%	5.10%	6.10%
16,085	12,175,637	6.20%	8.10%	7.15%	4.30%	4.70%
15,190	11,710,913	7.10%	10.40%	8.75%	5.10%	4.60%
14,551	10,833,205	7.30%	9.80%	8.55%	5.20%	4.90%
13,540	9,109,766	11.50%	14.10%	12.80%	5.80%	5.40%
13,071	8,636,088	13.10%	12.60%	12.85%	6.80%	6.00%

Statistical Supplement 13
Principal Employers
(unaudited)

<u>Employer</u>	<u>2012</u>		<u>2003 (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 ²	4,363	1.48%	-	-
P.S.J.A. Independent School District	4,200	1.42%	-	-
Hidalgo County	3,938	1.33%	-	-
Wal-Mart ³	3,759	1.27%	-	-
Edinburg Consolidated I.S.D.	3,600	1.22%	-	-
McAllen Consolidated I.S.D.	3,595	1.22%	-	-
Doctor's Hospital at Renaissance	3,400	1.15%	-	-
Edinburg Regional Medical Center	3,000	1.02%	-	-
University of Texas-Pan American	2,850	0.96%	-	-
McAllen Medical Center	2,800	0.95%	-	-
Totals	35,505	12.02%	-	-

Sources:

Hidalgo County 2011 CAFR

Real Estate Center: Market Report 2012, McAllen-Edinburg-Mission

Texas Workforce Commission

Manta.com – Company Profile Search

Notes:

Total employment as of August 2012 for district was 295,355. Based on latest economic indicators, provided by the Texas Workforce Commission for Texas Labor Market Information for August 2012.

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

(2) Total number of employees includes Hidalgo County stores and 1 H-E-B store located in Starr County (Rio Grande City, TX).

(3) Total number of employees includes Hidalgo County stores and 1 Wal-Mart store located in Starr County (Rio Grande City, TX).

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Faculty										
Full-Time	526	552	446	437	428	409	396	379	355	349
Part-Time	192	197	194	170	252	229	244	227	210	186
Total	718	749	640	607	680	638	640	606	565	535
Percent										
Full-Time	73.3%	73.7%	69.7%	72.0%	62.9%	64.1%	61.9%	62.5%	62.8%	65.2%
Part-Time	26.7%	26.3%	30.3%	28.0%	37.1%	35.9%	38.1%	37.5%	37.2%	34.8%
Staff and Administrators										
Full-Time	710	720	718	675	596	574	541	523	479	450
Part-Time	426	408	428	428	404	475	470	455	232	188
Total	1,136	1,128	1,146	1,103	1,000	1,049	1,011	978	711	638
Percent										
Full-Time	62.5%	63.8%	62.7%	61.2%	59.6%	54.7%	53.5%	53.5%	67.4%	70.5%
Part-Time	37.5%	36.2%	37.3%	38.8%	40.4%	45.3%	46.5%	46.5%	32.6%	29.5%
FTSE per Full-time Faculty	39.2	36.7	45.8	36.5	34.5	29.1	28.6	30.3	30.0	29.4
FTSE per Full-Time Staff Member	29.0	28.2	28.5	23.6	24.8	20.8	20.9	21.9	22.3	22.8
FTSE*	20,612	20,282	20,442	15,956	14,762	11,921	11,323	11,478	10,662	10,260
Average Annual Faculty Salary**	\$ 52,051	\$ 52,435	\$ 56,880	\$ 52,830	\$ 44,391	\$ 39,688	\$ 37,817	\$ 37,202	\$ 36,208	\$ 35,156

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)

Student Classification	Academic									
	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	19,655	66.60%	18,941	67.63%	16,690	63.30%	11,123	51.34%	12,295	62.07%
31-60 hours	8,771	29.72%	7,609	27.17%	5,532	20.98%	5,537	25.56%	4,144	20.92%
> 60 hours	1,087	3.68%	1,456	5.20%	4,146	15.72%	5,006	23.10%	3,369	17.01%
Total	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%	19,808	100.00%
Semester Hour Load	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	92	0.31%	151	0.54%	158	0.60%	82	0.38%	179	0.90%
3-5 semester hours	7,336	24.86%	6,545	23.37%	6,297	23.88%	5,486	25.32%	4,314	21.78%
6-8 semester hours	6,431	21.79%	6,483	23.15%	6,328	24.00%	5,507	25.42%	4,897	24.72%
9-11 semester hours	5,854	19.84%	5,555	19.84%	4,966	18.83%	4,051	18.70%	3,484	17.59%
12-14 semester hours	8,690	29.44%	8,221	29.35%	7,683	29.14%	5,827	26.89%	6,173	31.16%
15-17 semester hours	997	3.38%	919	3.28%	810	3.07%	643	2.97%	696	3.51%
18 & over	113	0.38%	132	0.47%	126	0.48%	70	0.32%	65	0.34%
Total	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%	19,808	100.00%
Average course load	8.57		8.57		8.46		8.26		8.57	
Tuition Status	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	28,611	96.94%	27,105	96.79%	25,564	96.95%	20,859	96.28%	19,006	95.95%
Texas Resident (out-of-District)	548	1.86%	600	2.14%	502	1.90%	374	1.73%	352	1.78%
Non-Resident Tuition	354	1.20%	301	1.07%	302	1.15%	433	2.00%	450	2.27%
Total	29,513	100.00%	28,006	100.00%	23,368	100.00%	21,666	100.00%	19,808	100.00%

Source: CBM001

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

Continuing Education										
Student Classification (Contact Hours)	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Continuing Education (CE)	859	95.87%	1,069	97.36%	1,175	98.57%	921	98.40%	778	98.98%
CE Not State Funded	37	4.13%	29	2.64%	17	1.43%	15	1.60%	8	1.02%
Total	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%
Contact Hour Load	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	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	100	11.16%	77	7.01%	86	7.21%	105	11.22%	10	1.27%
9-11 semester hours	-	0.00%	-	0.00%	-	0.00%	6	0.64%	6	0.76%
12-14 semester hours	186	20.76%	265	24.13%	481	40.35%	345	36.85%	274	34.86%
15-17 semester hours	12	1.34%	7	0.64%	22	1.85%	30	3.21%	-	0.00%
18 & over	598	66.74%	749	68.22%	603	50.59%	450	48.08%	496	63.11%
Total	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%
Average course load	49.04		49.59		49.59		43.36		49.76	
Tuition Status	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	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	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%
Total	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%

Source: CBM00A Item #21 Tuition Status of CE Students

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

	Academic									
	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	16,877	57.18%	16,039	57.27%	15,233	57.77%	12,714	58.68%	11,553	58.32%
Male	12,636	42.82%	11,967	42.73%	11,135	42.23%	8,952	41.32%	8,255	41.68%
Total	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%	19,808	100.00%
Ethnic Origin										
White	591	2.00%	911	3.25%	786	2.98%	671	3.10%	628	3.17%
Hispanic	26,815	90.86%	24,853	88.74%	24,567	93.17%	20,387	94.10%	18,542	93.61%
African American	62	0.21%	39	0.14%	91	0.35%	73	0.34%	56	0.28%
Asian	156	0.53%	80	0.29%	259	0.98%	273	1.26%	232	1.17%
Foreign	64	0.22%	55	0.20%	170	0.64%	146	0.67%	132	0.67%
Native American	7	0.02%	33	0.12%	13	0.05%	16	0.07%	15	0.08%
Unknown	1,818	6.16%	2,035	7.26%	482	1.83%	100	0.46%	203	1.02%
Total	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%	19,808	100.00%
Age										
Under 18	9,540	32.32%	4,079	14.56%	6,639	25.18%	5,584	25.77%	1,829	9.23%
18 - 21	10,479	35.51%	12,132	43.32%	9,630	36.52%	7,913	36.52%	8,643	43.63%
22 - 24	3,085	10.45%	4,042	14.43%	3,289	12.47%	2,713	12.52%	3,315	16.74%
25 - 35	4,545	15.40%	5,499	19.64%	4,909	18.62%	3,953	18.25%	4,329	21.85%
36 - 50	1,675	5.68%	2,014	7.19%	1,712	6.49%	1,334	6.16%	1,499	7.57%
51 & over	189	0.64%	240	0.86%	189	0.72%	169	0.78%	189	0.95%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	4	0.03%
Total	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%	19,808	100.00%
Average Age	22.0		22.1		22.0		22.0		24.0	

Source: CBM001

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

Continuing Education

	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	429	47.88%	678	61.75%	638	53.52%	436	46.58%	422	53.69%
Male	467	52.12%	420	38.25%	554	46.48%	500	53.42%	364	46.31%
Total	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%
Ethnic Origin										
White	44	4.91%	24	2.19%	549	46.07%	226	24.14%	137	17.43%
Hispanic	282	31.47%	433	39.44%	640	53.69%	705	75.32%	647	82.32%
African American	1	0.11%	-	0.00%	1	0.08%	1	0.11%	-	0.00%
Asian	1	0.11%	1	0.09%	1	0.08%	3	0.32%	2	0.25%
Foreign	-	0.00%	3	0.27%	-	0.00%	-	0.00%	-	0.00%
Native American	1	0.11%	1	0.09%	-	0.00%	-	0.00%	-	0.00%
Unknown	567	63.29%	636	57.92%	1	0.08%	1	0.11%	-	0.00%
Total	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%
Age										
Under 18	19	2.12%	14	1.28%	12	1.01%	3	0.32%	7	0.89%
18 -21	97	10.83%	202	18.40%	263	22.06%	158	16.88%	176	22.39%
22 - 24	53	5.92%	84	7.65%	92	7.72%	68	7.27%	72	9.16%
25 - 35	263	29.35%	319	29.05%	336	28.19%	280	29.91%	244	31.04%
36 - 50	358	39.96%	388	35.34%	384	32.21%	332	35.47%	227	28.88%
51 & over	106	11.82%	91	8.28%	105	8.81%	95	10.15%	60	7.64%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%	786	100.00%
Average Age	36.20		33.80		33.35		34.71		32.18	

Source: CBM00A

Statistical Supplement 17

Transfers to Senior Institutions

Students as of Fall 2011

(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	2,940	252	52	3,244	66.03%
2 Texas A&M University - Kingsville	294	18	1	313	6.37%
3 Texas A&M University	225	3	1	229	4.66%
4 University of Texas at Austin	207	8	1	216	4.40%
5 University of Texas at San Antonio	181	19	5	205	4.17%
6 Texas State University - San Marcos	149	11	7	167	3.40%
7 Texas State Technical College - Harlingen	64	31	6	101	2.06%
8 Texas Southmost College	48	25	5	78	1.59%
9 University of Texas at Brownsville	63	12	2	77	1.57%
10 Texas A&M International University	58	8	1	67	1.36%
11 Texas A&M University - Corpus Christi	53	6	2	61	1.24%
12 Texas Tech University	36	2	-	38	0.77%
13 University of North Texas	24	-	2	26	0.53%
14 University of Houston	14	2	-	16	0.33%
15 Sam Houston State University	15	-	1	16	0.33%
16 University of Texas at Arlington	13	2	-	15	0.31%
17 Texas Woman's University	6	1	-	7	0.14%
18 Sul Ross State University	7	-	-	7	0.14%
19 Stephen F. Austin State University	6	-	-	6	0.12%
20 University of Houston - Downtown	3	1	-	4	0.08%
21 Texas A&M University - Commerce	2	1	1	4	0.08%
22 Angelo State University	3	1	-	4	0.08%
23 University of Texas at Dallas	4	-	-	4	0.08%
24 University of Houston - Victoria	4	-	-	4	0.08%
25 University of Texas at El Paso	3	1	-	4	0.08%
Total	4,422	404	87	4,913	100.00%

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				
	2012	2011	2010	2009	2008
Academic Buildings	24	22	22	22	15
Square footage	1,023,096	897,023	897,023	898,166	495,797
Academic Portable Buildings	44	44	42	20	20
Square footage	72,865	72,865	69,793	36,769	36,769
Libraries	3	3	3	3	3
Square footage	105,507	105,507	105,507	105,507	54,958
Number of volumes	142,163	133,283	139,625	136,217	130,167
Administrative and Support Buildings	12	12	12	11	10
Square footage	232,309	232,309	232,309	234,664	196,009
Administrative and Support Portable Buildings	9	8	8	6	6
Square footage	13,404	12,964	12,964	8,352	8,352
Dining Facilities	5	5	5	3	3
Square footage	15,343	15,343	15,343	11,845	11,845
Average daily customers	1,005	1,059	1,257	516	702
Fitness Facilities	2	2	2	2	2
Square footage	37,432	37,432	37,432	37,432	14,697
Plant Facilities	1	1	1	1	1
Square footage	11,754	11,754	11,754	11,754	11,754
Transportation					
Automobiles-instructional	29	29	29	28	28
Light trucks/vans	21	19	19	18	16
Light trucks/vans-instructional	28	28	28	28	28
Heavy trucks/backhoe	1	1	-	-	-
Heavy trucks/backhoe-instructional	5	4	4	3	3
Golf and forklift	14	10	9	7	4
Shuttle/bus	2	2	2	-	-

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

Statistical Supplement 19
Changes in Net Assets
Fiscal Years 2003-2012
(unaudited)

	For the Fiscal Year Ended			
	2012	2011	2010	2009
Operating Revenues				
Tuition and fees (net of discounts)	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615	\$ 16,561,311
Federal grants and contracts	4,748,007	6,172,207	8,979,526	7,015,595
State grants and contracts	6,794,060	6,335,567	6,711,706	5,412,226
Local grants and contracts	1,293,135	1,380,691	1,255,944	1,129,509
Non-governmental grants and contracts	2,740,134	2,796,686	2,200,618	1,594,568
Auxiliary enterprises	1,872,734	1,877,501	1,666,738	1,403,045
General operating revenues	439,642	545,846	1,988,232	2,280,483
Total Operating Revenues	37,471,221	37,390,206	39,956,379	35,396,737
Operating Expenses				
Instruction	53,899,805	57,359,050	55,454,200	48,698,353
Research	67,273	6,303	-	-
Public service	736,507	640,673	2,460,617	2,637,239
Academic support	11,551,178	12,035,474	9,565,508	9,271,172
Student services	9,681,946	9,939,104	10,264,591	9,070,935
Institutional support	19,494,885	20,293,881	19,044,676	17,197,508
Operations and maintenance of plant	9,459,757	10,270,614	10,437,077	10,356,102
Scholarships and fellowships	31,873,082	39,320,494	37,212,122	23,176,417
Auxiliary enterprises	1,418,145	1,421,243	1,524,084	1,498,378
Depreciation	6,414,932	6,265,826	5,923,105	5,848,873
Total Operating Expenses	144,597,510	157,552,662	151,885,980	127,754,977
Operating Loss	\$ (107,126,289)	\$ (120,162,456)	\$ (111,929,601)	\$ (92,358,240)

Note: Other non-operating expenses were segregated into separate categories for FY 2012, FY 2011, FY 2010, FY 2009 and FY 2008. The segregation is not reflected in the previous years.

For the Fiscal Year Ended

	2008	2007	2006	2005	2004	2003
\$	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
	30,602,463	25,268,402	28,276,377	27,592,663	22,848,622	22,332,352
	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
	111,626,192	99,873,715	100,045,140	93,442,499	82,843,616	83,974,546
\$	(81,023,729)	\$ (74,605,313)	\$ (71,768,763)	\$ (65,849,836)	\$ (59,994,994)	\$ (61,642,194)

(Continued)

Statistical Supplement 19
Changes in Net Assets
Fiscal Years 2003 - 2012
(unaudited)

	For the Fiscal Year Ended			
	2012	2011	2010	2009
Non-Operating Revenues (Expenses)				
State allocations	\$ 37,017,673	\$ 36,676,953	\$ 37,514,938	\$ 33,173,275
Ad-valorem taxes				
Taxes for maintenance & operations	33,244,142	33,798,861	34,314,946	33,731,408
Taxes for debt service	12,276,741	12,187,090	12,197,541	12,212,764
Federal revenue, non-operating	61,950,136	66,972,554	59,089,947	34,498,524
Gifts	418,605	309,868	663,193	775,113
Investment income (net of investment expenses)	417,075	327,497	388,426	1,335,180
Interest on capital related debt	(1,821,871)	(2,054,633)	(2,986,702)	(3,186,226)
Gain on disposal of capital assets	2,793	-	-	-
Loss on sale/disposal/return of capital assets	-	(3,500)	(4,698)	(77,747)
Non-capital construction costs	(1,400,934)	(464,503)	(2,268,529)	(1,038,216)
Bond costs amortization	(536,677)	(496,724)	(353,037)	(353,037)
Other non-operating revenues (expenses)	(500,835)	(396,032)	(673,262)	(706,561)
Net Non-Operating Revenues (Expenses)	141,066,848	146,857,431	137,882,763	110,364,477
Income before contributions, endowment and extraordinary item	33,940,559	26,694,975	25,953,162	18,006,237
Capital contributions	22,740	732,061	1,248,559	2,407,855
Additions (deductions) to permanent and term endowment	(4,700)	300	-	9,690
Special item	-	-	-	374,140
Extraordinary item	2,010,294	-	-	-
Increase in net assets	35,968,893	27,427,336	27,201,721	20,797,922
Net Assets-Beginning of Year, as restated	257,119,048	229,691,712	202,489,991	181,692,069
Net assets-end of year	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712	\$ 202,489,991

(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)	
103,054,247	93,235,296	90,715,549	79,812,099	81,358,806	76,578,628	
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	
\$ 181,692,069	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599	\$ 105,094,939	\$ 83,627,207	

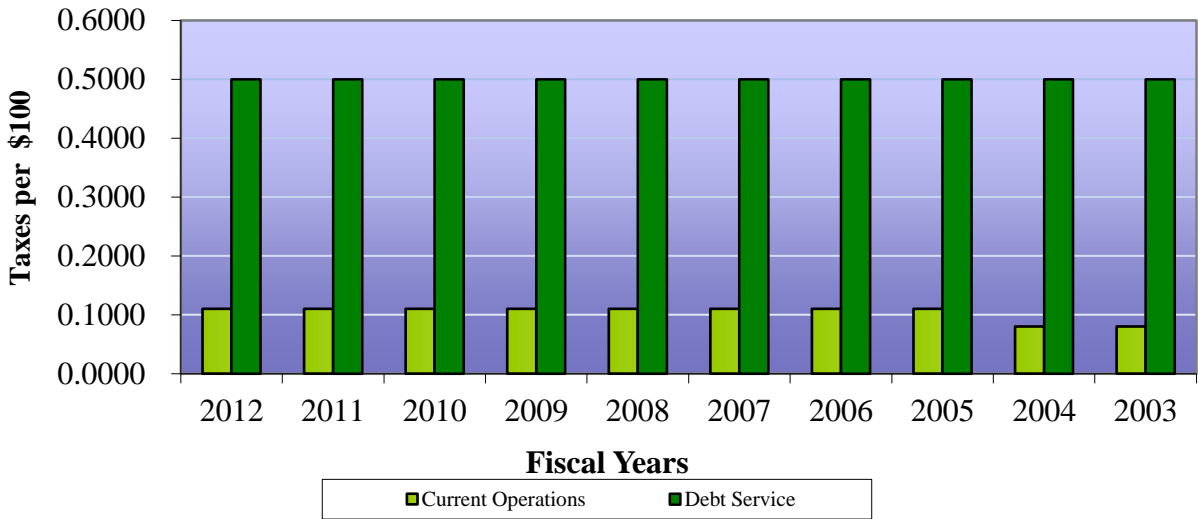


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Statistical Supplement 20
Ad Valorem Tax Rates Authorized
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Current Operations	Debt Service	Total
2012	0.1100	0.5000	0.6100
2011	0.1100	0.5000	0.6100
2010	0.1100	0.5000	0.6100
2009	0.1100	0.5000	0.6100
2008	0.1100	0.5000	0.6100
2007	0.1100	0.5000	0.6100
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

Ad Valorem Tax Rates Authorized



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)

<u>Governmental Subdivision</u>	<u>Percent Applicable</u>	<u>Tax Year 2011</u>	<u>Tax Year 2010</u>	<u>Tax Year 2009</u>	<u>Tax Year 2008</u>
South Texas College District	100.00%	\$0.150700	\$0.149700	\$0.149100	\$0.149800
HIDALGO COUNTY					
Cities:					
Alamo*	100.00%	0.585480	0.591910	0.591910	0.591910
Alton	100.00%	0.482500	0.485000	0.049500	0.497400
Donna*	100.00%	1.252300	1.125979	1.038320	0.989999
Edcouch	100.00%	0.884200	0.854200	0.854200	0.901200
Edinburg*	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa*	100.00%	0.990000	0.904200	0.904200	0.904220
Granjeno	100.00%	0.425300	0.375700	0.037200	0.311100
Hidalgo*	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya*	100.00%	0.545200	0.532300	0.517600	0.567800
La Villa	100.00%	0.622400	0.623400	0.623400	0.839600
McAllen*	100.00%	0.431300	0.421300	0.421300	0.421300
Mercedes*	100.00%	0.785000	0.790000	0.790000	0.805000
Mission*	100.00%	0.538800	0.556600	0.556600	0.566600
Palmview	100.00%	0.460000	0.453400	0.443800	0.467964
Penitas	100.00%	0.362500	0.329600	0.308500	0.338900
Pharr*	100.00%	0.680000	0.680000	0.680000	0.683120
Progreso	100.00%	0.499900	0.455300	0.455300	0.414700
San Juan*	100.00%	0.738600	0.738600	0.738600	0.699300
Sullivan City	100.00%	0.353500	0.322000	0.323200	0.326000
Weslaco	100.00%	0.696700	0.696700	0.696700	0.696700
School Districts:					
Donna ISD*	100.00%	1.258200	1.258200	1.177900	1.200000
Edcouch-Elsa ISD*	100.00%	1.258000	1.258000	1.258000	1.258000
Edinburg ISD*	100.00%	1.239800	1.239800	1.219800	1.189800
Hidalgo ISD*	100.00%	1.586400	1.586400	1.436400	1.350000
La Joya ISD*	100.00%	1.311000	1.311000	1.311000	1.321600
La Villa ISD*	100.00%	1.303800	1.224800	1.224800	1.224800
Lyford CISD*	4.87%	1.330000	0.000000	0.000000	0.000000
McAllen ISD*	100.00%	1.165000	1.165000	1.165000	1.145000
Mercedes ISD*	100.00%	1.290000	1.290000	1.290000	1.290000
Mission CISD*	100.00%	1.300000	1.300000	1.280000	1.240000
Monte Alto ISD*	100.00%	1.350000	1.350000	1.220000	1.240000
PSJA ISD*	100.00%	1.359200	1.359200	1.301300	1.271000
Progreso ISD*	100.00%	1.430000	1.430000	1.310000	1.340000
Sharyland ISD	100.00%	1.200000	1.200000	1.200000	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	1.317000
Weslaco ISD	100.00%	1.139700	1.139700	1.139700	1.139700

Tax Year	Tax Year	Tax Year	Tax Year	Tax Year	Tax Year
2007	2006	2005	2004	2003	2002
\$0.154000	\$0.154800	\$0.158900	\$0.164700	\$0.173800	\$0.177600
0.592850	0.592850	0.553800	0.553800	0.522337	0.536390
0.499900	0.426600	0.426600	0.409600	0.429600	0.399000
0.989999	0.989999	0.989138	0.991648	1.039828	1.037270
0.899000	0.899000	0.773400	0.776100	0.797200	0.784860
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.741851	0.792720	0.810000	0.691735	0.751050	0.753399
0.281000	0.304900	0.275478	0.283700	0.275500	0.253431
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.560100	0.586200	0.565200	0.597900	0.646500	0.660400
0.772400	0.851600	0.785800	0.781000	0.761000	0.817500
0.421300	0.421300	0.421300	0.421300	0.421300	0.421300
0.850000	0.870000	0.870000	0.870000	0.870000	0.840000
0.556600	0.556600	0.558900	0.539800	0.550000	0.550000
0.352146	0.337009	0.334301	0.307025	0.310717	0.308097
0.275000	0.300000	0.300000	0.300000	0.300000	0.293400
0.683120	0.683120	0.683120	0.683120	0.683120	0.690000
0.422200	0.413900	0.389600	0.373600	0.387300	0.365400
0.699300	0.699300	0.699368	0.681369	0.683102	0.687546
0.326000	0.300000	0.300000	0.300000	0.300000	0.000000
0.696700	0.699500	0.699500	0.699500	0.699500	0.735900
1.200000	1.530000	1.660000	1.660000	1.660000	1.560000
1.258000	1.543400	1.600000	1.600000	1.600000	1.600000
1.115200	1.445200	1.575100	1.595100	1.599300	1.551600
1.320000	1.540000	1.610000	1.590000	1.590000	1.570000
1.252000	1.582000	1.642000	1.642000	1.569900	1.569900
1.224800	1.517800	1.626700	1.606700	1.586700	1.566700
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
1.145000	1.478000	1.615500	1.540000	1.540000	1.542500
1.290000	1.570000	1.660000	1.660000	1.620000	1.620000
1.180000	1.457400	1.663200	1.569100	1.584100	1.584100
1.186000	1.427300	1.546000	1.566400	1.577600	1.580600
1.211300	1.519400	1.613534	1.613534	1.611538	1.622068
1.239000	1.604600	1.654000	1.654000	1.654000	1.688000
1.185000	1.545100	1.565000	1.565000	1.555000	1.540000
0.049200	0.039200	0.039200	0.039200	0.039200	0.039200
1.255200	1.548800	1.548900	1.548900	1.480000	1.480000
1.104700	1.341800	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	Tax Year 2011	Tax Year 2010	Tax Year 2009	Tax Year 2008
HIDALGO COUNTY					
Special Districts:					
Hidalgo County*	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage Dist. #1*	100.00%	0.073300	0.072500	0.072500	0.070000
EMS District #1	100.00%	0.013400	0.013400	0.013200	0.013200
EMS District #2	100.00%	0.033600	0.031100	0.028400	0.029000
EMS District #3	100.00%	0.010000	0.008800	0.008000	0.007500
EMS District #4	100.00%	0.024500	0.024500	0.024000	0.021800
Donna Irrigation #1	100.00%	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	100.00%	0.510000	0.510000	0.000000	0.480000
Engleman Water District #6	100.00%	0.220000	0.220000	0.210000	0.280000
Kennedy Co GCD	100.00%	0.015300	0.012500	0.015000	0.020000
Brush County GCD	100.00%	0.030000	0.000000	0.000000	0.000000
Red Sands Groundwater CD	100.00%	0.169000	0.000000	0.000000	0.000000
STARR COUNTY					
Cities:					
Roma	100.00%	0.508710	0.508710	0.446330	0.444620
Rio Grande City*	100.00%	0.507459	0.506460	0.350000	0.292292
Escobares City	100.00%	0.340000	0.322050	0.300000	0.300000
School Districts:					
Rio Grande City CISD*	100.00%	1.479500	1.489500	1.413000	1.418900
Roma ISD*	100.00%	1.459920	1.464760	1.416680	1.437683
San Isidro ISD	100.00%	1.040000	1.030000	1.040000	1.040000
Special Districts:					
Starr County Memorial Hospital District	100.00%	0.237531	0.204604	0.193676	0.200178
Starr County	100.00%	0.510100	0.460100	0.520400	0.514200
F&M & FC	100.00%	0.189100	0.239100	0.178800	0.185000

Sources:

Hidalgo County Appraisal District

Starr County Appraisal District

*Municipal Advisor Council of Texas

(Continued)

<u>Tax Year</u> 2007	<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
0.590000	0.590000	0.590000	0.590000	0.590000	0.590000
0.049200	0.043100	0.043500	0.043500	0.043500	0.045600
0.014700	0.015700	0.016700	0.017500	0.018300	0.018300
0.028000	0.027400	0.026200	0.024700	0.027500	0.027500
0.008600	0.010300	0.011500	0.011500	0.012500	0.012500
0.022800	0.024100	0.024100	0.024100	0.024100	0.025700
0.210000	0.210000	0.210000	0.210000	0.210000	0.200000
0.000000	0.540000	0.550000	0.550000	0.560000	0.000000
0.270000	0.274600	0.290000	0.290000	0.335700	0.335700
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.453780	0.394940	0.394940	0.394940	0.377500	0.380000
0.292292	0.292292	0.290000	0.000000	0.000000	0.000000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
1.418900	1.599800	1.594600	1.566000	1.566000	1.513900
1.234090	1.521000	1.594900	1.619700	1.594100	1.595900
1.040000	1.370000	1.500000	1.500000	1.500000	1.478900
0.196300	0.133400	0.115300	0.111400	0.124200	0.115100
0.514200	0.441000	0.446000	0.446000	0.468300	0.436800
0.185000	0.168200	0.168400	0.168400	0.161100	0.148900

Statistical Supplement 22
Computation of Direct and Overlapping Debt
August 31, 2012
(unaudited)

Overlapping Agencies	Outstanding Bonds	As of	Applicable to Direct	
			Percent	Amount
Alamo, City of	\$ 6,555,095	09/30/10	100.00%	\$ 6,555,095
Donna ISD	105,225,000 *	02/29/12	100.00%	105,225,000
Donna, City of	32,319,117	09/30/10	100.00%	32,319,117
Edcouch-Elsa ISD	46,425,000 *	02/29/12	100.00%	46,425,000
Edinburg CISD	219,045,000 *	02/29/12	100.00%	219,045,000
Edinburg, City of	39,700,604	09/30/10	100.00%	39,700,604
Elsa, City of	252,139 *	02/29/12	100.00%	252,139
Hidalgo Co.	185,405,000 *	02/29/12	100.00%	185,405,000
Hidalgo Co. DD #1	93,740,000 *	02/29/12	100.00%	93,740,000
Hidalgo ISD	48,080,000 *	02/29/12	100.00%	48,080,000
Hidalgo, City of	4,225,890	01/31/11	100.00%	4,225,890
La Joya ISD	296,280,228 *	02/29/12	100.00%	296,280,228
La Joya, City of	170,000 *	02/29/12	100.00%	170,000
La Villa ISD	5,925,000 *	02/29/12	100.00%	5,925,000
Lyford CISD	8,859,997 *	02/29/12	4.87%	431,482
McAllen ISD	122,772,807 *	02/29/12	100.00%	122,772,807
McAllen, City of	26,630,593	09/30/11	100.00%	26,630,593
Mercedes ISD	53,220,693 *	02/29/12	100.00%	53,220,693
Mercedes, City of	12,474,328	09/30/10	100.00%	12,474,328
Mission CISD	148,476,573	12/31/10	100.00%	148,476,573
Mission, City of	28,116,000 *	02/29/12	100.00%	28,116,000
Monte Alto ISD	15,255,000 *	02/29/12	100.00%	15,255,000
Pharr, City of	12,457,971	03/01/11	100.00%	12,457,971
Pharr-San Juan-Alamo ISD	394,014,206	08/31/11	100.00%	394,014,206
Progreso ISD	30,380,000 *	02/29/12	100.00%	30,380,000
Rio Grande City CISD	127,949,461	08/31/11	100.00%	127,949,461
Rio Grande City, City of	6,376,803	09/30/09	100.00%	6,376,803
Roma ISD	69,242,963 *	02/29/12	100.00%	69,242,963
San Juan, City of	15,852,464	07/30/10	100.00%	15,852,464

(Continued)

<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	129,222,756 *	02/29/12	100.00%	129,222,756
Starr Co	3,686,053 *	02/29/12	100.00%	3,686,053
Valley View ISD	53,026,133 *	02/29/12	100.00%	53,026,133
Weslaco ISD	74,587,824	08/31/11	100.00%	74,587,824
Weslaco, City of	24,393,304	12/01/10	100.00%	24,393,304
Total Net Overlapping Debt:				2,431,915,485
South Texas College District		12/31/11		47,954,413
Total Direct and Overlapping Debt:				\$ 2,479,869,898

Source: Municipal Advisory Council of Texas

Note:
* Gross Debt



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Special Reports Section



Technology Campus



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 basic financial statements of South Texas College as of and for the years ended August 31, 2012 and 2011 and have issued our report thereon dated December 6, 2012. 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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 6, 2012.

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 6, 2012

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, 2012. 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, 2012.

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 6, 2012

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, 2012. 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, 2012.

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 6, 2012

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2012

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, 2012

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: Jobs and Education for Texans Grants
 Skills Development Funds
 P-16 Adult Basic Education Innovation

Dollar threshold used to distinguish
 between Type A and Type B programs: Federal \$ 2,003,751
 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, 2012

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, 2012

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, 2012

FEDERAL

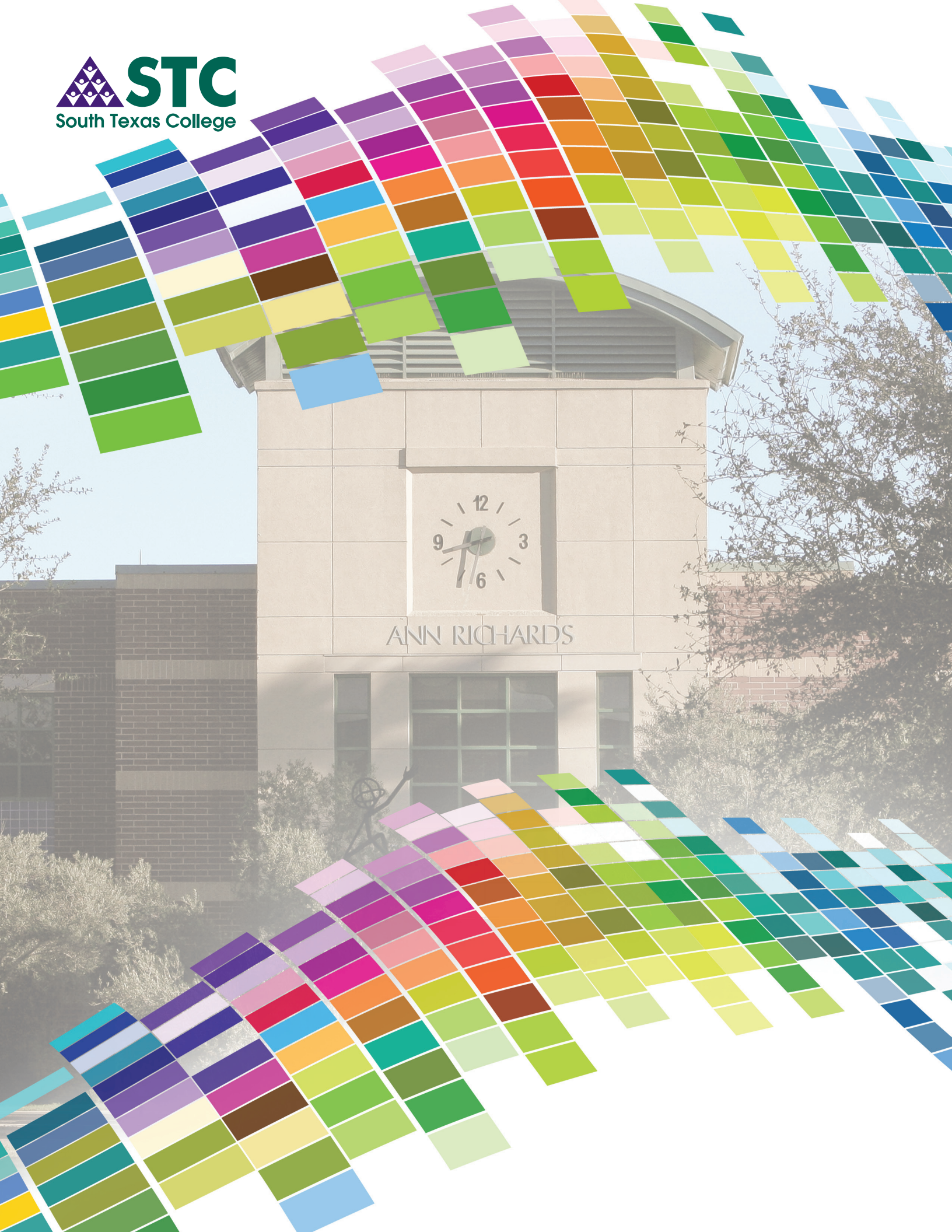
Not Applicable.

STATE

Not Applicable.



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ANN RICHARDS