

SOUTH TEXAS COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEARS ENDED
AUGUST 31, 2013 AND 2012**

Serving Hidalgo County and Starr County, Texas



South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2013 and 2012



Prepared by the Business Office

Hidalgo County and Starr County, Texas

• 3201 W. Pecan, McAllen, TX 78501 • 956.872.8311 • www.southtexascollege.edu •

A decorative graphic on the left side of the page consists of a grid of triangles. The triangles are arranged in a pattern that tapers to the right. The colors used are various shades of purple (from light to dark), green (from light to dark), and dark green. The triangles are oriented in different directions, creating a complex, abstract geometric design.

INTRODUCTORY SECTION

South Texas College District
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South Texas College District

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December 11, 2013

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 fiscal years ended August 31, 2013 and 2012, 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 years ended August 31, 2013 and 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 position, revenues, expenses, changes in net position and cash flows and replaces the fund-group perspective previously required.

The District maintains its accounts and prepares its financial statements in accordance with 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 years ended August 31, 2013 and 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.

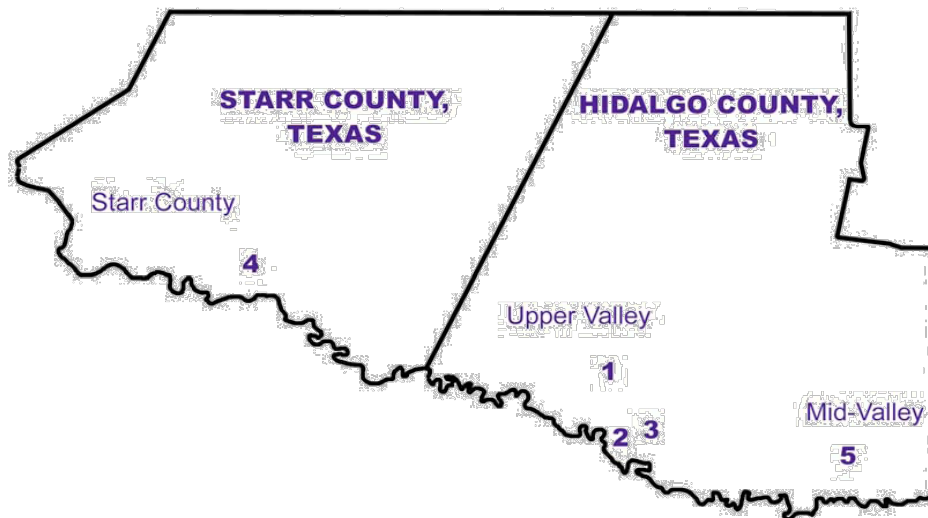
In fiscal year 2003, the District received approval from the Texas Higher Education Coordinating Board to be one of three community colleges in Texas to grant baccalaureate degrees in applied science and applied technology. On December 7, 2004, South Texas College District was approved as a Level II 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.

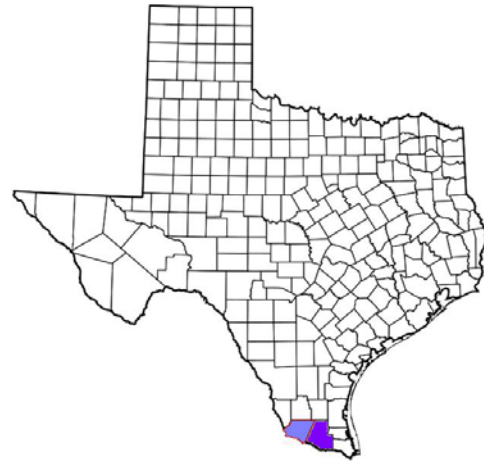
The District was created on September 1, 1993, by Texas Senate Bill 251, now codified as Section 130.0311, as amended, Texas Education Code, to serve Hidalgo and Starr Counties. It is the only community college in Texas to have been established prior to a taxing district being approved by local voters. 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 five campuses conveniently located throughout Hidalgo and Starr Counties, and an on-line virtual campus. The five campuses are as follows: (1) the Pecan Campus, (2) the Technology Campus, (3) the Dr. Ramiro R. Casso Nursing and Allied Health Campus, (4) the Starr County Campus, and (5) the Mid-Valley Campus. The Pecan Campus in McAllen, the Mid-Valley Campus in Weslaco and the Starr County Campus in Rio Grande City offer traditional college programs. The Dr. Ramiro R. Casso Nursing and Allied Health Campus, and the Technology Campus in McAllen provide specialized training for students entering the workforce. In addition, South Texas College District has Workforce Training Centers at the Technology Campus, the Mid-Valley Campus, the Starr County Campus and in Pharr, Texas. More than 1,900 faculty and staff serve South Texas College District.



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

South Texas College District has experienced continuous growth since its inception in the Fall of 1993.

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

FALL SEMESTER ENROLLMENT					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
	Fall	Fall	Fall	Fall	Fall
	2008	2009	2010	2011	2012
Academic					
Headcount	21,666	26,368	28,006	29,513	29,812
Full-time equivalent	14,913	18,599	19,944	21,065	20,979
Continuing Education					
Headcount	2,596	3,613	4,545	2,274	3,568
Full-time equivalent	667	1,246	900	683	2,007

ANNUAL ENROLLMENT – ACADEMIC					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Unduplicated credit hours	424,869	537,540	561,301	562,423	576,890
Unduplicated contact hours	8,791,648	10,973,760	11,745,072	11,495,216	11,839,880
Unduplicated full-time equivalent	14,162	17,918	18,710	18,748	19,213
Unduplicated headcount	30,734	36,169	36,951	37,012	38,667

South Texas College District has more than 142 articulation agreements in place with colleges across the country, including 30 with the University of Texas-Pan American (UTPA) and 16 with the University of Texas at Brownsville (UTB). These articulation agreements will ensure a seamless transfer 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 four 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, the Dual Enrollment Computer Science Academy and the Dual Enrollment Criminal Justice Academy. 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 12,326 students enrolled in the program during the Spring 2013 semester.

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 the community. The Progreso Independent School District was the first school district to partner with the District in 2007 to bring the model to the region. The Progreso students have led the way into making the program 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 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 College District's Associate Degree Nursing Program received a 92.9% first-time passing rate and a full commendation from the National Council Licensure Examination for Registered Nurses.

With a total of approximately 676 full-time and adjunct instructors, South Texas College District's faculty is among the most qualified at any community college in the nation. There are 651 faculty members with master's degrees, 67 with double master's degrees, two (2) with triple master's degrees, 136 with doctorate degrees, and one (1) with double doctorate degrees. In certificate and other programs, there are 132 faculty members holding bachelor degrees, 24 holding double bachelor degrees, and one (1) holding triple bachelor degrees, 77 faculty members holding associate degrees, 19 holding double associate degrees, 10 holding certificates, eight (8) holding double certificates and one (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 2013 estimated population of 64,332. 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 809,383 in 2013. Both counties are located in the Rio Grande Valley of South Texas and border the Republic of Mexico, served by nine international bridges.

According to the U.S. Census, the McAllen Metropolitan Statistical Area (MSA) grew by more than 311,970 persons since 1990, an 81.3% growth rate, or 4.8% annually. The Hispanic population comprises up to 88.3% of the total population, making the Rio Grande Valley the 6th largest Hispanic market in America. An article by Brookings also noted the McAllen MSA as the 17th for fastest growing employment in the nation during the recovery and the 13th largest retail market in the state of Texas. (Source: McAllen Chamber of Commerce).

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).

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

- The unemployment rate for Hidalgo County decreased from 11.7% in 2012 to 10.8% in 2013.
- The unemployment rate for Starr County increased from 14.7% in 2012 to 15.0% in 2013.

- Per capita income in Hidalgo County increased from \$16,272 in 2012 to \$21,620 in 2013.
- Per capita income in Starr County increased from \$11,980 in 2012 to \$19,235 in 2013.
- Sales tax receipts in Hidalgo County increased 3.7% from 2012 to 2013.
- Sales tax receipts in Starr County increased 0.2% from 2012 to 2013.

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

- In 2013, Metro Monitor ranked the area of McAllen-Edinburg-Mission as 21st under “Overall Performance” during the Great Recession. Metro Monitor tracks the performance of the 100 largest U.S. metropolitan areas presenting data for four key indicators: jobs, unemployment, gross product and home prices. The metro area was also ranked 3rd in job growth, according to *Forbes Magazine* in 2013.
- The McAllen housing indicators continue to improve midway through 2013. Existing home sales are showing an increase of 2.3% for the second quarter and over 10.7% on sales year-to-date. Prices increased by 14.2% on average in the second quarter, and nearly 1.8% 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>)
- Among major cities in South Texas and the Rio Grande Valley, Corpus Christi had the lowest unemployment checking in at 6.1%, Laredo was next at 7.2%, followed by McAllen 7.7%. (Source: McAllen.net)
- According to the Council for Community and Economic Research, the McAllen area is the second “Least Expensive Urban Area” among the 307 urban areas that participated in the 2012 Cost of Living Index study. The index is based on six components: housing, utilities, grocery items, transportation, health care and miscellaneous goods and services.

Reynosa, Tamaulipas, Mexico, McAllen's twin city, and a principal city along the U.S.-Mexico border is a dynamic and business-oriented city with a current border population of approximately 600,000. 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 \$450 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 the McAllen-Edinburg-Mission MSA’s area’s attraction lies in its geography, its great outdoors, its climate, its history and its rich Hispanic flavor including the

Rio Grande Valley's mild year-round climate, which makes for outdoor living 365 days a year. The McAllen MSA's unique geographic position allows its residents to sample two unique cultures, while fueling a unique blend of art, music and literature. The Rio Grande Valley is also quite popular with winter visitors due to the area's balmy weather. The 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 133,400 Winter Texans came into the Rio Grande Valley last winter, often returning year after year, injecting over \$751 million into the local economy. (Source: themonitor.com and wintertexaninfo.com)

Located 15 miles east of McAllen is the city of Weslaco. It is in the heart of an immense citrus, vegetable, and cotton-producing area. As of 2013, the estimated population was 37,774. 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: weslaco.com and census.gov)

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 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 2013, where more than 4,400 students received degrees; 961 of graduates earned their college degree or certificate while attending in high school. Among those who celebrated this milestone were the District's Bachelor of Applied Technology (BAT) Program students. A total of 141 graduates earned their bachelor degree.

Additionally, the District graduated 69 students from its Dual Enrollment Medical Science Academy (DEMSA), 22 students from the Dual Enrollment Engineering Academy (DEEA), and 29 students from the Dual Enrollment Computer Science Academy (DECSA). The students obtained their college diplomas weeks before earning their high school diplomas.

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, 2013.

At August 31, 2013, the District has outstanding bonds payable for Bond Series 2007 MTR, Bond Series 2007 LTR, Bond Series 2010 LTR, and Bond Series 2013 LTR. Bonds were issued in March 2007, November 2010 and June 2013 to refund portions of the District's outstanding debt and lower the overall debt service requirements. The outstanding amounts at year-end were \$2,070,000, \$21,844,991, \$13,975,000, and \$6,495,000, for Bond Series 2007 MTR, Bond Series 2007 LTR, Bond Series 2010 LTR and Bond Series 2013 LTR, respectively. Total bonds payable at August 31, 2013, was \$44,384,991. 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 investment service. 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
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
2013	0.11000	0.04070	29,645,534,071	44,193,705

The District's average collection rate over the past 10 years, including collection of delinquent taxes, has been 97.65%.

The tax base has increased by an average of 6.13% annually over the past 10 years. The tax base has increased from \$17,601,778,873 in fiscal year 2004 to \$29,645,534,071 in fiscal year 2013. The District's property value has shown a steady increase due to a tremendous amount of development, however, a slight increase of 0.43% was noted for fiscal year 2013 and a slight reduction of 1.90% was noted for fiscal year 2012. The tax base increase was due to an escalation of improvements and slight increase in personal property values. The increase in property values caused a \$36,595 tax collection increase in fiscal year 2013 and a decrease of \$172,090 tax collection reduction in fiscal year 2012.

In fiscal years 1997 through 2013, the District has set aside a total of \$85,250,000 for construction of facilities and a total of \$25,713,236 for deferred maintenance purposes. The amounts set aside have been funded from current year revenue and accumulated net position. Due to future unknown circumstances, the District's practice is to maintain an unrestricted fund balance sufficient to cover a minimum of three months of budgeted expenditures. As reflected below, South Texas College District has exceeded the minimum range over the past three years.

	August 31, 2011	August 31, 2012	August 31, 2013
Current Unrestricted Fund Balance	\$60,837,499	\$79,624,462	\$ 91,784,899
Next Fiscal Year Budgeted Unrestricted Fund Expenses (including transfers and contingencies)	\$138,129,609	\$139,862,355	\$141,233,035
Fund Balance as a % of Total Expenses	44%	57%	65%
Number of Months Expenses in Reserve	5.3 months	6.8 months	7.8 months

As of August 31, 2013, the District's Board of Trustees has designated \$9,500,000 of the unrestricted net position for the purpose of supplementing future employee health insurance costs.

In fiscal year 2013, 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 6.76, 9.04 and 8.91 for fiscal year 2011, 2012 and 2013, 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.

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 2013. The changes included an increase of \$10 per semester credit hour in tuition charges related to the following programs: Associate Degree Nursing, Vocational Nursing and Biology. For parking permits, the second, third, fourth and fifth permit violation increased by \$10; handicap parking violations increased by \$50; and the vehicle boot removal fee increased by \$20. Additional fees approved were GED exam fees, parking permit fee, child care center tuition and

reservation fees, and moving traffic violations. Conversely, the fees for Emotional Skills Assessment Process (ESAP) and graduation gown purchase were eliminated.

The District's Investment Policy and Strategy Statement is reviewed and approved annually by the Board of Trustees. At August 31, 2013, the District had a total amount of \$170,497,251 in bank deposits, consisting of seven money market accounts totaling \$39,507,800 and nine certificates of deposit totaling \$130,989,451. In addition, the District held an endowment investment in the form of a coin collection valued at \$5,590 and change funds totaling \$8,950. As of August 31, 2013, total investments were \$170,511,791.

Interest revenue earned on money market accounts and certificates of deposit during fiscal year 2013 totaled \$389,534. 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 2013 included Pecan Building G Fume Hood Additions, Pecan South Academic Building J Science Lab Additional Seating Improvements, Pecan Plaza Re-Roofing, Mid-Valley Building G Science Lab Improvements, Mid-Valley Parking Lot Expansion, Technology Southwest Building E Renovations and Starr HVAC Additional Chiller Improvements. Also completed during

fiscal year 2013 were the Mid-Valley Child Development Center Building L Re-Roofing, Technology Campus Southwest Building E Repairs, District Wide Safety Film Installation for Library Windows and James Property Demolition for Pecan Campus.

- 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 was the grant recipient and South Texas College District served as the fiscal agent and lead agency for the initiative. The NAAMREI network includes 100 public and private partners. The lead partnership agencies are South Texas College District, the University of Texas-Pan American, Region One Education Service Center, Rio South Texas Economic Development Council and the McAllen Economic Development Corporation. The City of McAllen has awarded \$2,629,176 from 2008 to 2012 to support the NAAMREI partnership initiative. In addition, the Texas Workforce Commission has granted South Texas College District \$3,361,124 in state funds to support the training of manufacturing workers in the region. 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 financial outlook for the future continues to be positive. In 19 years, South Texas College District has grown from a student headcount of over 1,000 in Fall 1993 to over 29,000 in Spring 2013. The District's unrestricted fund budget increased from \$2,325,212 in 1993 to \$139,862,355 in 2013.

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:

- *Community College Week's* annual community college listing released in 2012 ranks South Texas College District as the 44th highest Associate Degree Producer.
- The Texas Higher Education Board honored South Texas College District with the Star Award in October 2012 to celebrate the success of the college's Dual Enrollment Medical

Science Academy. The college's program was selected for the award by contributing to the "Closing the Gaps" goals of participation, success, and excellence.

- South Texas College District was among nine colleges selected as a Co-Development Partner with the New Mathways Project, led by the Texas Association of Community Colleges and the Charles A. Dana Center, to lead Texas in a redesign of developmental mathematics course offerings. The project is a statewide approach to reforming mathematics developmental education.
- Achieving the Dream, with the support of The Kresge Foundation, announced South Texas College District as the winner of the fifth annual Leah Meyer Austin Award. The College will receive \$25,000 to support the ongoing student success work. The award recognizes outstanding institutional achievement in creating excellence and equity through committed leadership, use of evidence to improve policies, programs and services, broad engagement, and institutional improvement.
- A South Texas College District Board of Trustees member, Mr. Gary Gurwitz, received the prestigious Association of Community College Trustees M. Dale Ensign Trustee Leadership Award at the annual Community College Leadership Congress Awards Gala in October 2012. The award honors a trustee that has made significant contributions in promoting the community college concept.
- South Texas College District's President, Dr. Shirley A. Reed, was awarded the Harold W. McGraw, Jr. Prize in Education, recognizing her contribution to furthering a college-going culture in the Rio Grande Valley.
- In fiscal year 2013, South Texas College District received 10 National Institute for Staff and Organizational Development (NISOD) Excellence Awards during the 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, 2012. This is the tenth 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.

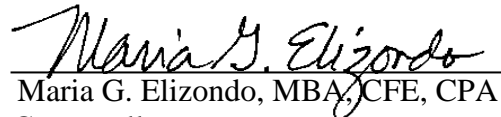
Acknowledgments

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 2013

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

South Texas College District
BOARD OF TRUSTEES
For the Fiscal Year 2013

Rose Benavidez
Chair



President of Starr County Industrial Foundation
District 1
Representing Starr County
First Term: November 2009 – May 2012
Second Term: May 2012 – May 2018
Serves as a member of the Facilities Committee and as a member of the
Finance and Human Resources Committee
Formerly served as Vice Chair of the Board

Roy de León
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 District
BOARD OF TRUSTEES
For the Fiscal Year 2013

Graciela Farias
Secretary



Self-employed Education Consultant
Retired from McAllen Independent School District
District 2
Representing La Joya, Western Mission, Palmview, Sullivan City,
Penitas and Western Alton
First Term: May 2012 – May 2018
Serves as a member of the Education and Workforce Development
Committee

Paul R. Rodriguez
Member



CEO of Valley Land Title Co.
District 3
Representing South McAllen, Southwest Pharr, Hidalgo, Sharyland,
Southeast Mission and Granjeno
First Term: August 2012 – May 2016
Serves as a member of the Finance and Human Resources Committee

South Texas College District

BOARD OF TRUSTEES

For the Fiscal Year 2013

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 Education and Workforce Development Committee
 Formerly served as Chair, Vice Chair, and Secretary of the Board

Dr. Alejo Salinas, Jr. Member



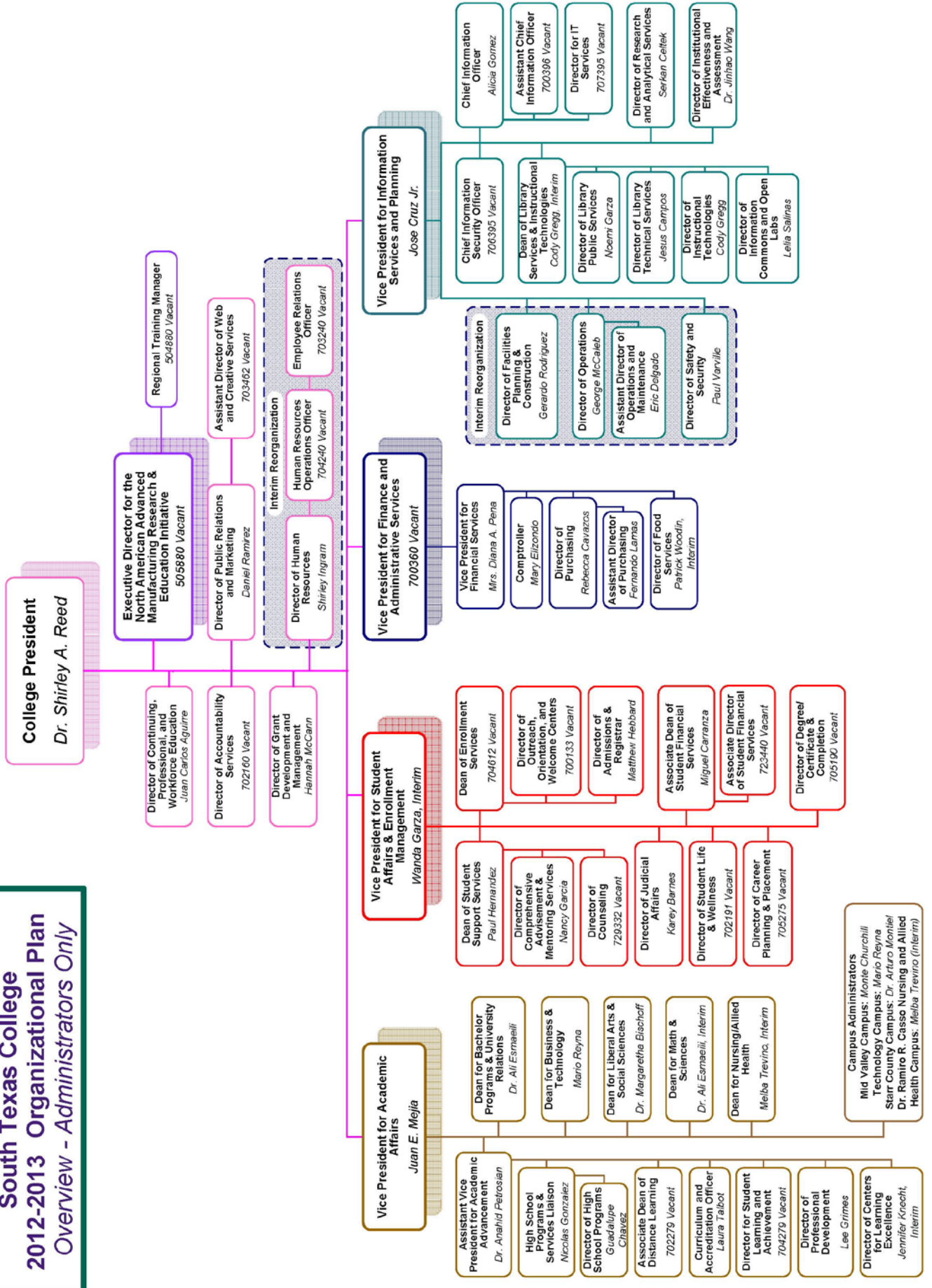
Clinical Lecturer, University of Texas-Pan American
 Retired Superintendent/Superintendent Emeritus, Hidalgo Independent School District
 District 5
 Representing North West Hidalgo County, Edinburg, North San Juan and Northeast Pharr
 First Term: May 1996 – May 2002
 Second Term: May 2002 – May 2008
 Third Term: May 2008 – May 2014
 Serves as Chair of the Education and Workforce Development 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

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





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

South Texas College

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

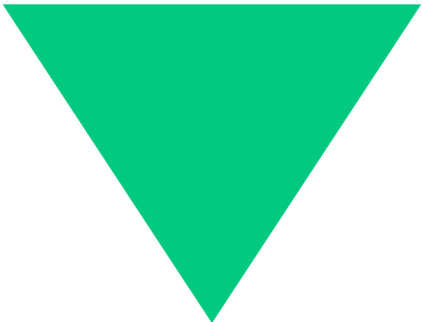
August 31, 2012

Executive Director/CEO



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**FINANCIAL
SECTION**



Independent Auditor's Report

To the Board of Trustees
South Texas College

Dr. Shirley Reed and Members of the Board:

Report on the Financial Statements

We have audited the accompanying basic financial statements of South Texas College, as of and for the years ended August 31, 2013 and August 31, 2012, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall financial statement presentation.

We believe that that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Texas College as of August 31, 2013 and August 31, 2012 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise South Texas College's basic financial statements. The introductory section, supplementary information section (Schedules A-D), and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Texas Governor's Office of Budget and Planning, State of Texas Single Audit Circular, respectively, and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Texas College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Long Chilton, LLP".

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 11, 2013

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012

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, 2013, and comparative information for the year ended August 31, 2012. 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 position was \$315,848,253 at August 31, 2013. Of this amount, \$133,119,225 may be used to meet the District's ongoing obligations.
- ◆ Total combined net position increased by \$22,760,312 in fiscal year 2013. Unrestricted net position increased by \$15,264,975, primarily consisting of an increase to unrestricted net position, and unexpended net position.
- ◆ The change in net position decreased by \$13,208,581 from \$35,968,893 in fiscal year 2012 to \$22,760,312 in fiscal year 2013. This can be attributed to an increase in operating expenses, an increase in non-capital construction costs and a decrease in non-operating federal revenue due to a reduction of Title IV revenue.
- ◆ During fiscal year 2013, the balance of cash and cash equivalents, and short-term and other investments increased by \$26,713,464 from \$143,792,737 at August 31, 2012, to \$170,506,201 on August 31, 2013, or 19%.
- ◆ Capital assets, net of accumulated depreciation, at August 31, 2013, had a decrease of \$2,972,791 from August 31, 2012, due to a decrease of \$44,240 in buildings, a decrease in construction in progress of \$1,614,174, a decrease in land improvements of \$370,696, a decrease in furniture and equipment of \$849,073 a decrease in library books of \$58,330, and a decrease in telecommunication equipment of \$36,278.

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 Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; and No. 35 (GASB 35), *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012

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 Position report all of the District's assets and liabilities. Net position, the difference between assets and liabilities, is subdivided into three categories to indicate the limitations on its use. Net investment in capital assets is 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 position is not accessible for general use because the use of these assets is subject to third-party restrictions. Any remaining net position is classified as unrestricted and is available for general use.

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

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

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

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

Statements of Net Position

The Statements of Net Position present end of year data concerning assets (current and noncurrent), liabilities (current and noncurrent) and net position (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

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012

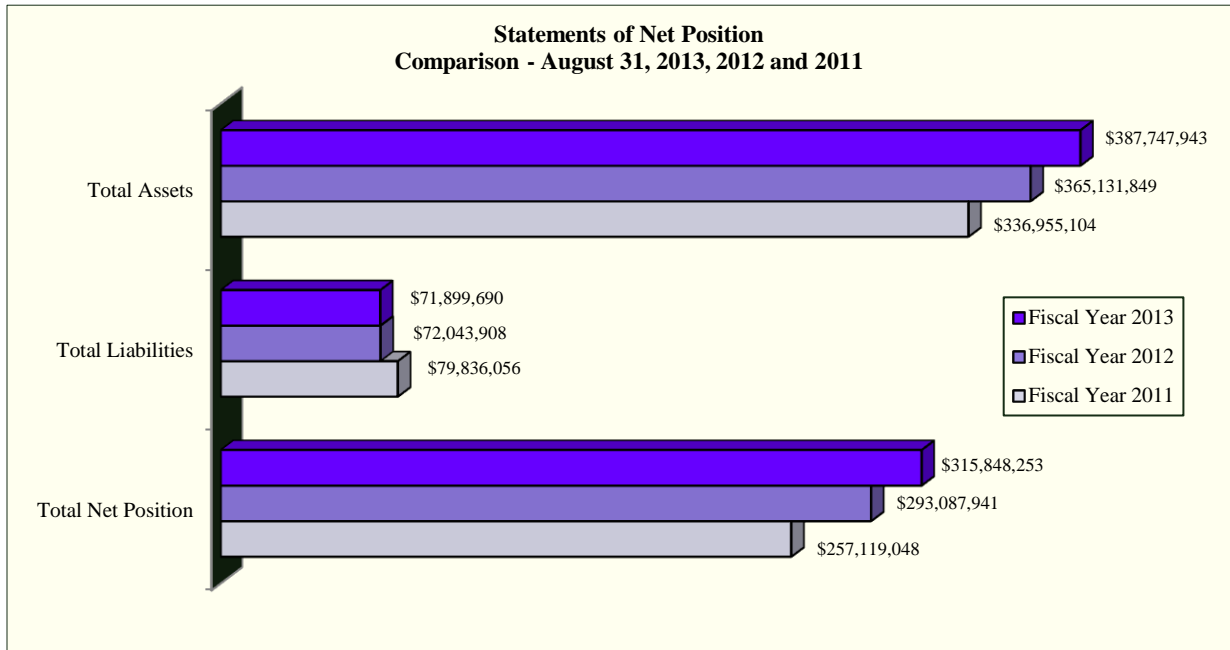
associated with building and expansion projects. Receivables are from students, property taxes, and federal, state and local grants and contracts.

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 Position and provides a summary of its assets, liabilities and net position for the years ended August 31:

	Statements of Net Position		
	2013	2012	2011
Assets			
Current assets	\$ 185,138,377	\$ 159,476,811	\$ 132,329,255
Capital assets, net	202,116,314	205,089,105	203,903,261
Noncurrent assets	493,252	565,933	722,588
Total Assets	387,747,943	365,131,849	336,955,104
Liabilities			
Current liabilities	35,718,515	26,203,956	25,493,977
Noncurrent liabilities	36,181,175	45,839,952	54,342,079
Total Liabilities	71,899,690	72,043,908	79,836,056
Net Position			
Net investment in capital assets	162,064,429	156,914,256	147,207,945
Restricted expendable	20,325,155	17,978,771	17,161,889
Restricted non-expendable	339,444	340,664	346,360
Unrestricted	133,119,225	117,854,250	92,402,854
Total Net Position	\$ 315,848,253	\$ 293,087,941	\$ 257,119,048

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012



Fiscal Year 2013 Compared To 2012

Total assets increased by \$22,616,094 from \$365,131,849 at August 31, 2012, to \$387,747,943 on August 31, 2013. A review of the Statements of Net Position will reveal that the increase was primarily attributable to an increase of \$33,787,209 in short-term investments. This was mainly offset by a decrease of \$7,073,745 in cash and cash equivalents, \$2,972,791 in capital assets, net of accumulated depreciation, and \$1,586,042 in accounts receivable.

Total liabilities from 2012 to 2013 decreased by \$144,218 from \$72,043,908 at August 31, 2012, to \$71,899,690 on August 31, 2013. The major factor contributing to the change was a decrease in total bonds payable of \$8,629,248, due to principal payments and associated amortization of bond premium and deferred loss. This was mainly offset by an increase in accounts payable of \$1,566,498 and an increase in unearned revenue of \$6,360,229.

The combination of the increase in total assets from 2012 to 2013 of \$22,616,094 and the decrease in total liabilities of \$144,218 yields an increase in total net position of \$22,760,312. Fifty-one percent of net position, \$162,064,429, reflects the District's substantial net investment in capital assets such as property, buildings and equipment. Restricted net position such as endowment gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, student loan funds and assets designated for debt service represent an additional 6.5% of net position. The remaining unrestricted net position may be used for educational or general operations of the District.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012

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 Position 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 position of \$35,968,893. Fifty-four percent of net position, \$156,914,256, reflects the District's substantial net investment in capital assets such as property, buildings and equipment. Restricted net position such as endowment gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, student loan funds and assets designated for debt service represent an additional 6.3% of net position. The remaining unrestricted net position may be used for educational or general operations of the District.

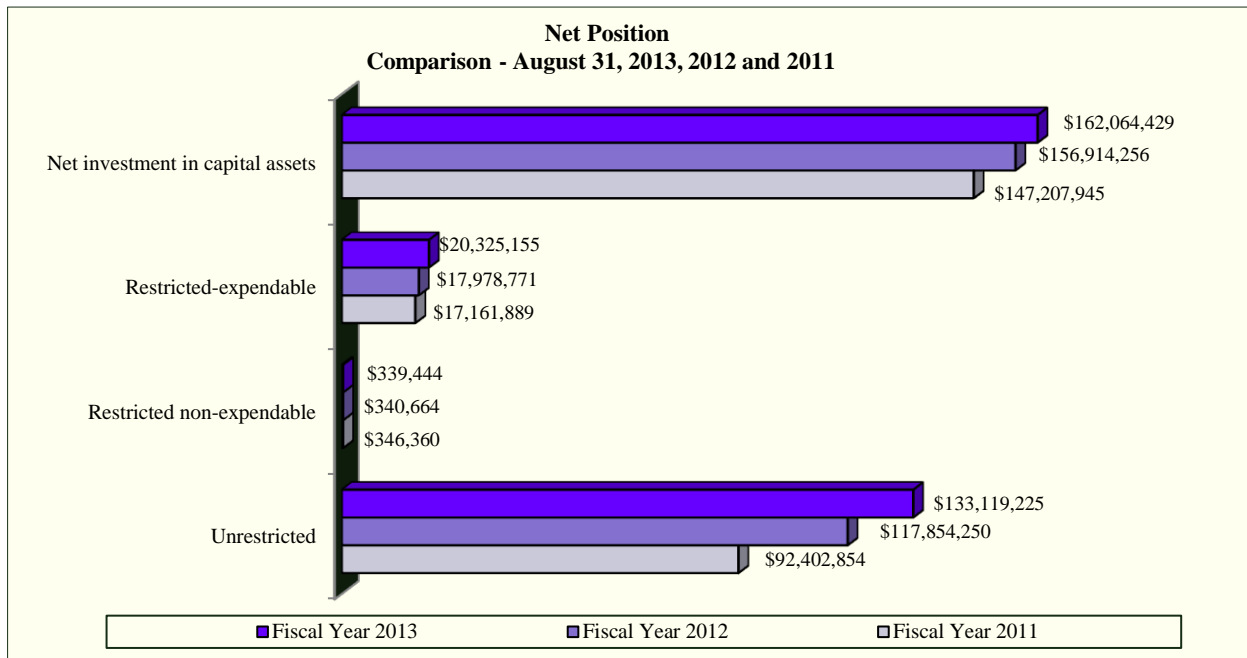
The District included a note disclosure regarding the retirement funds appropriated by the state. Texas Constitution Article 16, Section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating 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.

In fiscal year 2012, the District estimated that as of August 31, 2012, the contribution that has not been paid to TRS on behalf of the District employees was \$1,438,422.

In fiscal year 2013, the District paid TRS the contribution on behalf of the District employees in the amount of \$1,463,708.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following is a graphic illustration of net position at August 31, 2013, 2012 and 2011:

Statements of Revenues, Expenses, and Changes in Net Position

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

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 Position for the fiscal years ended August 31:

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

	2013	2012	2011
Operating revenues	\$ 37,658,223	\$ 37,471,221	\$ 37,390,206
Operating expenses	148,834,519	144,597,510	157,552,662
Operating loss	(111,176,296)	(107,126,289)	(120,162,456)
Non-operating revenues and expenses	133,853,310	141,066,848	146,857,431
Capital contributions	83,298	22,740	732,061
Additions (deductions) to permanent and term endowment	-	(4,700)	300
Extraordinary item	-	2,010,294	-
Increase in net position	22,760,312	35,968,893	27,427,336
Net position-beginning of year, as restated	293,087,941	257,119,048	229,691,712
Net Position-End of Year	\$ 315,848,253	\$ 293,087,941	\$ 257,119,048

Fiscal Year 2013 Compared To 2012

An operating loss of \$111,176,296 resulted in fiscal year 2013. 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 increased by \$4,050,007 or 3.8%, from \$107,126,289 in fiscal year 2012 to \$111,176,296 in fiscal year 2013. Operating revenues increased by \$187,002, and total operating expenses increased by \$4,237,009.

The increase in operating revenues of \$187,002 primarily consisted of an increase of \$1,467,868 in tuition and fees and \$373,826 in non-governmental grants and contracts. This was mainly offset by a decrease of \$1,633,356 in state grants and contracts.

The increase in tuition and fee revenue was attributed to changes in fees and differential tuition in fiscal year 2013. The changes included an increase of \$10 per semester credit hour in tuition charges related to the following programs: Associate Degree Nursing, Vocational Nursing and Biology. For parking permits, the second, third, fourth and fifth permit violation increased by \$10; handicap parking violations increased by \$50, and the vehicle boot removal fee increased by \$20. Additional fees approved were GED exam fees, parking permit fee, child care center tuition and reservation fees, and moving traffic violations. Conversely, the fees for Emotional Skills Assessment Process (ESAP) and graduation gown purchase were eliminated.

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Grants and contracts include restricted revenues made available by government agencies as well as private agencies. Grant funding is recognized as revenue at the point when all eligibility requirements imposed by the provider have been met. This source of revenue was approximately 37.6% of total revenues, a decrease from \$15,575,336 in fiscal year 2012 to \$14,175,342 in fiscal year 2013.

In fiscal year 2013, the increase in operating expenses of \$4,237,009 was due to budgeted level of spending associated with the reduction of state funding and increased operating costs associated with increased enrollment.

An analysis of operating expenses by function indicates an increase in instruction by \$3,866,773 or 7%, an increase in academic support of \$1,224,734 or 11%, an increase in institutional support of \$1,614,072 or 8% and a decrease in scholarships and fellowships of \$3,148,833 or 10%. The increase of \$3,866,773 in instruction costs is related to an increase in faculty salaries and associated benefits. The decrease of \$3,148,833 in scholarships and fellowships is directly related to the reduced federal financial aid to students. Operating expenses under the remaining elements of costs increased due to the budgeted level of spending associated with increased personnel costs and increased operating costs.

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 related to the following programs increased \$5 per semester credit hour in fiscal year 2012:

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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.

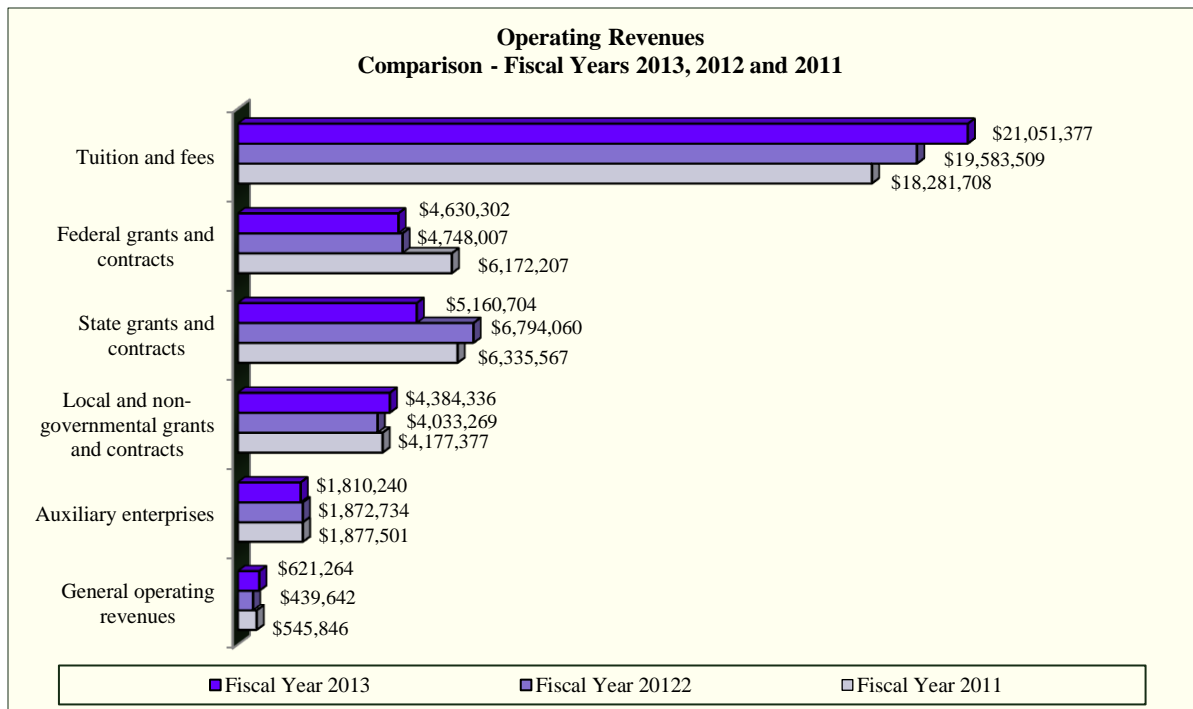
An analysis of operating expenses by function indicates a decrease in scholarships by \$7,447,412 or 19%, a decrease in instruction by \$3,459,245 or 6%, a decrease in institutional support by \$798,996 or 4% and a decrease in operations and maintenance of plant by \$810,857 or 8%. The decrease of \$3,459,245 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.

**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:

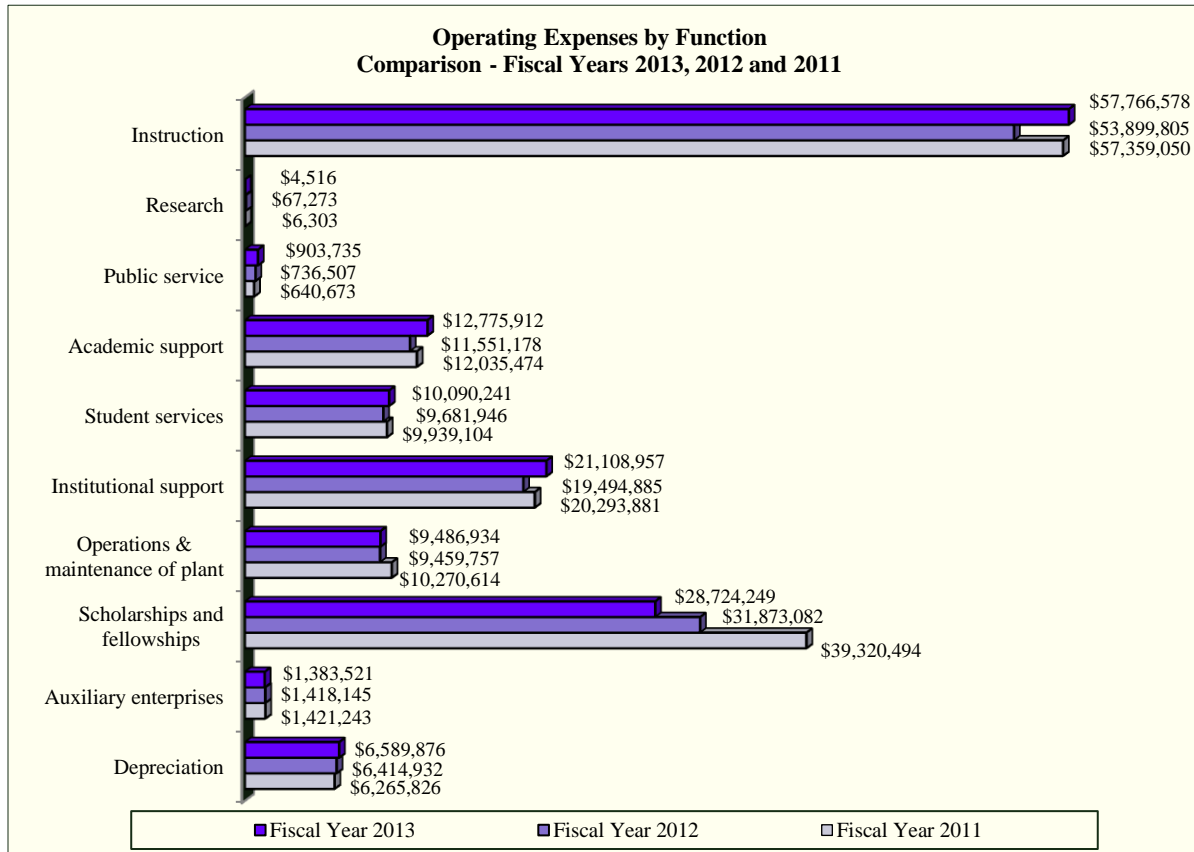
Operating Revenues	2013		2012		2011	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$56,202,456, \$55,255,652, and \$50,854,045)	\$ 21,051,377	55.90%	\$ 19,583,509	52.26%	\$ 18,281,708	48.90%
Federal grants and contracts	4,630,302	12.30%	4,748,007	12.67%	6,172,207	16.51%
State grants and contracts	5,160,704	13.70%	6,794,060	18.13%	6,335,567	16.94%
Local and non-governmental grants and contracts	4,384,336	11.64%	4,033,269	10.77%	4,177,377	11.17%
Auxiliary enterprises	1,810,240	4.81%	1,872,734	5.00%	1,877,501	5.02%
General operating revenues	621,264	1.65%	439,642	1.17%	545,846	1.46%
Total	\$ 37,658,223	100.00%	\$ 37,471,221	100.00%	\$ 37,390,206	100.00%



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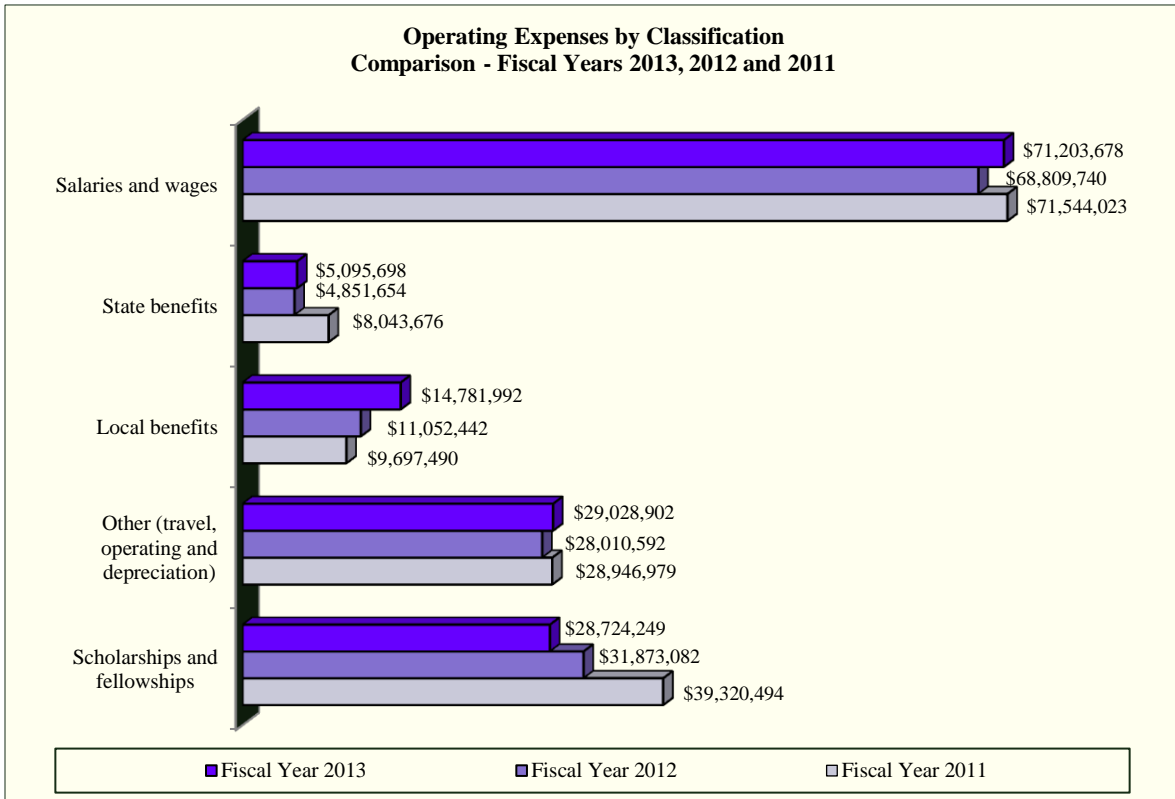
Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated below:

Operating Expenses by Function	2013		2012		2011	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 57,766,578	38.81%	\$ 53,899,805	37.27%	\$ 57,359,050	36.40%
Research	4,516	0.00%	67,273	0.05%	6,303	0.00%
Public service	903,735	0.61%	736,507	0.51%	640,673	0.41%
Academic support	12,775,912	8.58%	11,551,178	7.99%	12,035,474	7.64%
Student services	10,090,241	6.78%	9,681,946	6.70%	9,939,104	6.31%
Institutional support	21,108,957	14.18%	19,494,885	13.48%	20,293,881	12.88%
Operations and maintenance of plant	9,486,934	6.38%	9,459,757	6.54%	10,270,614	6.52%
Scholarships and fellowships	28,724,249	19.30%	31,873,082	22.04%	39,320,494	24.96%
Auxiliary enterprises	1,383,521	0.93%	1,418,145	0.98%	1,421,243	0.90%
Depreciation	6,589,876	4.43%	6,414,932	4.44%	6,265,826	3.98%
Total	\$ 148,834,519	100.00%	\$ 144,597,510	100.00%	\$ 157,552,662	100.00%



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Operating Expenses by Classification	2013		2012		2011	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and wages	\$ 71,203,678	47.84%	\$ 68,809,740	47.59%	\$ 71,544,023	45.41%
State benefits	5,095,698	3.42%	4,851,654	3.36%	8,043,676	5.11%
Local benefits	14,781,992	9.93%	11,052,442	7.64%	9,697,490	6.15%
Other (travel, operating and depreciation)	29,028,902	19.51%	28,010,592	19.37%	28,946,979	18.37%
Scholarships and fellowships	28,724,249	19.30%	31,873,082	22.04%	39,320,494	24.96%
Total	\$ 148,834,519	100.00%	\$ 144,597,510	100.00%	\$ 157,552,662	100.00%



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Non-operating revenues consisted of the following:

Non-Operating Revenues	2013		2012		2011	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State allocations	\$ 38,977,829	27.58%	\$ 37,017,673	25.47%	\$ 36,676,953	24.40%
Ad-valorem taxes – maintenance and operations	32,403,363	22.93%	33,244,142	22.88%	33,798,861	22.49%
Ad-valorem taxes – debt service	12,030,232	8.51%	12,276,741	8.45%	12,187,090	8.11%
Federal revenue, non-operating	57,151,307	40.45%	61,950,136	42.63%	66,972,554	44.57%
Gifts	351,843	0.25%	418,605	0.29%	309,868	0.21%
Investment income (net of investment expenses)	389,519	0.28%	417,075	0.28%	327,497	0.22%
Gain on disposal of capital assets	-	0.00%	2,793	0.00%	-	0.00%
Total	\$ 141,304,093	100.00%	\$145,327,165	100.00%	\$ 150,272,823	100.00%

Non-operating expenses consisted of the following:

Non-Operating Expenses	2013		2012		2011	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Interest on capital related debt	\$ 1,513,884	20.32%	\$ 1,821,871	42.76%	\$ 2,054,633	60.16%
Loss on sale/disposal/return of capital assets	217	0.00%	-	0.00%	3,500	0.10%
Non-capital construction costs	5,079,944	68.18%	1,400,934	32.88%	464,503	13.60%
Bond costs amortization	566,261	7.60%	536,677	12.60%	496,724	14.54%
Other non-operating expenses	290,477	3.90%	500,835	11.76%	396,032	11.60%
Total	7,450,783	100.00%	4,260,317	100.00%	3,415,392	100.00%
Net non-operating revenues (expenses)	\$ 133,853,310		\$ 141,066,848		\$ 146,857,431	

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

SOUTH TEXAS COLLEGE DISTRICT
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Some highlights of the information presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

- ◆ Tuition and fees were discounted by \$56,202,456, \$55,255,652 and \$50,854,045 in fiscal years 2013, 2012 and 2011, 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 2013, state allocations received increased by \$1,960,156 due mainly to an increase in contact hour funding of \$1,716,112. State on-behalf benefits increased by \$244,044. State allocations totaling \$38,977,829 consisted of \$33,882,131 of contact hour funding and \$5,095,698 of state on-behalf benefits, which consisted of state group insurance of \$3,075,251 and state retirement matching of \$2,020,447. 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 \$1,716,112 from \$32,166,019 in fiscal year 2012 to \$33,882,131 in fiscal year 2013.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties increased by \$127,358,732 or 0.43% from \$29,518,175,339 in fiscal year 2012 to \$29,645,534,071 in fiscal year 2013. Tax collections, net of penalties and interest, increased 0.08% from \$44,157,110 in fiscal year 2012, to \$44,193,705 in fiscal year 2013.
- ◆ The District's federal Title IV grant programs revenue decreased by \$4,798,829 from \$61,950,136 in fiscal year 2012 to \$57,151,307 in fiscal year 2013 due mainly to the reduced federal financial aid to students resulting from a change in provisions allowing students to use 2013 awards for Summer 2012.
- ◆ 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.

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- ◆ The tax rates assessed in fiscal years 2011, 2012 and 2013, were \$0.1497, \$0.1507 and \$0.1507, respectively.
- ◆ 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.

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 Position.

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

	Statements of Cash Flows		
	2013	2012	2011
Cash provided (used) by:			
Operating activities	\$ (98,040,156)	\$ (98,917,463)	\$ (103,785,802)
Non-capital financing activities	126,806,700	131,723,386	133,183,243
Capital and related financing activities	(2,387,111)	(6,068,632)	(6,751,979)
Investing activities	(33,453,178)	(7,930,260)	(8,946,066)
Net change in cash and cash equivalents	(7,073,745)	18,807,031	13,699,396
Cash and cash equivalents-September 1,	46,590,495	27,783,464	14,084,068
Cash and cash equivalents-August 31,	\$ 39,516,750	\$ 46,590,495	\$ 27,783,464

Fiscal Year 2013 Compared To 2012

The Statements of Cash Flows indicates an overall decrease in cash and cash equivalents of \$7,073,745 at August 31, 2013 and an overall increase in cash and cash equivalents of \$18,807,031 at August 31, 2012.

Net cash used by operating activities decreased by \$877,307. The primary use of cash in operations was in payment of salaries and benefits, which increased by \$5,116,267 from

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\$81,838,441 in fiscal year 2012 to \$86,954,708 in fiscal year 2013, followed by payments for scholarships and fellowships, which decreased by \$3,329,285 from \$31,945,302 in fiscal year 2012 to \$28,616,017 in fiscal year 2013 and payments to suppliers for goods and services, which decreased by \$1,413,177, from \$22,556,340 in fiscal year 2012 to \$21,143,163 in fiscal year 2013. Sources of cash from operating activities are primarily from student and other customers, and grants and contracts. Students and other customers increased by \$6,403,730 from \$22,759,907 in fiscal year 2012 to \$29,163,637 in fiscal year 2013. Grants and contracts decreased by \$1,628,288 from \$16,157,830 in fiscal year 2012 to \$14,529,542 in fiscal year 2013. A major change in net cash used was in payments for non-operating construction costs, which increased by \$3,680,610 from \$1,399,334 in fiscal year 2012 to \$5,079,944 in fiscal year 2013.

Net cash provided by non-capital financing activities decreased by \$4,916,686. 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 \$4,798,829 from \$61,950,136 in fiscal year 2012 to \$57,151,307 in fiscal year 2013. State allocations increased by \$1,802,088 from \$34,100,490 in fiscal year 2012 to \$35,902,578 in fiscal year 2013. Ad-valorem taxes for maintenance and operations had an increase of \$51,248 from \$33,484,166 in fiscal year 2012 to \$33,535,414 in fiscal year 2013.

Net cash used by capital and related financing activities decreased by \$3,681,521. 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 \$3,644,021 from \$7,230,962 in fiscal year 2012 to \$3,586,941 in fiscal year 2013. Payment of capital debt had a decrease of \$4,480 from \$11,151,900 in fiscal year 2012 to \$11,147,420 in fiscal year 2013. The major source of cash from capital and related financing activities is from ad-valorem taxes-debt services, which increased by \$19,347 from \$12,385,343 in fiscal year 2012 to \$12,404,690 in fiscal year 2013.

Net cash used by investing activities increased by \$25,522,918. Investing activities include purchase of investments, proceeds from sale and maturity of investments, and receipts from interest on investments. Purchase of investments increased by \$40,500,000 from \$14,000,000 in fiscal year 2012 to \$54,500,000 in fiscal year 2013. Proceeds from sale and maturity of investments increased by, \$15,058,875 from \$5,653,916 in fiscal year 2012 to \$20,712,791 in fiscal year 2013. Receipts from interest on investments decreased by, \$81,793 from \$415,824 in fiscal year 2012 to \$334,031 in fiscal year 2013.

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.

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

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\$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. Student 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 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.

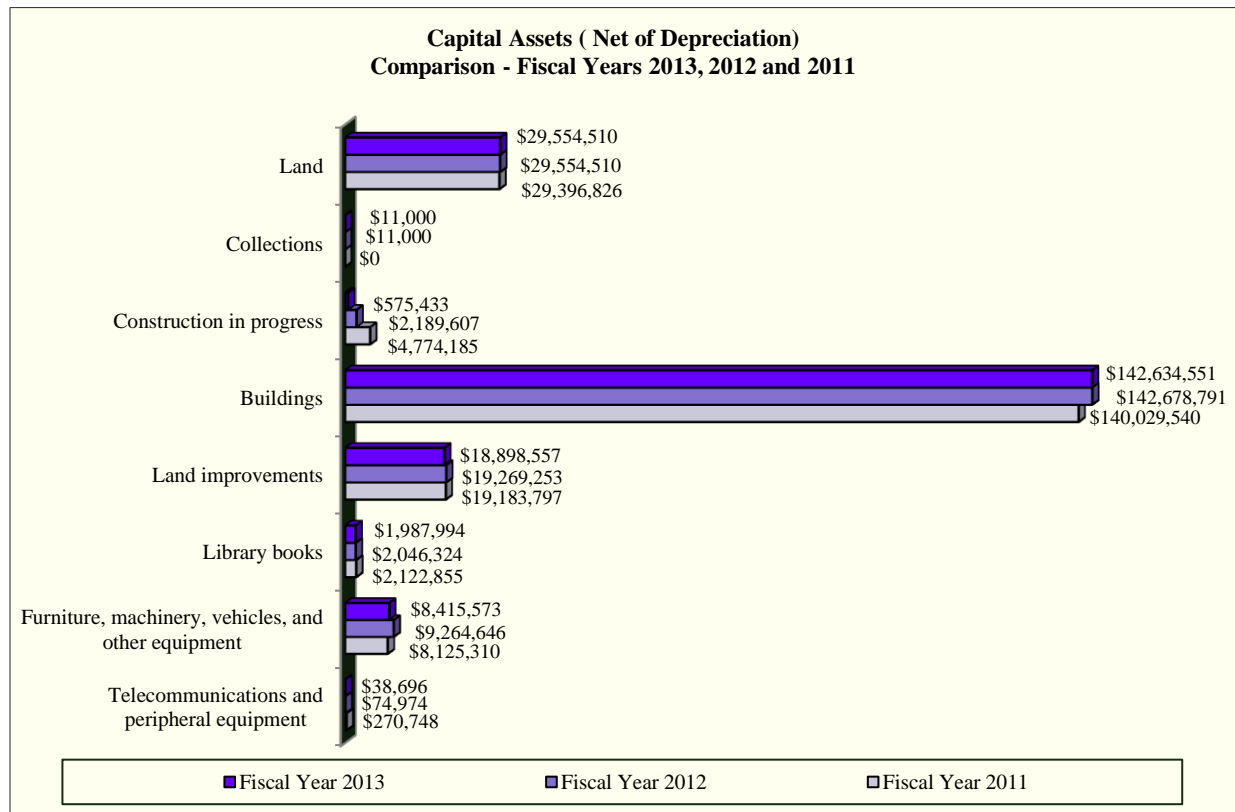
CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

The District had \$263,673,211 in capital assets and \$61,556,897 in accumulated depreciation at August 31, 2013.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012

	Capital Assets (Net of Depreciation)		
	2013	2012	2011
Land	\$ 29,554,510	\$ 29,554,510	\$ 29,396,826
Collections	11,000	11,000	-
Construction in progress	575,433	2,189,607	4,774,185
Buildings	142,634,551	142,678,791	140,029,540
Land improvements	18,898,557	19,269,253	19,183,797
Library books	1,987,994	2,046,324	2,122,855
Furniture, machinery, vehicles, and other equipment	8,415,573	9,264,646	8,125,310
Telecommunications and peripheral equipment	38,696	74,974	270,748
Net capital assets	\$ 202,116,314	\$ 205,089,105	\$ 203,903,261

The following is a graphic illustration of capital assets, net of depreciation at August 31, 2013, 2012 and 2011.



Fiscal Year 2013 Compared To 2012

From fiscal year 2012 to fiscal year 2013, buildings, net of depreciation, decreased by \$44,240, construction in progress decreased by \$1,614,174 and land improvements decreased by \$370,696.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012

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.

The bonds payable liability balances at August 31, 2013, 2012 and 2011 are as follows:

Outstanding Debt – Bonds			
	2013	2012	2011
South Texas College Tax Bonds, Series 2002	\$ -	\$ -	\$ 4,630,000
South Texas College Tax Bonds, Series 2003	-	1,595,000	3,130,000
South Texas College Tax Bonds, Series 2004	-	8,190,000	9,615,000
South Texas College Tax Bonds, Series 2007 MTR	2,070,000	2,370,000	2,660,000
South Texas College Tax Bonds, Series 2007 LTR	21,844,991	22,119,991	22,384,991
South Texas College Tax Bonds, Series 2010 LTR	13,975,000	18,556,029	18,969,296
South Texas College Tax Bonds, Series 2013 LTR	6,495,000	-	-
Total Bonds Payable	\$ 44,384,991	\$ 52,831,020	\$ 61,389,287

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 39%, from 27,940 in fiscal year 2008 to 38,667 in fiscal year 2013. The unduplicated contact hour generation has increased 51%, from 7,865,248 contact hours in 2008 to 11,839,880 contact hours in 2013.

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.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013 and 2012

See Note No. 26 in the Notes to Financial Statements for contractual commitments for capital expenditures at August 31, 2013. In fiscal years 1997 through 2013, the District has set aside a total of \$85,250,000 for construction of facilities and a total of \$25,713,236 for deferred maintenance purposes. The amounts set aside are funded from current year revenue and net position.

The District is authorized to issue, 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 2013 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 position.

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 Position
August 31, 2013 and 2012

Exhibit 1

	FY 2013	FY 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 39,516,750	\$ 46,590,495
Short-term investments	130,989,451	97,202,242
Accounts receivable (net of allowance for doubtful accounts of \$5,137,044 in 2013 and \$2,805,081 in 2012)	13,377,129	14,963,171
Deposits in escrow	146,884	146,884
Prepaid expenses	1,108,163	574,019
Total Current Assets	185,138,377	159,476,811
Noncurrent Assets:		
Endowment investments	5,590	5,590
Deferred bond issuance costs (net of related amortization of \$72,681 in 2013 and \$156,655 in 2012)	487,662	560,343
Capital assets, net (note 5)	202,116,314	205,089,105
Total Noncurrent Assets	202,609,566	205,655,038
Total Assets	387,747,943	365,131,849
LIABILITIES		
Current Liabilities:		
Accounts payable	3,847,621	2,281,123
Accrued liabilities	1,421,074	897,990
Accrued compensable absences - current portion	551,119	533,469
Funds held for others	309,175	301,255
Unearned revenue	20,038,190	13,677,961
Bonds payable - current portion	9,551,336	8,512,158
Total Current Liabilities	35,718,515	26,203,956
Noncurrent Liabilities:		
Accrued compensable absences	64,711	55,062
Bonds payable, net	36,116,464	45,784,890
Total Noncurrent Liabilities	36,181,175	45,839,952
Total Liabilities	71,899,690	72,043,908
NET POSITION		
Net investment in capital assets	162,064,429	156,914,256
Restricted for:		
Expendable		
Student aid	1,670,849	1,144,336
Instructional programs	919,646	1,086,445
Institutional activities	462,280	334,263
Loans	977,483	920,228
Debt service	16,294,897	14,493,499
Non-expendable		
Endowment	339,444	340,664
Unrestricted	133,119,225	117,854,250
Total Net Position (Schedule D)	315,848,253	293,087,941
Total Liabilities & Net Position	\$ 387,747,943	\$ 365,131,849

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

South Texas College District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2013 and 2012

Exhibit 2

	FY 2013	FY 2012
OPERATING REVENUES		
Tuition and fees (net of discounts of \$56,202,456 in 2013 and \$55,255,652 in 2012)	\$ 21,051,377	\$ 19,583,509
Federal grants and contracts	4,630,302	4,748,007
State grants and contracts	5,160,704	6,794,060
Local grants and contracts	1,270,376	1,293,135
Non-governmental grants and contracts	3,113,960	2,740,134
Auxiliary enterprises	1,810,240	1,872,734
General operating revenues	621,264	439,642
Total Operating Revenues (Schedule A)	37,658,223	37,471,221
OPERATING EXPENSES		
Instruction	57,766,578	53,899,805
Research	4,516	67,273
Public service	903,735	736,507
Academic support	12,775,912	11,551,178
Student services	10,090,241	9,681,946
Institutional support	21,108,957	19,494,885
Operations and maintenance of plant	9,486,934	9,459,757
Scholarships and fellowships	28,724,249	31,873,082
Auxiliary enterprises	1,383,521	1,418,145
Depreciation	6,589,876	6,414,932
Total Operating Expenses (Schedule B)	148,834,519	144,597,510
OPERATING LOSS	(111,176,296)	(107,126,289)
NON-OPERATING REVENUES (EXPENSES)		
State allocations	38,977,829	37,017,673
Ad-valorem taxes		
Taxes for maintenance and operations	32,403,363	33,244,142
Taxes for debt service	12,030,232	12,276,741
Federal revenue, non-operating	57,151,307	61,950,136
Gifts	351,843	418,605
Investment income (net of investment expenses)	389,519	417,075
Interest on capital related debt	(1,513,884)	(1,821,871)
Gain (loss) on disposal of capital assets	(217)	2,793
Non-capital construction costs	(5,079,944)	(1,400,934)
Bond costs amortization	(566,261)	(536,677)
Other non-operating expenses	(290,477)	(500,835)
Net Non-Operating Revenues (Expenses) (Schedule C)	133,853,310	141,066,848
Income Before Contributions, Endowment and Extraordinary Item	22,677,014	33,940,559
Capital contributions	83,298	22,740
Additions (deductions) to permanent and term endowment	-	(4,700)
Extraordinary item	-	2,010,294
Increase In Net Position	22,760,312	35,968,893
NET ASSETS		
Net Position-Beginning of Year	293,087,941	257,119,048
Net Position-End of Year	\$ 315,848,253	\$ 293,087,941

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, 2013 and 2012

Exhibit 3

	FY 2013	FY 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 29,163,637	\$ 22,759,907
Receipts from grants and contracts	14,529,542	16,157,830
Payments to suppliers for goods or services	(21,143,163)	(22,556,340)
Payments to or on behalf of employees	(86,954,708)	(81,838,441)
Payments for scholarships and fellowships	(28,616,017)	(31,945,302)
Payments for loans issued to students	(798,106)	(111,684)
Receipts from collection of loans to students	659,887	153,235
Other receipts	454,928	328,988
Payments for non-operating construction costs	(5,079,944)	(1,399,334)
Payments for non-operating transactions	(256,212)	(466,322)
Net cash used by operating activities	(98,040,156)	(98,917,463)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state allocations	35,902,578	34,100,490
Receipts from ad-valorem taxes-maintenance and operation	33,535,414	33,484,166
Receipts from non-operating federal revenue	57,151,307	61,950,136
Payments for collection of taxes for maintenance and operation	(119,240)	(119,336)
Receipts from gifts or grants for other than capital purposes	296,344	393,804
Receipts from student organizations and other agency transactions	1,981,358	1,753,688
Payments to student organizations and other agency transactions	(1,941,989)	(1,846,403)
Receipts from endowment interest	928	1,247
Proceeds from insurance claims	-	2,010,294
Payments for endowment	-	(4,700)
Net cash provided by non-capital financing activities	126,806,700	131,723,386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts from ad-valorem taxes-debt services	12,404,690	12,385,343
Payments for collection of taxes for debt service	(67,440)	(67,436)
Contribution received in aid of construction	10,000	10,000
Purchases of capital assets	(3,586,941)	(7,230,962)
Payments for deposit in escrow	-	(13,677)
Payments on capital debt-principal	(8,376,028)	(8,558,267)
Payments on capital debt-interest and fees	(2,771,392)	(2,593,633)
Net cash used by capital and related financing activities	(2,387,111)	(6,068,632)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturity of investments	20,712,791	5,653,916
Receipts from interest on investments	334,031	415,824
Purchase of investments	(54,500,000)	(14,000,000)
Net cash used by investing activities	(33,453,178)	(7,930,260)
Increase (decrease) in cash and cash equivalents	(7,073,745)	18,807,031
Cash and cash equivalents-September 1,	46,590,495	27,783,464
Cash and cash equivalents-August 31,	\$ 39,516,750	\$ 46,590,495

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, 2013 and 2012

Exhibit 3

	FY 2013	FY 2012
Reconciliation of net operating loss to net cash used		
by operating activities:		
Operating loss	\$ (111,176,296)	\$ (107,126,289)
Adjustments to reconcile net operating loss to net cash used		
by operating activities:		
Depreciation expense	6,589,876	6,414,932
Payments made directly by state for benefits	3,075,251	2,917,183
Payments for non-operating construction costs	(5,079,944)	(1,399,334)
Payments for non-operating transactions	(256,212)	(466,323)
Changes in assets and liabilities:		
Receivables, net	341,905	(112,178)
Prepaid expenses	(534,144)	(50,219)
Accounts payable	1,632,809	(1,073,647)
Accrued liabilities	1,024,107	(16,449)
Compensable absences	27,299	(25,339)
Deferred revenues	6,315,193	2,020,200
Net cash used by operating activities	\$ (98,040,156)	\$ (98,917,463)

Non-cash investing, capital, and financing activities for fiscal year 2013:

Three Dell Force 10 Network Switch were donated to the District with a fair value of \$59,804 in September 2012.

Library books donated to the District during the fiscal year amounted to \$1,440.

Firefighter gear and truck donated to the District during the fiscal year amounted to \$7,053 and \$5,000, respectively.

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

Premium - Bond Series 2003	53,644
Premium - Bond Series 2002 & 2003 I&S	316
Premium - Bond Series 2004	705,975
Premium - MTR Bond Series 2007	1,666
Premium - LTR Bond Series 2007	204,458
Premium - LTR Bond Series 2010	248,625
Premium - LTR Bond Series 2013	(340,657)

The deferred loss ending balance as of August 31, 2013, is \$42,270, \$481,576, \$946,507, and \$106,532 for MTR Bond Series 2007, LTR Bond Series 2007, and LTR Bond Series 2010 and LTR Bond Series 2013, 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 2003	20,608
Bond Series 2004	99,902
MTR Bond Series 2007	3,972
LTR Bond Series 2007	33,827
Bond Series 2010	29,867
Bond Series 2013	(115,495)

Pledge contributions as of August 31, 2013, consisted of \$26,999 non-cash and \$11,000 cash.

Payments made directly by the state for benefits as of August 31, 2013, consisted of \$3,075,251.

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, 2013 and 2012**

Exhibit 3**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
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

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. 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, 2013 and 2012

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, 2013 and 2012

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 Position and the Statement of Revenues, Expenses, and Changes in Net Position, to avoid the inappropriate "grossing-up" effects that internal activity would otherwise have on aggregated amounts.

H. 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 Position.

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, 2013 and 2012

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, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Unearned Revenues

Tuition and fees of \$19,403,380 and \$13,182,436 and federal, state, local, and private grants of \$634,810 and \$495,525 have been reported as unearned revenues at August 31, 2013, and 2012, respectively. Total unearned revenues were \$20,038,190 and \$13,677,961 at August 31, 2013, and 2012, 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 Position

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

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

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

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Capitalization of Interest

Interest cost during the construction period is capitalized in accordance with GASB Statement No. 62. The District's policy is to capitalize interest cost as a component of construction in progress upon completion of capital assets. As of August 31, 2013, the District incurred \$2,270,369 in interest cost expense and \$10,508 was capitalized. As of August 31, 2012, the District incurred \$2,830,936 in interest cost expense and \$205,946 was capitalized.

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 position.

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 Position

In fiscal year 2013, the District's Board of Trustees designated \$2,000,000 of the unrestricted net position for the purpose of supplementing future employee health insurance costs. In fiscal year 2011 and fiscal year 2012, the District's Board of Trustees had designated \$5,000,000 and \$2,500,000, respectively, for the same purpose. As a result, a total amount of \$9,500,000 is designated for the purpose of supplementing future employee health insurance costs at August 31, 2013.

Note 3 – Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas, or its agencies and instrumentalities, (3) obligations of political subdivisions rated not less than "A" by a national investment rating firm, (4) certificates of deposit, (5)

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 3 – Authorized Investments (Continued)

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, (7) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, (8) other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States, and (9) other instruments and obligations authorized by statute.

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, maintenance of sufficient liquidity, maximization of return within acceptable risk constraints and diversification of investments. At August 31, 2013, and 2012, the carrying amount of South Texas College’s District bank deposits and investments was \$170,511,791 and \$143,798,327, respectively. Federal Deposit Insurance Corporation (FDIC) coverage 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 \$188,000,000 and \$165,000,000 for the years ended August 31, 2013, and 2012, 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 Position, consist of the items reported below:

	August 31, 2013	August 31, 2012
Demand deposits	\$ 39,507,800	\$ 46,582,675
Change funds on hand	8,950	7,820
Total Cash and Cash Equivalents	\$ 39,516,750	\$ 46,590,495

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

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

Total deposits and investments at August 31, 2013, and 2012, are as follows:

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

<u>Type of Security</u>	<u>Fair Value</u> <u>August 31, 2013</u>	<u>Fair Value</u> <u>August 31, 2012</u>
Certificates of deposit	\$ 130,989,451	\$ 97,202,242
Endowment investment	5,590	5,590
Total Investments	<u>130,995,041</u>	<u>97,207,832</u>
Total Cash and Cash Equivalents	<u>39,516,750</u>	<u>46,590,495</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 170,511,791</u>	<u>\$ 143,798,327</u>
 <u>Exhibit 1</u>		
Cash and cash equivalents	\$ 39,516,750	\$ 46,590,495
Short-term investments	130,989,451	97,202,242
Endowment investment	5,590	5,590
Total Reconciliation to Exhibit 1	<u>\$ 170,511,791</u>	<u>\$ 143,798,327</u>

Endowment investment consists of a donated coin collection.

As of August 31, 2013, 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	\$ 130,989,451	0.5621

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

Interest Rate Risk—In accordance with its Investment Policy, the District limits its exposure to interest rate risk by investing in securities whose maturities will not exceed the anticipated cash flow requirements for the funds and limits the weighted average maturity of its investment portfolio to 270 days or less with a maximum allowable maturity of two years for any one investment. The investment maturities of 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 no-load money market mutual funds regulated by the SEC must be continuously rated not less than AAA or its equivalent, eligible investment pools must be continuously rated no lower than AAA or AAA-m and

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

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

obligations, including letters of credit, of the United States or its agencies and instrumentalities, direct obligations of the State of Texas, obligations of states, agencies, counties, cities and other political subdivisions of any State must be rated not less than “A” or its equivalent. Certificates of deposit must be secured by obligations described above and governed by a depository agreement. All of the District’s investments are in the form of certificates of deposit, which at August 31, 2013 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, 2013, 100% of the District’s investment portfolio is in certificates of deposit.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2013, was as follows:

	Balance September 1, 2012	Increases	Decreases	Balance August 31, 2013
<u>Not Depreciated:</u>				
Land	\$ 29,554,510	\$ -	\$ -	\$ 29,554,510
Collections	11,000	-	-	11,000
Construction in progress	2,189,607	2,178,128	3,792,302	575,433
Subtotal	<u>31,755,117</u>	<u>2,178,128</u>	<u>3,792,302</u>	<u>30,140,943</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	166,819,821	3,008,964	-	169,828,785
Land improvements	24,971,794	783,337	-	25,755,131
Total Buildings and Other Land Improvements	<u>191,791,615</u>	<u>3,792,301</u>	<u>-</u>	<u>195,583,916</u>
Library books	5,090,599	248,429	-	5,339,028
Furniture, machinery, vehicles, and other equipment	20,950,594	1,348,106	82,087	22,216,613
Telecommunications and peripheral equipment	10,401,975	-	9,264	10,392,711
Total Buildings and Other Capital Assets	<u>228,234,783</u>	<u>5,388,836</u>	<u>91,351</u>	<u>233,532,268</u>
<u>Accumulated Depreciation:</u>				
Buildings	24,141,030	3,053,204	-	27,194,234
Land improvements	5,702,541	1,154,033	-	6,856,574
Library books	3,044,275	306,759	-	3,351,034
Furniture, machinery, vehicles, and other equipment	11,685,948	2,206,226	91,134	13,801,040
Telecommunications and peripheral equipment	10,327,001	27,014	-	10,354,015
Total Accumulated Depreciation	<u>54,900,795</u>	<u>6,747,236</u>	<u>91,134</u>	<u>61,556,897</u>
Net Buildings and Other Capital Assets	<u>173,333,988</u>	<u>(1,358,400)</u>	<u>217</u>	<u>171,975,371</u>
Total Capital Assets, Net	<u>\$ 205,089,105</u>	<u>\$ 819,728</u>	<u>\$ 3,792,519</u>	<u>\$ 202,116,314</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
Buildings	\$ 142,678,791	\$ (44,240)	\$ -	\$ 142,634,551
Land improvements	19,269,253	(370,696)	-	18,898,557
Library books	2,046,324	(58,330)	-	1,987,994
Furniture, machinery, vehicles, and other equipment	9,264,646	(858,120)	(9,047)	8,415,573
Telecommunications and peripheral equipment	74,974	(27,014)	9,264	38,696
Total Net Buildings and Other Capital Assets	<u>\$ 173,333,988</u>	<u>\$ (1,358,400)</u>	<u>\$ 217</u>	<u>\$ 171,975,371</u>

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

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 \$65,618. These collections adhere to the District’s policy which are (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 proceeds 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, 2013, including capitalized interest of \$9,686, consists of the following:

Project	Balance August 31, 2012	Additions / Deductions	Completed	Balance August 31, 2013
Pecan West Academic Building	\$ -	\$ (66,253)	(66,253)	-
Pecan Building G Fume Hoods	103,708	5,605	109,313	-
Pecan DMARC Relocation	3,150	(695)	-	2,455
Pecan South Academic Building Science Labs	-	100,288	100,288	-
Tech Southwest Building Renovation	44,990	196,488	241,478	-
Tech Southwest Building	1,593,429	-	1,593,429	-
Tech Welding Lab Expansion	-	17,274	-	17,274
Mid Valley Building G Science Lab Improvements	347,141	1,593	348,734	-
Mid Valley Parking Expansion	53,317	434,519	467,384	20,452
Mid Valley Art Lab Improvements	-	352	-	352
Mid Valley North Academic Building Science Labs	-	122,225	-	122,225
Pecan Plaza Police Department Renovation	-	28,247	-	28,247
Pecan Plaza Re-roofing	19,246	662,729	681,975	-
Pecan Plaza Resurface Parking & Replace Lighting	-	19,753	-	19,753
Hail Damage Repairs	-	196,571	-	196,571
MV Resurface Parking Lot	-	153,154	-	153,154
Starr HVAC Chiller Replacement	24,626	306,278	315,954	14,950
Total	\$ 2,189,607	\$ 2,178,128	3,792,302	575,433

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 5 – Capital Assets (Continued)

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	23,779,797	1,191,997	-	24,971,794
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	10,495,661	-	93,686	10,401,975
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	10,224,913	195,774	93,686	10,327,001
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>
Net Capital Assets	<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	270,748	(195,774)	-	74,974
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, 2013 and 2012

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 which are (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 proceeds 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.

Building decreases for the amount of \$1,751,113 were reclassifications to land for \$157,684 and to construction in progress for \$1,593,429. Accumulated depreciation was reversed since the building was transferred to Construction in Progress.

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 Improvements	-	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, 2013 and 2012

Note 6 – Long Term Liabilities

Long-term liabilities activity for the year ended August 31, 2013, was as follows:

	Balance September 1, 2012	Additions	Reductions	Balance August 31, 2013	Current Portion
Bonds					
South Texas College District Tax Bonds, Series 2003	\$ 1,595,000	\$ -	\$ 1,595,000	\$ -	\$ -
South Texas College District Tax Bonds, Series 2004	8,190,000	-	8,190,000	-	-
South Texas College District Tax Bonds, Series 2007 MTR	2,370,000	-	300,000	2,070,000	310,000
South Texas College District Tax Bonds, Series 2007 LTR	22,119,991	-	275,000	21,844,991	285,000
South Texas College District Tax Bonds, Series 2010 LTR	18,556,029	-	4,581,029	13,975,000	6,990,000
South Texas College District Tax Bonds, Series 2013 LTR	-	6,630,000	135,000	6,495,000	1,715,000
Subtotal	<u>52,831,020</u>	<u>6,630,000</u>	<u>15,076,029</u>	<u>44,384,991</u>	<u>9,300,000</u>
Accrued Compensable Absences	588,531	86,194	58,895	615,830	551,119
Total Liabilities	<u>\$ 53,419,551</u>	<u>\$ 6,716,194</u>	<u>\$ 15,134,924</u>	<u>\$ 45,000,821</u>	<u>\$ 9,851,119</u>
Bond Detail					
Total Bonds Payable	\$ 52,831,020	\$ 6,630,000	\$ 15,076,029	\$ 44,384,991	\$ 9,300,000
Premium on Bonds Payable	3,738,721	359,323	1,233,350	2,864,694	539,914
Deferred Refunding Loss	(2,272,693)	(112,369)	(803,177)	(1,581,885)	(288,578)
Total Bond Liabilities	<u>\$ 54,297,048</u>	<u>\$ 6,876,954</u>	<u>\$ 15,506,202</u>	<u>\$ 45,667,800</u>	<u>\$ 9,551,336</u>
Less Current Bonds Payable				(9,551,336)	
Total Noncurrent Bonds Payable				<u>\$ 36,116,464</u>	

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 6 - Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2013, 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 2007 MTR	\$ 23,832	\$ 9,996	\$ 47,270
South Texas College District Tax Bonds, Series 2007 LTR	169,132	1,022,292	481,576
South Texas College District Tax Bonds, Series 2010 LTR	179,203	1,491,749	946,507
South Texas College District Tax Bonds, Series 2013 LTR	115,495	340,657	106,532
Total	<u><u>\$ 487,662</u></u>	<u><u>\$ 2,864,694</u></u>	<u><u>\$ 1,581,885</u></u>

Arbitrage

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2013, the District did not have a liability.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 6 – Long Term Liabilities (Continued)

For comparison purposes, the long-term liabilities activity for the year ended August 31, 2012, was as follows:

	Balance September 1, 2011	Additions	Reductions	Balance August 31, 2012	Current 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, 2013 and 2012

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:

	Deferred Bond Issuance Cost	Bond Premium	Deferred Loss
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	\$ 560,343	\$ 3,738,721	\$ 2,272,693

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, 2013 and 2012

Note 7 – Debt and Lease Obligations and Rental Agreements

As of August 31, 2013, bonds payable are due in annual installments varying from \$135,000 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 requirements for the next five years and beyond are summarized below for bonds issued:

Fiscal Year	<u>General Obligation Bond</u>		
	Principal	Interest	Total
2014	\$ 9,300,000	\$ 1,839,750	\$ 11,139,750
2015	8,039,991	2,912,059	10,952,050
2016	8,590,000	1,252,150	9,842,150
2017	8,885,000	873,550	9,758,550
2018	8,820,000	465,500	9,285,500
2019	750,000	28,150	778,150
Total	\$ 44,384,991	\$ 7,371,159	\$ 51,756,150

For comparison purposes, 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 requirements for the next five years and beyond are summarized below for bonds issued:

Fiscal Year	<u>General Obligation Bond</u>		
	Principal	Interest	Total
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

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

Fund Group	August 31, 2013	August 31, 2012
Unrestricted Current Funds	\$ 544,868	\$ 410,204

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

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, 2013 Minimum Future Lease Payments	August 31, 2012 Minimum Future Lease Payments
2013	\$ -	\$ 44,095
2014	69,307	24,333
2015	55,244	7,589
2016	53,991	-
2017	29,001	-
2018	9,923	-
Total	\$ 217,466	\$ 76,017

During fiscal year 2013, the District leased office space at the Mid Valley Campus and Starr County Campus to nonprofit agencies. In fiscal year 2013, the District’s rental income from these leases was \$65,089. Annual future minimum receipts under these agreements for fiscal year 2014 are \$55,021. No future receipts are expected for fiscal years 2015 and 2016.

Note 8 – Bonds Payable

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

	2013	2012
\$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	\$ -	\$ 1,595,000

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 8 – Bonds Payable (Continued)

	2013	2012
<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, refunded in part by issued dated June 12, 2013 Source of revenue for debt service: Ad-valorem taxes</p>	-	8,190,000
<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 service 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>	2,070,000	2,370,000
<p>\$23,589,991 South Texas College District Limited Tax Refunding Bonds, Series 2007 due in varying installments through 2018, interest at 4.0%-5.0%. Purpose: To advance refund a portion of the District’s 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 29, 2007 Source of revenue for debt service: Ad-valorem taxes</p>	21,844,991	22,119,991
<p>\$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</p>	13,975,000	18,556,029

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 8- Bonds Payable (Continued)

	2013	2012
\$6,630,000 South Texas College District Limited Tax Refunding Bonds, Series 2013 due in varying installments through 2017, interest at 2.0%-3.0%. Purpose: To advance refund a portion of the District's 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: June 12, 2013		
Source of revenue for debt service: Ad-valorem taxes	6,495,000	-
Total Bonds Payable	\$ 44,384,991	\$ 52,831,020

Bonds Payable are due in annual installments varying from \$135,000 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 June 12, 2013, South Texas College District approved the issuance of a Limited Tax Refunding Bonds, Series 2013 totaling \$6,630,000 and is being issued to refund a portion of the District's outstanding debt South Texas College District Limited Tax General Obligation Bonds, Series 2004, in order to lower the overall debt service requirements of the District and to pay the cost associated with the issuance of the bonds. A total of \$6,700,000 of Limited Tax General Obligation Bonds, Series 2004 was refunded. The amount outstanding at year end on the Limited Tax Refunding Bonds, Series 2013 was \$6,495,000. The average interest rate of bonds refunded was 3.53% for Bonds Series 2004. In order to refund the bonds, the proceeds of the new bonds in the amount of \$6,867,500 (after payments of \$121,823 for 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 four years by \$595,530 and gave the District an economic gain of \$570,035. The portion of post refunding Limited Tax General Obligation Bonds, Series 2004, were paid as of August 31, 2013. The accounting loss resulting from the advance refunding totaled \$112,370. At August 31, 2013, the Limited Tax General Obligation Bonds, Series 2004 are considered fully defeased.

On November 18, 2010, South Texas College District approved the issuance of 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 cost 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 \$13,975,000. The average interest rate of bonds refunded were

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 9 – Advance Refunding of Bonds (Continued)

5.27% for Bonds Series 2002 and 4.61% for Bonds Series 2003. The portion of post refunding Limited Tax General Obligation Bonds, Series 2002, were paid as of August 31, 2012, and Limited Tax General Obligation Bonds, Series 2003, were paid as of August 31, 2013. At August 31, 2013, the Limited Tax General Obligation Bonds, Series 2002 and Limited Tax General Obligation Bonds, Series 2003 are considered fully defeased.

Note 10 – Employees’ Retirement Plan

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

Teacher Retirement System of Texas-Defined Benefit Plan

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 2013, 2012, and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0% for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state’s 6.4% contribution for fiscal year 2013, 6.0% for fiscal year 2012, and 6.644% for fiscal year 2011. State contributions to TRS made on behalf of the District’s employees for the years ended August 31, 2013, 2012, and 2011 were \$1,280,428, \$1,194,351, and \$2,957,765, respectively. The District paid additional state contributions for the years ended August 31, 2013, 2012, and 2011 in the amounts of \$3,500,138, \$318,568, and \$403,277, respectively. These equaled the required contributions each year.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

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, 2013	August 31, 2012	August 31, 2011
Total payroll for TRS	\$ 51,811,943	\$ 49,188,881	\$ 50,587,618
State contributions	\$ 1,280,428	\$ 1,194,351	\$ 2,957,765
District contributions	3,500,138	318,568	403,277
Total Contributions-active	4,780,566	1,512,919	3,361,042
District contributions-retirees	26,760	31,468	33,684
Total Contributions	\$ 4,807,326	\$ 1,544,387	\$ 3,394,726
 Member Contributions	 \$ 3,320,549	 \$ 3,175,434	 \$ 3,248,831

Optional Retirement Plan-Defined Contribution 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 years 2012-2013 and 6.4% for fiscal year 2011. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2013, 2012, and 2011, respectively. The District contributes 2.5% for fiscal years 2012-2013 and 2.1% for fiscal year 2011 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 \$740,019, \$740,120, and \$830,040, for the fiscal years ended August 31, 2013, 2012, and 2011, 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, 2013 and 2012

Note 10 – Employees’ Retirement Plan (Continued)

	August 31, 2013	August 31, 2012	August 31, 2011
Total payroll for ORP	\$ 12,333,625	\$ 12,335,313	\$ 12,969,373
State contributions	\$ 740,019	\$ 740,120	\$ 830,040
District contributions	59,838	66,236	67,415
Total Contributions	\$ 799,857	\$ 806,356	\$ 897,455
 Member Contributions	 \$ 850,840	 \$ 856,796	 \$ 899,532

The total payroll for all District employees was \$71,203,678, \$68,809,740 and \$71,544,023 for fiscal years 2013, 2012, and 2011, respectively. The total payroll of employees covered by the Teacher Retirement System was \$51,811,943, \$49,188,881, and \$50,587,618, and the total payroll of employees covered by the Optional Retirement Program was \$12,333,625, \$12,335,313, and \$12,969,373, for fiscal years 2013, 2012, and 2011, 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, 2013, the District has 85 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 75 participated in 2012. A total of \$329,237 and \$314,182 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2013 and 2012, respectively.

As of August 31, 2013, the District has 84 employees participating in Section 457 Deferred Compensation Plan (DCP) and 68 participated in 2012. A total of \$171,556 and \$174,213 in payroll deductions have been invested in Section 457 Deferred Compensation Plan (DCP) during the fiscal years 2013 and 2012, 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.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 12 – Compensable Absences (Continued)

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

	August 31, 2013	August 31, 2012
Compensable absences-beginning	\$ 588,531	\$ 613,870
Net additions and reductions	27,299	(25,339)
Total Compensable Absences	\$ 615,830	\$ 588,531
Current portion	\$ 551,119	\$ 533,469

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, 2013, 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, 2013, 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, 2013 and 2012

Note 14 – Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2013, and August 31, 2012, were as follows:

	August 31, 2013	August 31, 2012
Student receivables-delinquent	\$ 5,004,057	\$ 3,824,802
Student receivables-other	155,549	81,549
Taxes receivables	11,205,036	11,352,479
Federal receivables	1,401,055	1,560,903
Interest receivables	54,565	4
Accounts receivables		
Bookstore and auxiliary	51,265	59,037
State, local and private	382,395	691,181
Pledges receivable	38,671	17,437
Agency	416	26
Other receivables	221,164	180,834
Subtotal	18,514,173	17,768,252
Allowance for doubtful accounts-student	(3,691,253)	(2,532,168)
Allowance for doubtful accounts-taxes	(1,445,791)	(272,913)
Total Receivables–Exhibit 1	\$ 13,377,129	\$ 14,963,171

Taxes receivables may not all be collected within one year.

Payables

Payables at August 31, 2013, and August 31, 2012, were as follows:

	August 31, 2013		August 31, 2012	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor payable				
Vendors	\$ 3,315,488	\$ -	\$ 1,735,766	\$ -
Construction	29,558	-	247,069	-
Construction retainage	241,763	-	20,007	-
Salaries & benefits	-	1,341,085	-	316,978
Students payable	57,575	-	52,750	-
Accrued interest	-	79,989	-	581,012
Other Payables	203,237	-	225,531	-
Total Payables–Exhibit 1	\$ 3,847,621	\$ 1,421,074	\$ 2,281,123	\$ 897,990

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 15 – Funds Held for Others

At August 31, 2013, and at August 31, 2012, the District held, in trust funds, amounts of \$309,175 and \$301,255, 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 Position (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 Position (Exhibit 1). Grant funds expended but not yet collected are reported as receivables on the Statements of Net Position (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 2013 and 2012, for which monies have not been received nor funds expended totaled \$2,635,362 and \$4,704,330, respectively.

These amounts are comprised of the following:

	August 31, 2013	August 31, 2012
Federal contracts and grant awards	\$ 1,936,232	\$ 2,440,419
State contracts and grant awards	615,475	2,162,873
Private contracts and grant awards	83,655	101,038
Total	\$ 2,635,362	\$ 4,704,330

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 \$470.38 per month for the year ended August 31, 2013 for United Health Select of Texas and \$436.08 per month for the year ended August 31, 2012 for Blue Cross Blue Shield-Health Select Plan. The state’s contribution totaled \$3,075,251 for fiscal year 2013 and \$2,917,183 for fiscal year 2012.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

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

The cost of providing those benefits for 37 retirees in the year ended August 31, 2013, was \$228,628 and for 34 retirees in the year ended August 31, 2012, was \$184,959. For 1,172 United Health Select of Texas active employees, the cost of providing benefits was \$2,846,623 for the year ended August 31, 2013. Active employee benefits for 1,175 Blue Cross Blue Shield-Health Select Plan active employees cost \$2,732,224 for the year ended August 31, 2012.

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

	August 31, 2013	August 31, 2012
Full time employees	1,172	1,175
Number of retirees	37	34
Active employee-state	\$ 2,846,623	\$ 2,732,224
Retiree-state	228,628	184,959
Total State Contributions	3,075,251	2,917,183
District contributions	5,398,075	4,950,338
Total Health Insurance Cost	\$ 8,473,326	\$ 7,867,521

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, 2013	August 31, 2012
Assessed valuation of the District	\$ 30,935,891,929	\$ 30,664,264,073
Less: Exemptions	1,290,357,858	1,146,088,734
Less: Abatements	-	-
Net Assessed Valuation of the District	\$ 29,645,534,071	\$ 29,518,175,339

	Fiscal Year 2013			Fiscal Year 2012		
	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	\$ 0.0407	\$ 0.1507

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 18 – Ad Valorem Tax (Continued)

Taxes levied for the year ended August 31, 2013, and 2012 amounted to \$46,010,568 and \$45,813,277, 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, 2013			August 31, 2012		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$30,337,769	\$ 11,224,976	\$ 41,562,745	\$ 30,196,127	\$ 11,172,569	\$41,368,696
Delinquent taxes collected	1,918,510	712,450	2,630,960	2,036,784	751,630	2,788,414
Penalties & interest collected	1,208,040	450,702	1,658,742	1,154,709	430,793	1,585,502
Total Collections	<u>\$33,464,319</u>	<u>\$ 12,388,128</u>	<u>\$ 45,852,447</u>	<u>\$ 33,387,620</u>	<u>\$ 12,354,992</u>	<u>\$ 45,742,612</u>

Tax collections for the year ended August 31, 2013, and 2012, were 93.71% and 93.54%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The allowances for uncollectible taxes were \$1,445,791 and \$272,913 for the years ending August 31, 2013, and 2012, respectively. The use of tax proceeds is restricted for the use of maintenance and operations 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, 2013 and 2012.

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 2013.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 21 – Subsequent Events

On November 5th, 2013, the residents of Hidalgo County and Starr County approved the issuance of bonds in the amount of one-hundred-fifty-nine million, twenty-eight thousand, nine-hundred-forty dollars (\$159,028,940) for the construction and equipping of college buildings in the District. In addition, the voters approved to increase the maximum ad-valorem tax rate by three cents, at a rate not to exceed fourteen cents, for the further operation and maintenance of the District.

On September 27th, 2013, the District received an additional \$1,262,519 insurance check for replacement cost incurred by the hail damage repairs.

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, 2013, 2012, and 2011, were \$245,562, \$198,862, and \$149,902, respectively, which equaled the required contributions each year.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 23 – On-Behalf Payments

For the fiscal years ended August 31, 2013 and 2012, the District recorded state on-behalf contributions for the Teacher Retirement System of \$1,280,428 and \$1,194,351, respectively, contributions for the Optional Retirement Program of \$740,019 and \$740,120, respectively, and contributions for health insurance of \$3,075,251 and \$2,917,183, respectively. The state's total on-behalf contributions for the fiscal years ended August 31, 2013, and 2012 of \$5,095,698 and \$4,851,654, 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 controls risk through participation in a governmental risk management pool, the purchase of insurance from commercial insurance providers, or a combination of both. Each year, the district solicits competitive proposals from insurance providers to cover various risks such as injuries to employees; natural disasters; theft, damage or destruction of assets; errors and omissions; and injuries to persons and property. Both governmental risk pools and commercial insurance companies may respond to the solicitation. The District evaluates responses for each type of insurance and awards to the respondent who affords the best value.

The more significant coverage's include \$1,000,000 of general liability insurance for fiscal years 2013 and 2012, property insurance covering the District's buildings and properties including commercial inland marine in an aggregate amount of \$219,708,986 and \$219,542,696 for fiscal years 2013 and 2012 respectively, business income with extra expense coverage of \$34,441,000 and \$34,100,000 for fiscal year 2013 and 2012 respectively, and \$5,000,000 in education legal and employment practices liability for fiscal years 2013 and 2012. Employees were covered by a fully insured health insurance plan. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 26 – Construction and Improvement Commitments

Construction and improvement commitments for August 31, 2013, were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 8,011,763	\$ 4,855,867	\$ 3,155,896
Technology Campus	467,193	361,193	106,000
Mid Valley Campus	1,050,862	995,114	55,748
Starr Campus	299,000	299,000	-
Total	\$ 9,828,818	\$ 6,511,174	\$ 3,317,644

At August 31, 2013, the District had \$3,317,644 of remaining contractual commitments in construction and improvement projects.

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

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 7,237,295	\$ 7,734,153	\$ 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.

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 \$922, \$1,242 and \$1,008, in fiscal years 2013, 2012 and 2011, respectively.

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

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 28 – Endowments (Continued)

The fund balances of the endowments were as follows:

Endowment	August 31, 2013	August 31, 2012
Alfredo De Los Santos Endowment	\$ 15,100	\$ 15,128
Futuro Brillante Endowment	200,100	200,100
Glen & Rita K. Roney Endowment	116,700	117,894
Martin Harvey Endowment	1,050	1,049
Roberto Gutierrez Sr. Endowment	904	903
Edwynne G. Cooper Endowment	5,590	5,590
Total Endowments	\$ 339,444	\$ 340,664

In fiscal year 2013, 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, 2013, the market value of the Trust was \$3,408,176. The Trust made a distribution to the District in the amount of \$160,785 in fiscal year 2013. 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. The funds are presented in Restricted Expendable Net Position.

Note 29 –Pledges of Gifts

The District records pledges of gifts when an unconditional promise to pay is received. At August 31, 2013, pledges receivable totaled \$38,671, which consisted of non-cash gifts of \$27,671 and \$11,000 in cash gifts. At August 31, 2012, pledges receivable totaled \$17,437, which consisted of non-cash gifts of \$17,200 and \$237 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

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2013 and 2012

Note 30 – Contingencies (Continued)

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.

In fiscal year 2012, the District estimated that as of August 31, 2012, the contribution that has not been paid to TRS on behalf of the District employees was \$1,438,422.

In fiscal year 2013, the District paid TRS the contribution on behalf of the District employees in the amount of \$1,463,708.

Note 31 – Allowance Method for Uncollectible Accounts

The District reviewed the allowance for doubtful accounts for property taxes and revised the method of calculating the allowance. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the allowance for doubtful accounts for property taxes for the fiscal year 2013 is \$1,445,791.

Note 32 – 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. The cost of repairs related to the extraordinary event incurred in fiscal year 2013 was \$4,230,489.



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South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2013 (With Totals for the Year Ended August 31, 2012)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2013 Total	FY 2012 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 38,767,086	\$ -	\$ 38,767,086	\$ -	\$ 38,767,086	\$ 37,397,461
Out-of-district resident tuition	1,071,957	-	1,071,957	-	1,071,957	948,429
Non-resident tuition	3,645,624	-	3,645,624	-	3,645,624	2,999,540
TPEG state (set aside) *	1,814,291	-	1,814,291	-	1,814,291	1,744,821
State funded continuing education	711,649	-	711,649	-	711,649	579,689
TPEG non-credit (set aside) *	45,424	-	45,424	-	45,424	37,000
State funded workforce development	499,135	-	499,135	-	499,135	502,389
TPEG non-credit (set aside) *	31,859	-	31,859	-	31,859	32,067
Non-state funded continuing education	786,413	-	786,413	-	786,413	758,801
TPEG non-credit (set aside) *	50,878	-	50,878	-	50,878	49,229
Non-state funded workforce development	192,575	-	192,575	-	192,575	33,901
TPEG non-credit (set aside) *	12,291	-	12,291	-	12,291	2,164
Total Tuition	47,629,182	-	47,629,182	-	47,629,182	45,085,491
Fees:						
Student registration fee	7,714,740	-	7,714,740	-	7,714,740	7,486,669
Laboratory fees	1,293,939	-	1,293,939	-	1,293,939	1,143,563
Incidental fees	20,615,972	-	20,615,972	-	20,615,972	21,123,438
Total Fees	29,624,651	-	29,624,651	-	29,624,651	29,753,670
Scholarship Allowances and Discounts:						
Remissions and exemptions	(19,380,034)	-	(19,380,034)	-	(19,380,034)	(15,901,159)
TPEG allowances	(1,461,625)	-	(1,461,625)	-	(1,461,625)	(2,046,529)
Local grants to students	(565,284)	-	(565,284)	-	(565,284)	(526,930)
Private grants to students	(371,865)	-	(371,865)	-	(371,865)	(308,179)
State grants to students	(2,277,177)	-	(2,277,177)	-	(2,277,177)	(2,432,836)
Federal grants to students	(32,146,471)	-	(32,146,471)	-	(32,146,471)	(34,040,019)
Total Scholarship Allowances and Discounts	(56,202,456)	-	(56,202,456)	-	(56,202,456)	(55,255,652)
Total Net Tuition and Fees	21,051,377	-	21,051,377	-	21,051,377	19,583,509
Additional Operating Revenues:						
Federal grants and contracts	256,831	4,373,471	4,630,302	-	4,630,302	4,748,007
State grants and contracts	13,112	5,147,592	5,160,704	-	5,160,704	6,794,060
Local grants and contracts	-	1,270,376	1,270,376	-	1,270,376	1,293,135
Non-governmental grants and contracts	2,136,763	977,197	3,113,960	-	3,113,960	2,740,134
General operating revenues	349,321	271,943	621,264	-	621,264	439,642
Total Additional Operating Revenues	\$ 2,756,027	\$ 12,040,579	\$ 14,796,606	\$ -	\$ 14,796,606	\$ 16,014,978

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2013 (With Totals for the Year Ended August 31, 2012)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2013 Total	FY 2012 Total
Auxiliary Enterprises:						
Bookstore	\$ -	\$ -	\$ -	\$ 526,825	\$ 526,825	\$ 512,039
Food service	-	-	-	765,095	765,095	756,468
Vending commissions	-	-	-	159,521	159,521	184,950
Copier commissions	-	-	-	20,978	20,978	25,377
Wellness center	-	-	-	37,299	37,299	48,312
Child care center	-	-	-	257,753	257,753	306,498
General conferences	-	-	-	39,192	39,192	35,490
Other	-	-	-	3,577	3,577	3,600
Total Auxiliary Enterprises	-	-	-	1,810,240	1,810,240	1,872,734
Total Operating Revenues	\$ 23,807,404	\$ 12,040,579	\$ 35,847,983	\$ 1,810,240	\$ 37,658,223	\$ 37,471,221
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$1,954,743 and \$1,865,281 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2013 and 2012, respectively.

South Texas College District
Schedule of Operating Expenses by Object
Year Ended August 31, 2013 (With Totals for the Year Ended August 31, 2012)

Schedule B

	Operating Expenses			Other Expenses	FY 2013 Total	FY 2012 Total
	Salaries and Wages	Benefits				
		State	Local			
Unrestricted-Educational Activities						
Instruction	\$ 42,422,054	\$ -	\$ 7,907,428	\$ 3,177,267	\$ 53,506,749	\$ 49,762,924
Public service	133,503	-	12,799	116,724	263,026	220,072
Academic support	6,353,346	-	1,334,258	1,862,112	9,549,716	8,577,125
Student services	6,302,703	-	1,500,421	1,314,582	9,117,706	8,431,665
Institutional support	9,904,069	-	2,254,162	7,553,649	19,711,880	18,102,664
Operation and maintenance of plant	2,844,886	-	980,735	5,637,596	9,463,217	9,457,682
Total Unrestricted Educational Activities	67,960,561	-	13,989,803	19,661,930	101,612,294	94,552,132
Restricted-Educational Activities						
Instruction	421,578	3,209,240	69,253	559,758	4,259,829	4,136,881
Research	-	-	-	4,516	4,516	67,273
Public service	374,594	-	61,695	204,420	640,709	516,435
Academic support	1,490,838	507,808	343,665	883,885	3,226,196	2,974,053
Student services	317,009	525,408	33,011	97,107	972,535	1,250,281
Institutional support	257,200	853,242	30,935	255,700	1,397,077	1,392,221
Operation and maintenance of plant	23,717	-	-	-	23,717	2,075
Scholarships and fellowships	-	-	-	28,724,249	28,724,249	31,873,082
Total Restricted Educational Activities	2,884,936	5,095,698	538,559	30,729,635	39,248,828	42,212,301
Total Educational Activities	70,845,497	5,095,698	14,528,362	50,391,565	140,861,122	136,764,433
Auxiliary Enterprises	358,181	-	253,630	771,710	1,383,521	1,418,145
Depreciation Expense-Buildings and other real estate improvements	-	-	-	4,141,012	4,141,012	4,177,710
Depreciation Expense-Books	-	-	-	306,759	306,759	303,518
Depreciation Expense-Equipment and furniture	-	-	-	2,142,105	2,142,105	1,933,704
Total Operating Expenses	\$ 71,203,678	\$ 5,095,698	\$ 14,781,992	\$ 57,753,151	\$ 148,834,519 (Exhibit 2)	\$ 144,597,510 (Exhibit 2)

South Texas College District
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2013 (With Totals for the Year Ended August 31, 2012)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2013 Total	FY 2012 Total
NON-OPERATING REVENUES:					
State allocations:					
Education and general state support academic	\$ 22,787,848	\$ -	\$ -	\$ 22,787,848	\$ 21,599,839
Education and general state support vocational	10,739,596	-	-	10,739,596	10,210,335
Education and general state support BAT	354,687	-	-	354,687	355,845
State group insurance	-	3,075,251	-	3,075,251	2,917,183
State retirement matching	-	2,020,447	-	2,020,447	1,934,471
Total State Allocations	33,882,131	5,095,698	-	38,977,829	37,017,673
Ad-valorem taxes-maintenance and operations	32,403,363	-	-	32,403,363	33,244,142
Ad-valorem taxes-debt service	-	12,030,232	-	12,030,232	12,276,741
Federal revenue, non operating	-	57,151,307	-	57,151,307	61,950,136
Gifts	-	351,843	-	351,843	418,605
Investment income (net of investment expenses)	386,421	931	2,167	389,519	417,075
Gain on disposal of capital assets	-	-	-	-	2,793
Total Non-Operating Revenues	66,671,915	74,630,011	2,167	141,304,093	145,327,165
NON-OPERATING EXPENSES:					
Interest on capital related debt	1,513,884	-	-	1,513,884	1,821,871
Loss on disposal of capital assets	217	-	-	217	-
Non-capital construction costs	5,076,769	3,175	-	5,079,944	1,400,934
Bond costs amortization	566,261	-	-	566,261	536,677
Other non-operating expenses	-	290,477	-	290,477	500,835
Total Non-Operating Expenses	7,157,131	293,652	-	7,450,783	4,260,317
Net Non-Operating Revenues	\$ 59,514,784	\$ 74,336,359	\$ 2,167	\$ 133,853,310	\$ 141,066,848
				(Exhibit 2)	(Exhibit 2)

South Texas College District
Schedule of Net Position by Source and Availability
Year Ended August 31, 2013 (With Totals for the Year Ended August 31, 2012)

	Detail by Source				FY 2013 Total
	Unrestricted	Restricted		Net Investment in Capital Assets	
		Expendable	Non-Expendable		
Current:					
Unrestricted	\$ 91,784,899	\$ -	\$ -	\$ -	\$ 91,784,899
Board designated	9,500,000	-	-	-	9,500,000
Restricted					
Student Aid	-	1,670,849	-	-	1,670,849
Instructional Programs	-	919,646	-	-	919,646
Institutional Activities	-	462,280	-	-	462,280
Auxiliary enterprises	2,159,907	-	-	-	2,159,907
Loan	-	977,483	-	-	977,483
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	-	-	-	-
Endowment					
True	-	-	339,444	-	339,444
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	9,265,415	-	-	-	9,265,415
Renewals & replacements	20,409,004	-	-	-	20,409,004
Debt service	-	16,294,897	-	-	16,294,897
Investment in plant	-	-	-	162,064,429	162,064,429
Total Net Position, August 31, 2013	133,119,225	20,325,155	339,444	162,064,429	315,848,253
					(Exhibit 1)
Total Net Position, August 31, 2012	117,854,250	17,978,771	340,664	156,914,256	293,087,941
					(Exhibit 1)
Net Increase (Decrease) in Net Position	\$ 15,264,975	\$ 2,346,384	\$ (1,220)	\$ 5,150,173	\$ 22,760,312
					(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
\$ 91,784,899	\$ -
-	9,500,000
-	1,670,849
-	919,646
-	462,280
2,159,907	-
-	977,483
-	-
-	-
-	339,444
-	-
-	-
-	-
-	9,265,415
-	20,409,004
-	16,294,897
-	162,064,429
93,944,806	221,903,447
81,355,484	211,732,457
<u>\$ 12,589,322</u>	<u>\$ 10,170,990</u>

South Texas College
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

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	\$ 557,904
Federal Work-Study Program	84.033		576,236
Federal Pell Grant Program	84.063		56,017,167
TRIO Cluster			
Childcare Access Means Parents In School	84.335		220,132
Pass-Through From:			
Region One Education Service Center			
Migrant Education-State Grant Program	84.011		3,360
Texas Higher Education Coordinating Board			
Career and Technical Education-Basic Grants	84.048		1,484,173
La Joya Independent School District			
Migrant Education-High School Equivalency Program	84.141		2,091
Texas A&M University			
Migrant Education-High School Equivalency Program	84.141		4,224
University Texas Pan-American Foundation			
Migrant Education-High School Equivalency Program	84.141		14,278
Subtotal			<u>20,592</u>
Hidalgo Independent School District			
Twenty-First Century Community Learning Centers	84.287		51,797
Progresso Independent School District			
Twenty-First Century Community Learning Centers	84.287		32,677
Subtotal			<u>84,474</u>
University Texas Pan-American Foundation			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		5,550
Total U.S. Department of Education			<u>58,969,588</u>
U.S. Department of Agriculture			
Pass-Through From:			
Texas A & M University Kingsville			
Hispanic Serving Institutions Education Grants	10.223	12-0109	<u>77,469</u>
U.S. Department of Commerce			
Pass-Through From:			
Portland State University			
Broadband Technology Opportunities Program	11.557	200RED241	<u>32,268</u>
U.S. Department of Defense			
Direct Programs:			
Military Spouse Career Advancement			
	12.000		3,023
Pass-Through From:			
University of Texas Pan American			
Basic, Applied and Advanced Research in Science and Engineering	12.630		33,325
Total U.S. Department of Defense			<u>\$ 36,348</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

South Texas College
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

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 Housing and Urban Development			
Direct Programs:			
Hispanic-Serving Institutions Assisting Communities	14.514		\$ <u>368,619</u>
U.S. Department of Labor			
Pass-Through From:			
Texas Workforce Commission			
Employment Service/Wagner-Peyser Funded Activities	17.207	2313WPB0000	327,124
Lower Rio Grande Valley Workforce			
WIA Cluster			
Workforce Investment Act - Adult Program	17.258		240,281
Workforce Investment Act - Adult Program	17.258	2313WSW000	46,513
Subtotal			<u>286,794</u>
Workforce Investment Act - Youth Activities	17.259		15,757
Workforce Investment Act - Dislocated Workers	17.260		172,854
Motivation Education & Training, Inc.			
Workforce Investment Act - Adult Program	17.258		341,734
Total U.S. Department of Labor			<u>1,144,263</u>
National Science Foundation			
Pass-Through From:			
University of Texas Pan American			
Education and Human Services	47.076	41EMEC021	<u>6,243</u>
U.S. Department of Veterans' Affairs			
Direct Programs:			
Post 9/11 Veterans Educational Assistance, Recovery Act	64.027		707,337
Vocational and Educational Counseling for Servicemembers and Veterans	64.125		217,887
Total U.S. Department of Veterans' Affairs			<u>925,224</u>
U.S. Department of Health & Human Services			
Pass-Through From:			
Hidalgo County Headstart			
Head Start Program	93.600		28,208
Texas Migrant Council			
Head Start Program	93.600		20,734
Subtotal			<u>48,942</u>
Lower Rio Grande Valley Workforce			
Child Care Mandatory & Matching Funds of the Childcare & Dev Fnd	93.596		19,323
South Texas Development Council			
ARRA-Community Services Block Grant	93.710		79,564
Baylor College of Medicine			
Geriatric Education Center	93.969		19,155
Total U.S. Department of Health & Human Services			\$ <u>166,984</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**South Texas College
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013**

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
Corporation for National and Community Service			
Direct Programs:			
AmeriCorps - National Service Award	94.006		\$ 51,603
Total Federal Financial Assistance			61,778,609

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	4,373,471
Add: Indirect/Administrative Cost Recoveries - per Schedule A	256,830
Add: Non Operating Federal Revenue from Schedule C	57,151,307
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Position	61,781,608
Reconciling Item:	
Minus: Portland State University Service Contract	(3,000)
Total Federal Revenues per Schedule of Expenditures of Federal Awards	61,778,608

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

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

Note 3: Inkind Match

The Hispanic-Serving Institutions Assisting Communities grant received an inkind match in the amount of \$103,408 from the Housing Authority of Starr County. This amount was not included in the Schedule of Expenditures of Federal Awards but was included in the basic financial statements of the District.

South Texas College
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2013

Schedule F

Grantor Agency/Program Title	Grant Contract Number	Total Expenditures
Texas Higher Education Coordinating Board		
Nursing Shortage Reduction > 70%		\$ 13,274
Early High School Graduate		
Texas College Workstudy Program		109,481
TEXAS Grant I - Initial Year		1,215,721
TEXAS Grant I - Renewal Year		1,071,331
Texas Educational Opportunity Grant - Initial Year		382,800
Texas Educational Opportunity Grant - Renewal Year		198,000
Texas Be On Time Loan		7,479
Top 10% Scholarship Initial		112,000
Top 10% Scholarship Renewal		12,000
Texas Puente Integrated Reading/Writing Program	9787	68,894
Work-Study Mentorship Program	7074	17,559
P-16 Adult Basic Education Innovation	7048	355,627
Intensive Summer Programs for Adult Education Students	6073	128,195
T-STEM Scholarship		279,350
Total Texas Higher Education Coordinating Board		3,971,711
Lower Rio Grande Valley Workforce Development		
Workforce Solutions Leadership Development		2,454
McAllen Independent School District		
College & Career Transitions Initiative	2008-106	138,264
Pharr San Juan Alamo Independent School District		
Texas Prefreshman Engineering Program		12,985
University of Texas Pan American		
Master College Readiness Special Advisor		1,027
Roma Independent School District		
Texas Prefreshman Engineering Program		22,566
University of Texas - San Antonio		
Texprep UTSA		13,750
Texas Comptroller of Public Accounts		
Jobs and Education for Texans-Nursing	6095-06	5,530
Texas Workforce Commission		
Skills for Small Business Program	2312SSD000	5,382
Skills Development Fund #16	2311SDF000	310,980
Skills Development Fund #17	2311SDF001	107,569
Skills Development Fund #18	2312SDF000	136,360
Skills Development Fund #19	2312SDF001	197,508
Total Texas Workforce Commission		\$ 757,799

See Accompanying Notes to Schedule of Expenditures of Federal Awards

South Texas College
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2013

Schedule F

Grantor Agency/Program Title	Grant Contract Number	Total Expenditures
Texas Department of Agriculture		
Child And Adult Care Food Program		\$ 39,572
3E's Grant Program	E3E-12-062	2,810
Total Texas Department of Agriculture		42,381
Hidalgo County		
Substance Abuse Treatment Facility		3,484
Department of Assistive and Rehabilitative Services		201,590
Texas Association for the Education of Young Children		
T.E.A.C.H. Scholarship		438
Total State Financial Assistance		5,173,978
Note 1: State Assistance Reconciliation		
State Revenues - per Schedule A		5,147,592
Add: Indirect/Administrative Cost Recoveries - per Schedule A		13,112
Total State Revenues per Statement of Revenues, Expenses and Changes in Net Assets		5,160,704
Reconciling Item:		
Add: Revenue classified as Non Operating		
Professional Nursing Shortage Reduction		13,274
Total State Revenues per Schedule of Expenditures of State Awards		\$ 5,173,978

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



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>	100-109, 136-139
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>	110-119, 141-145
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>	120-125, 146-147
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>	126-128
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>	129-135

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Statistical Supplement 1
Net Position by Component
Fiscal Years 2004-2013
(unaudited)

Net Position	For the Fiscal Year Ended August 31,			
	2013	2012	2011	2010
Net investment in capital assets	\$ 162,064,429	\$ 156,914,256	\$ 147,207,945	\$ 136,773,512
Restricted expendable	20,325,155	17,978,771	17,161,889	16,906,861
Restricted non-expendable	339,444	340,664	346,360	346,050
Unrestricted	133,119,225	117,854,250	92,402,854	75,665,289
Total Net Position	\$ 315,848,253	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712

For the Fiscal Year Ended August 31,

2009	2008	2007	2006	2005	2004
\$ 113,996,844	\$ 99,425,786	\$ 81,439,837	\$ 77,875,115	\$ 65,488,899	\$ 53,401,242
14,027,153	12,741,856	10,581,497	9,842,298	8,001,688	8,695,028
346,041	332,230	330,880	215,228	215,228	215,228
74,119,953	69,192,197	67,223,004	52,703,700	47,788,784	42,783,441
\$ 202,489,991	\$ 181,692,069	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599	\$ 105,094,939

Statistical Supplement 2
Revenues by Source
Fiscal Years 2004-2013
(unaudited)

	For the Year Ended August 31,			
	2013	2012	2011	2010
Operating Revenues				
Tuition and fees (net of discounts)	\$ 21,051,377	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615
Federal grants and contracts	4,630,302	4,748,007	6,172,207	8,979,526
State grants and contracts	5,160,704	6,794,060	6,335,567	6,711,706
Local grants and contracts	1,270,376	1,293,135	1,380,691	1,255,944
Non-governmental grants and contracts	3,113,960	2,740,134	2,796,686	2,200,618
Auxiliary enterprises	1,810,240	1,872,734	1,877,501	1,666,738
General operating revenues	621,264	439,642	545,846	1,988,232
Total Operating Revenues	37,658,223	37,471,221	37,390,206	39,956,379
Non-Operating Revenues				
State allocations	38,977,829	37,017,673	36,676,953	37,514,938
Ad-valorem taxes-maintenance and operations	32,403,363	33,244,142	33,798,861	34,314,946
Ad-valorem taxes-debt service	12,030,232	12,276,741	12,187,090	12,197,541
Federal revenue, non-operating	57,151,307	61,950,136	66,972,554	59,089,947
Gifts	351,843	418,605	309,868	663,193
Investment income (net of investment expenses)	389,519	417,075	327,497	388,426
Gain on disposal of capital assets	-	2,793	-	-
Other non-operating revenues	-	-	-	-
Total Non-Operating Revenues	141,304,093	145,327,165	150,272,823	144,168,991
Total Revenues	\$ 178,962,316	\$ 182,798,386	\$ 187,663,029	\$ 184,125,370

For the Year Ended August 31,

	2009		2008		2007		2006		2005		2004
\$	16,561,311	\$	15,075,608	\$	12,657,625	\$	14,167,536	\$	11,453,488	\$	8,431,388
	7,015,595		6,508,073		5,057,914		6,653,576		8,591,817		7,416,615
	5,412,226		4,292,294		3,068,738		3,094,018		3,553,359		2,948,994
	1,129,509		741,390		922,667		756,312		757,398		801,324
	1,594,568		1,555,367		1,192,509		1,017,893		1,525,659		998,230
	1,403,045		1,300,682		874,962		906,335		838,057		733,900
	2,280,483		1,129,049		1,493,987		1,680,707		872,885		1,518,171
	35,396,737		30,602,463		25,268,402		28,276,377		27,592,663		22,848,622
	33,173,275		32,857,808		30,311,961		29,972,196		24,945,029		24,128,754
	33,731,408		30,822,108		27,439,614		24,854,665		22,405,071		19,805,773
	12,212,764		12,319,291		11,151,789		11,017,119		11,258,100		11,592,841
	34,498,524		28,470,310		25,966,042		26,726,564		28,314,872		26,605,135
	775,113		519,842		351,586		215,177		190,148		3,265,398
	1,335,180		2,627,475		4,653,487		3,684,413		2,352,936		2,585,128
	-		-		-		-		-		-
	-		-		-		1,844		-		-
	115,726,264		107,616,834		99,874,479		96,471,978		89,466,156		87,983,029
\$	151,123,001	\$	138,219,297	\$	125,142,881	\$	124,748,355	\$	117,058,819	\$	110,831,651

(Continued)

Statistical Supplement 2
Revenues by Source
Fiscal Years 2004-2013
(unaudited)

	For the Year Ended August 31,			
	2013	2012	2011	2010
Operating Revenue				
Tuition and fees (net of discounts)	11.76%	10.71%	9.74%	9.31%
Federal grants and contracts	2.59%	2.60%	3.29%	4.88%
State grants and contracts	2.88%	3.72%	3.38%	3.64%
Local grants and contracts	0.71%	0.71%	0.74%	0.68%
Non-governmental grants and contracts	1.74%	1.50%	1.49%	1.20%
Auxiliary enterprises	1.01%	1.02%	1.00%	0.91%
General operating revenues	0.35%	0.24%	0.28%	1.08%
Total Operating Revenues	21.04%	20.50%	19.92%	21.70%
Non-Operating Revenues				
State allocations	21.78%	20.25%	19.55%	20.37%
Ad-valorem taxes-maintenance and operations	18.11%	18.19%	18.01%	18.65%
Ad-valorem taxes-debt service	6.72%	6.71%	6.49%	6.62%
Federal revenue, non-operating	31.93%	33.89%	35.69%	32.09%
Gifts	0.20%	0.23%	0.17%	0.36%
Investment income (net of investment expenses)	0.22%	0.23%	0.17%	0.21%
Gain on disposal of capital assets	-	-	-	-
Other non-operating revenues	-	-	-	-
Total Non-Operating Revenues	78.96%	79.50%	80.08%	78.30%
Total Revenues	100.00%	100.00%	100.00%	100.00%

Note: Change in Net Position reflected on Statistical Supplement 19.

(Continued)

For the Year Ended August 31,					
2009	2008	2007	2006	2005	2004
10.96%	10.90%	10.11%	11.36%	9.78%	7.61%
4.64%	4.71%	4.05%	5.33%	7.33%	6.70%
3.58%	3.10%	2.45%	2.48%	3.04%	2.66%
0.75%	0.54%	0.74%	0.61%	0.65%	0.72%
1.06%	1.13%	0.95%	0.82%	1.30%	0.90%
0.93%	0.94%	0.70%	0.73%	0.72%	0.66%
1.51%	0.82%	1.19%	1.35%	0.75%	1.37%
23.43%	22.14%	20.19%	22.68%	23.57%	20.62%
21.95%	23.77%	24.22%	24.03%	21.31%	21.77%
22.32%	22.30%	21.93%	19.92%	19.14%	17.87%
8.08%	8.91%	8.91%	8.83%	9.62%	10.46%
22.83%	20.60%	20.75%	21.42%	24.19%	24.00%
0.51%	0.38%	0.28%	0.17%	0.16%	2.95%
0.88%	1.90%	3.72%	2.95%	2.01%	2.33%
-	-	-	-	-	-
-	-	-	-	-	-
76.57%	77.86%	79.81%	77.32%	76.43%	79.38%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004-2013
(unaudited)

	For the Year Ended August 31,			
	2013	2012	2011	2010
Operating Expenses				
Instruction	\$ 57,766,578	\$ 53,899,805	\$ 57,359,050	\$ 55,454,200
Research	4,516	67,273	6,303	-
Public service	903,735	736,507	640,673	2,460,617
Academic support	12,775,912	11,551,178	12,035,474	9,565,508
Student services	10,090,241	9,681,946	9,939,104	10,264,591
Institutional support	21,108,957	19,494,885	20,293,881	19,044,676
Operations and maintenance of plant	9,486,934	9,459,757	10,270,614	10,437,077
Scholarships and fellowships	28,724,249	31,873,082	39,320,494	37,212,122
Auxiliary enterprises	1,383,521	1,418,145	1,421,243	1,524,084
Depreciation	6,589,876	6,414,932	6,265,826	5,923,105
Total Operating Expenses	148,834,519	144,597,510	157,552,662	151,885,980
Non-Operating Expenses				
Interest on capital related debt	1,513,884	1,821,871	2,054,633	2,986,702
Loss on sale/disposal/return of capital assets	217	-	3,500	4,698
Non-capital construction costs	5,079,944	1,400,934	464,503	2,268,529
Bond costs amortization	566,261	536,677	496,724	353,037
Other non-operating expenses	290,477	500,835	396,032	673,262
Total Non-Operating Expenses	7,450,783	4,260,317	3,415,392	6,286,228
Total Expenses	\$ 156,285,302	\$ 148,857,827	\$ 160,968,054	\$ 157,872,208

Note: Other non-operating expenses were segregated into separate categories for FY 2013, 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,

	2009	2008	2007	2006	2005	2004
\$	48,698,353	\$ 42,291,067	\$ 37,853,111	\$ 36,144,166	\$ 32,107,169	\$ 29,670,904
	-	-	-	19,663	11,768	-
	2,637,239	2,924,649	1,795,019	2,847,813	2,106,665	2,354,241
	9,271,172	8,241,265	8,089,561	7,542,624	6,707,548	4,175,859
	9,070,935	8,057,220	7,727,628	6,476,443	6,021,112	5,334,153
	17,197,508	15,303,315	14,169,127	13,255,074	11,765,777	10,611,400
	10,356,102	9,336,528	8,712,299	8,473,871	7,137,221	4,746,623
	23,176,417	19,424,919	15,819,630	19,681,397	22,958,306	22,956,070
	1,498,378	655,258	422,150	438,747	411,684	346,671
	5,848,873	5,391,971	5,285,190	5,165,342	4,215,249	2,647,695
	127,754,977	111,626,192	99,873,715	100,045,140	93,442,499	82,843,616
	3,186,226	3,046,995	4,926,778	4,662,868	3,704,377	4,606,271
	77,747	-	-	-	-	-
	1,038,216	735,663	-	-	-	-
	353,037	353,211	-	-	-	-
	706,561	426,718	1,712,405	1,093,561	5,949,680	2,017,952
	5,361,787	4,562,587	6,639,183	5,756,429	9,654,057	6,624,223
\$	133,116,764	\$ 116,188,779	\$ 106,512,898	\$ 105,801,569	\$ 103,096,556	\$ 89,467,839

(Continued)

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004-2013
(unaudited)

	For the Year Ended August 31,			
	2013	2012	2011	2010
Operating Expenses				
Instruction	36.96%	36.22%	35.63%	35.13%
Research	-	0.05%	-	-
Public service	0.58%	0.49%	0.40%	1.56%
Academic support	8.17%	7.76%	7.48%	6.06%
Student services	6.46%	6.50%	6.17%	6.50%
Institutional support	13.51%	13.10%	12.61%	12.06%
Operations and maintenance of plant	6.07%	6.35%	6.38%	6.61%
Scholarships and fellowships	18.38%	21.41%	24.43%	23.57%
Auxiliary enterprises	0.89%	0.95%	0.88%	0.97%
Depreciation	4.22%	4.31%	3.89%	3.75%
Total Operating Expenses	95.24%	97.14%	97.87%	96.21%
Non-Operating Expenses				
Interest on capital related debt	0.97%	1.22%	1.28%	1.70%
Loss on sale/disposal/return of capital assets	-	-	-	-
Non-capital construction costs	3.25%	0.94%	0.29%	1.44%
Bond costs amortization	0.36%	0.36%	0.31%	0.22%
Other non-operating expenses	0.18%	0.34%	0.25%	0.43%
Total Non-Operating Expenses	4.76%	2.86%	2.13%	3.79%
Total Expenses	100.00%	100.00%	100.00%	100.00%

Notes:
Change in Net Position reflected on Statistical Supplement 19.
Other non-operating expenses were segregated into separate categories for FY 2013, 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,					
2009	2008	2007	2006	2005	2004
36.58%	36.40%	35.54%	34.16%	31.14%	33.16%
-	-	-	0.02%	0.01%	-
1.98%	2.52%	1.69%	2.69%	2.04%	2.63%
6.96%	7.09%	7.59%	7.13%	6.51%	4.67%
6.82%	6.93%	7.26%	6.12%	5.84%	5.96%
12.92%	13.17%	13.30%	12.53%	11.41%	11.86%
7.78%	8.04%	8.18%	8.01%	6.92%	5.31%
17.41%	16.72%	14.85%	18.60%	22.27%	25.66%
1.13%	0.56%	0.40%	0.41%	0.41%	0.39%
4.39%	4.64%	4.96%	4.89%	4.09%	2.96%
95.97%	96.07%	93.77%	94.56%	90.64%	92.60%
2.39%	2.63%	4.63%	4.41%	3.59%	5.15%
0.06%	-	-	-	-	-
0.78%	0.63%	-	-	-	-
0.27%	0.30%	-	-	-	-
0.53%	0.37%	1.60%	1.03%	5.77%	2.25%
4.03%	3.93%	6.23%	5.44%	9.36%	7.40%
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
2012	\$ 90/150	\$ 67	\$ 76	\$ 16	\$ 12	\$ 1,230/1,290	\$ 1,339/1,399	0.00%	0.00%
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%

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
2012	\$ 90/150	\$ 202	\$ 202	\$ 16	\$ 12	\$ 2,850/2,910	\$ 2,850/2,910	0.00%	0.00%
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%

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)
2012-13	\$ 30,935,891,929	\$ 1,290,357,858	\$ 29,645,534,071	95.83%	0.1100	0.0407	0.1507
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

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 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	
2012-13	\$ 33,527,444	23,007	\$ 1,457	8,276,552	3,696,382	11,972,934	\$ 2.80
2011-12	31,810,174	20,612	1,543	8,112,432	3,296,181	11,408,613	2.79
2010-11	27,944,746	20,282	1,378	8,185,840	3,076,852	11,262,692	2.48
2009-10	28,236,264	20,442	1,381	7,755,466	3,218,188	10,973,654	2.57
2008-09	25,271,072	15,956	1,584	6,123,504	2,639,854	8,763,358	2.88
2007-08	25,271,074	14,762	1,712	5,617,712	2,193,404	7,811,116	3.24
2006-07	23,228,528	11,921	1,949	5,221,392	1,876,011	7,097,403	3.27
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

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			
		2013	2012	2011	2010
OXY USA Inc.	Oil & Gas	\$ 379,637,700	\$ 570,009,910	\$ -	\$ -
AEP Texas Central Co.	Electric Utility	193,373,940	186,023,180	174,591,370	174,591,370
El Paso Production Oil & Gas	Oil & Gas	110,119,062	123,772,278	233,251,590	233,251,590
H E Butt Grocery Company	Grocery Chain	97,514,949	100,817,846	114,289,734	114,289,734
Day Surgery at Renaissance	Healthcare	88,878,995	-	-	-
Wal Mart Stores	Retail Store	87,206,008	85,068,298	104,810,618	104,810,618
Legend Natural Gas III LLP	Oil & Gas	78,265,270	66,012,120	-	-
Calpine Construction Finance Co. LP	Electric Utility	73,089,400	69,200,480	87,490,000	87,490,000
Frontera Generation LTD	Land & Improvements	69,157,000	70,561,190	82,100,300	82,100,300
CPG Mercedes LP	Real Estate	59,589,853	59,589,853	60,625,220	60,625,220
Rio Grande Regional Hospital	Hospital	56,871,910	52,965,623	66,677,559	66,677,559
Southwestern Bell Telephone	Telephone Utility	54,950,030	70,080,780	93,005,380	93,005,380
Universal Health Services	Hospital	53,599,944	54,844,645	83,905,804	83,905,804
Sharyland Utilities LP	Electric Utility	51,663,190	-	-	-
Simon Property Group - McAllen No. 2	Real Estate	51,503,892	50,708,897	50,944,799	50,944,799
Chevron U.S.A. Inc.	Oil & Gas	-	52,344,210	194,500,240	194,500,240
Kerr-McGee Oil & Gas Onshore	Oil & Gas	-	48,146,650	107,433,880	107,433,880
Shell Western E&G Inc.	Oil & Gas	-	-	697,953,120	697,953,120
Smith Production Inc.	Oil & Gas	-	-	153,359,110	153,359,110
Chesapeake Operating	Oil & Gas	-	-	-	-
Trenton Street Corporation	Real Estate	-	-	-	-
Shell Western E&P (Total E&P)	Oil & Gas	-	-	-	-
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	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	-
	Totals	1,505,421,143	1,660,145,960	2,304,938,724	2,304,938,724
	Total Taxable Assessed Value	\$ 29,645,534,071	\$ 29,518,175,339	\$ 30,089,658,977	\$ 30,304,183,226

Sources:

First Southwest Company: Table 5 – Fifteen Largest Taxpayers, p. 4; Table 3 – Valuation and Tax Supported Debt History
South Texas College CAFR (FY Ended August 31, 2013): Note 12 – Ad Valorem Tax

Taxable Assessed Value (TAV) by Tax Year

2009	2008	2007	2006	2005	2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
173,471,710	159,251,780	181,625,710	191,443,144	178,031,920	159,061,790
310,057,070	358,107,640	252,759,270	380,027,260	411,146,130	257,945,570
117,156,504	95,953,669	89,443,353	88,271,957	95,690,999	79,382,262
-	-	-	-	-	-
107,262,492	-	-	-	-	-
-	-	-	-	-	-
97,713,920	113,654,620	119,471,740	144,390,920	153,265,270	201,236,130
82,417,210	99,208,230	98,233,700	102,345,890	90,009,600	125,587,000
-	-	-	-	-	-
67,737,830	61,468,351	74,762,587	81,410,943	53,269,350	39,034,063
98,438,720	110,118,990	104,595,695	107,809,102	100,410,407	111,549,586
86,464,634	88,442,154	93,134,843	98,840,598	66,846,041	66,780,559
-	-	-	-	-	-
-	51,557,233	43,530,337	44,653,815	44,669,232	-
456,481,610	219,565,590	66,770,720	68,596,763	69,683,810	83,464,440
-	-	-	-	-	-
598,628,940	572,030,780	-	399,792,820	375,232,590	312,676,610
166,694,640	-	-	-	-	-
91,207,190	-	-	-	-	-
58,908,315	72,528,462	60,688,959	55,670,370	-	-
56,191,760	62,130,020	70,971,140	-	-	-
-	-	-	154,675,460	131,093,560	101,373,240
-	95,159,294	74,757,151	74,538,560	62,685,769	82,036,294
-	-	-	44,108,254	-	-
-	-	-	-	44,028,400	37,761,780
-	-	-	-	20,084,103	20,151,803
-	-	-	-	-	45,833,280
-	-	377,813,720	-	-	-
-	51,796,170	47,858,470	-	-	-
2,568,832,545	2,210,972,983	1,756,417,395	2,036,575,856	1,896,147,181	1,723,874,407
\$ 28,933,493,707	\$ 26,529,232,568	\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873

(Continued)

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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2013	2012	2011	2010
OXY USA Inc.	Oil & Gas	1.28%	1.93%	-	-
AEP Texas Central Co.	Electric Utility	0.65%	0.63%	0.58%	0.58%
El Paso Production Oil & Gas	Oil & Gas	0.37%	0.42%	0.77%	0.77%
H E Butt Grocery Company	Grocery Chain	0.33%	0.34%	0.38%	0.38%
Day Surgery at Renaissance	Healthcare	0.30%	-	-	-
Wal Mart Stores	Retail Store	0.29%	0.29%	0.35%	0.35%
Legend Natural Gas III LLP	Oil & Gas	0.26%	0.22%	-	-
Calpine Construction Finance Co. LP	Electric Utility	0.25%	0.23%	0.29%	0.29%
Frontera Generation LTD	Land & Improvements	0.23%	0.24%	0.27%	0.27%
CPG Mercedes LP	Real Estate	0.20%	0.20%	0.20%	0.20%
Rio Grande Regional Hospital	Hospital	0.19%	0.18%	0.22%	0.22%
Southwestern Bell Telephone	Telephone Utility	0.19%	0.24%	0.31%	0.31%
Universal Health Services	Hospital	0.18%	0.19%	0.28%	0.28%
Sharyland Utilities LP	Electric Utility	0.17%	-	-	-
Simon Property Group - McAllen No. 2	Real Estate	0.17%	0.17%	0.17%	0.17%
Chevron U.S.A. Inc.	Oil & Gas	-	0.18%	0.64%	0.64%
Kerr-McGee Oil & Gas Onshore	Oil & Gas	-	0.16%	0.36%	0.36%
Shell Western E&G Inc.	Oil & Gas	-	-	2.31%	2.31%
Smith Production Inc.	Oil & Gas	-	-	0.51%	0.51%
Chesapeake Operating	Oil & Gas	-	-	-	-
Trenton Street Corporation	Real Estate	-	-	-	-
Shell Western E&P (Total E&P)	Oil & Gas	-	-	-	-
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	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	-	-	-	-
Totals		5.06%	5.62%	7.64%	7.64%

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

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year

2009	2008	2007	2006	2005	2004
-	-	-	-	-	-
0.60%	0.64%	0.77%	0.94%	0.95%	0.94%
1.07%	1.45%	1.07%	1.86%	2.18%	1.52%
0.40%	0.39%	0.38%	0.43%	0.51%	0.47%
-	-	-	-	-	-
0.37%	-	-	-	-	-
-	-	-	-	-	-
0.34%	0.46%	0.50%	0.71%	0.81%	1.18%
0.28%	0.40%	0.42%	0.50%	0.48%	0.74%
-	-	-	-	-	-
0.23%	0.25%	0.32%	0.40%	0.28%	0.23%
0.34%	0.44%	0.44%	0.53%	0.53%	0.66%
0.30%	0.36%	0.39%	0.48%	0.36%	0.39%
-	-	-	-	-	-
-	0.21%	0.18%	0.22%	0.24%	-
1.57%	0.89%	0.28%	0.34%	0.37%	0.49%
-	-	-	-	-	-
2.06%	2.31%	-	1.96%	1.99%	1.84%
0.57%	-	-	-	-	-
0.31%	-	-	-	-	-
0.20%	0.29%	0.26%	0.27%	-	-
0.19%	0.25%	0.30%	-	-	-
-	-	-	0.76%	0.70%	0.60%
-	0.38%	0.32%	0.36%	0.33%	0.48%
-	-	-	0.22%	-	-
-	-	-	-	0.23%	0.22%
-	-	-	-	0.11%	0.12%
-	-	-	-	-	0.27%
-	-	1.60%	-	-	-
-	0.21%	0.20%	-	-	-
8.83%	8.93%	7.43%	9.98%	10.07%	10.15%

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)
2013	2012	\$ 44,351,826	\$ (49,151)	\$ 44,302,675	\$ 41,562,745
2012	2011	44,227,775	(28,898)	44,198,877	41,368,696
2011	2010	44,806,807	30,697	44,837,504	41,594,864
2010	2009	44,968,114	224,005	45,192,119	41,700,948
2009	2008	43,218,654	1,455,388	44,674,042	41,017,803
2008	2007	40,856,871	708,613	41,565,484	38,370,024
2007	2006	36,625,083	240,168	36,865,251	34,032,590
2006	2005	34,208,247	188,059	34,396,306	31,237,216
2005	2004	32,727,562	162,264	32,889,826	29,774,669
2004	2003	30,593,312	(37,351)	30,555,961	27,811,364

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)
93.71%	\$ -	\$ -	\$ 41,562,745	93.82%	\$ 2,739,930	6.18%
93.54%	-	1,244,245 *	42,612,941	96.41%	1,585,936	3.59%
92.83%	1,422,002 *	516,547	43,533,413	97.09%	1,304,091	2.91%
92.73%	2,124,062	319,760	44,144,770	97.68%	1,047,349	2.32%
94.91%	2,657,790	185,295	43,860,888	98.18%	813,154	1.82%
93.91%	2,514,221	114,993	40,999,238	98.64%	566,246	1.36%
92.92%	2,358,379	70,311	36,461,280	98.90%	403,971	1.10%
91.31%	2,594,997	46,140	33,878,353	98.49%	571,953	1.51%
90.98%	2,621,475	37,845	32,433,989	98.61%	455,837	1.39%
90.91%	2,295,709	30,266	30,137,339	98.63%	418,622	1.37%

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

	For the Year Ended August 31,			
	2013	2012	2011	2010
General Bonded Debt				
South Texas College District Tax Bonds, Series 1996	\$ -	\$ -	\$ -	\$ -
Public Property Finance Contractual Obligation Bond, Series 1999	-	-	-	-
South Texas College District Tax Bonds, Series 2002	-	-	4,844,846	19,914,776
South Texas College District Tax Bonds, Series 2003	-	1,648,960	3,237,920	14,613,092
South Texas College District Tax Bonds, Series 2004	-	8,360,579	9,809,945	11,224,310
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	2,032,726	2,326,514	2,610,302	2,879,090
South Texas College District Tax Bonds, Series 2007	22,385,707	22,768,851	23,141,994	23,505,137
South Texas College District Tax Bonds, Series 2010	14,520,242	19,192,144	19,696,285	-
South Texas College District Tax Bonds, Series 2013	6,729,125	-	-	-
Notes	-	-	-	-
Less: Funds restricted for debt service	(16,294,897)	(14,493,499)	(13,204,788)	(11,946,974)
Net general bonded debt	\$ 29,372,903	\$ 39,803,549	\$ 50,136,504	\$ 60,189,431
Other Debt				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Outstanding Debt	\$ 29,372,903	\$ 39,803,549	\$ 50,136,504	\$ 60,189,431
General Bonded Debt Ratios				
Per Capita (a)	\$ 33.62	\$ 46.23	\$ 59.11	\$ 72.02
Per FTSE (b)	1,277	1,931	2,472	2,944
As a percentage of Taxable Assessed Value (c)	0.10%	0.13%	0.17%	0.20%
As a percentage of personal income (d)	0.16%	0.33%	0.53%	0.68%
Total Outstanding Debt Ratios				
Per Capita (a)	\$ 52.27	\$ 63.06	\$ 74.67	\$ 86.31
Per FTSE (b)	1,985	2,634	3,123	3,529
As a percentage of Taxable Assessed Value (c)	0.15%	0.18%	0.21%	0.24%
As a percentage of personal income (d)	0.26%	0.45%	0.67%	0.81%

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

For the Year Ended August 31,

2009	2008	2007	2006	2005	2004
\$ -	\$ -	\$ -	\$ -	\$ 800,000	\$ 1,550,000
258,520	507,039	745,558	3,893,851	4,111,752	4,324,653
24,513,470	28,887,164	33,075,858	61,703,606	65,280,157	68,491,708
16,085,899	17,498,706	18,871,513	20,209,320	21,507,128	22,779,934
12,403,676	13,583,042	14,742,407	15,006,769	15,321,134	15,633,573
2,882,877	2,886,665	2,890,453	-	-	-
23,858,280	24,201,423	24,534,567	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(10,475,704)	(8,974,272)	(7,125,560)	(6,233,133)	(5,479,373)	(4,414,504)
\$ 69,527,018	\$ 78,589,767	\$ 87,734,796	\$ 94,580,413	\$ 101,540,798	\$ 108,365,364
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ 69,527,018	\$ 78,589,767	\$ 87,734,796	\$ 94,580,413	\$ 101,540,798	\$ 108,365,364
\$ 81.27	\$ 96.70	\$ 115.90	\$ 122.68	\$ 136.39	\$ 161.07
4,357	5,324	7,360	8,353	8,847	10,164
0.24%	0.30%	0.37%	0.44%	0.51%	0.62%
0.81%	0.95%	0.72%	0.81%	0.94%	1.19%
\$ 93.52	\$ 107.74	\$ 125.32	\$ 130.76	\$ 143.75	\$ 167.63
5,014	5,932	7,957	8,903	9,324	10,578
0.28%	0.33%	0.40%	0.47%	0.54%	0.64%
0.94%	1.06%	0.78%	0.86%	0.99%	1.24%

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

For the Year Ended August 31,

	2013	2012	2011	2010
Taxable Assessed Value	\$ 29,645,534,071	\$ 29,518,175,339	\$ 30,089,658,977	\$ 30,304,183,226
General Obligation Bonds				
Statutory Tax Levy Limit for Debt Service	\$ 148,227,670	\$ 147,590,877	\$ 150,448,295	\$ 151,520,916
Less: Funds Restricted for Repayment of General Obligation Bonds	(16,294,897)	(14,493,499)	(13,204,788)	(11,946,974)
Total Net General Obligation Debt	131,932,773	133,097,378	137,243,507	139,573,942
Current Year Debt Service Requirements	(11,139,750)	(11,151,900)	(11,148,943)	(11,150,535)
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 120,793,023	\$ 121,945,478	\$ 126,094,565	\$ 128,423,407
Net Current Requirements as a % of Statutory Limit	-3.48%	-2.26%	-1.37%	-0.53%

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,

2009	2008	2007	2006	2005	2004
\$ 28,933,493,707	\$ 26,529,232,568	\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873
\$ 144,667,469	\$ 132,646,163	\$ 118,290,412	\$ 107,638,523	\$ 99,349,818	\$ 88,008,894
(10,475,704)	(8,974,272)	(7,125,560)	(6,233,133)	(5,479,373)	(4,414,505)
134,191,765	123,671,891	111,164,852	101,405,390	93,870,445	83,594,389
(11,146,701)	(11,147,686)	(11,135,516)	(10,947,644)	(10,743,226)	(10,521,954)
\$ 123,045,064	\$ 112,524,205	\$ 100,029,336	\$ 90,457,746	\$ 83,127,219	\$ 73,072,435
0.46%	1.64%	3.39%	4.38%	5.30%	6.94%



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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)
2013	873,715 (2)	\$ 33,839 (6)	\$ 26,017 (6)	\$ 29,928	\$ 21,620 (1)	\$ 19,235 (1)
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

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) Economic Research – Federal Reserve Bank of St. Louis
- (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)
\$ 20,428	\$ 17,847,848	10.80%	15.00%	12.90%	6.35%	7.30%
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%

Statistical Supplement 13
Principal Employers
(unaudited)

<u>Employer</u>	<u>2013</u>		<u>2004¹</u>	
	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
P.S.J.A. Independent School District	4,236	1.42%	-	-
Wal-Mart ³	4,083	1.37%	-	-
Hidalgo County	3,955	1.32%	-	-
Edinburg Consolidated I.S.D.	3,600	1.21%	-	-
McAllen I.S.D.	3,595	1.20%	-	-
H-E-B ²	3,490	1.17%	-	-
Doctor's Hospital at Renaissance	3,400	1.14%	-	-
Edinburg Regional Medical Center	3,000	1.00%	-	-
University of Texas-Pan American	2,850	0.95%	-	-
Weslaco I.S.D.	2,817	0.94%	-	-
Totals	35,026	11.72%	-	-

Sources:

Hidalgo County 2012 CAFR
McAllen Economic Development Corporation
Edinburg Economic Development Corporation
Weslaco Economic Development Corporation
Texas Workforce Commission
Manta.com – Company Profile Search

Notes:

Total employment as of August 2013 for the district was 298,645. Based on latest economic indicators, provided by the Texas Workforce Commission for Texas Labor Market Information for August 2013.

- (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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Faculty										
Full-Time	530	526	552	446	437	428	409	396	379	355
Part-Time	146	192	197	194	170	252	229	244	227	210
Total	676	718	749	640	607	680	638	640	606	565
Percent										
Full-Time	78.4%	73.3%	73.7%	69.7%	72.0%	62.9%	64.1%	61.9%	62.5%	62.8%
Part-Time	21.6%	26.7%	26.3%	30.3%	28.0%	37.1%	35.9%	38.1%	37.5%	37.2%
Staff and Administrators										
Full-Time	698	710	720	718	675	596	574	541	523	479
Part-Time	446	426	408	428	428	404	475	470	455	232
Total	1,144	1,136	1,128	1,146	1,103	1,000	1,049	1,011	978	711
Percent										
Full-Time	61.0%	62.5%	63.8%	62.7%	61.2%	59.6%	54.7%	53.5%	53.5%	67.4%
Part-Time	39.0%	37.5%	36.2%	37.3%	38.8%	40.4%	45.3%	46.5%	46.5%	32.6%
FTSE per Full-Time Faculty	43.4	39.2	36.7	45.8	36.5	34.5	29.1	28.6	30.3	30.0
FTSE per Full-Time Staff Member	33.0	29.0	28.2	28.5	23.6	24.8	20.8	20.9	21.9	22.3
FTSE*	23,007	20,612	20,282	20,442	15,956	14,762	11,921	11,323	11,478	10,662
Average Annual Faculty Salary**	\$ 56,701	\$ 52,051	\$ 52,435	\$ 56,880	\$ 52,830	\$ 44,391	\$ 39,688	\$ 37,817	\$ 37,202	\$ 36,208

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 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	20,391	68.40%	19,655	66.60%	18,941	67.63%	16,690	63.30%	11,123	51.34%
31-60 hours	8,391	28.15%	8,771	29.72%	7,609	27.17%	5,532	20.98%	5,537	25.56%
> 60 hours	1,030	3.45%	1,087	3.68%	1,456	5.20%	4,146	15.72%	5,006	23.10%
Total	29,812	100.00%	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%

Semester Hour Load	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Less than 3	105	0.35%	92	0.31%	151	0.54%	158	0.60%	82
3-5 semester hours	7,729	25.93%	7,336	24.86%	6,545	23.37%	6,297	23.88%	5,486	25.32%
6-8 semester hours	6,867	23.03%	6,431	21.79%	6,483	23.15%	6,328	24.00%	5,507	25.42%
9-11 semester hours	5,838	19.58%	5,854	19.84%	5,555	19.84%	4,966	18.83%	4,051	18.70%
12-14 semester hours	7,991	26.80%	8,690	29.44%	8,221	29.35%	7,683	29.14%	5,827	26.89%
15-17 semester hours	1,136	3.81%	997	3.38%	919	3.28%	810	3.07%	643	2.97%
18 & over	146	0.50%	113	0.38%	132	0.47%	126	0.48%	70	0.32%
Total	29,812	100.00%	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%

Average course load	8.44		8.57		8.57		8.46		8.26	
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Tuition Status	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Texas Resident (in-District)	28,649	96.10%	28,611	96.94%	27,105	96.79%	25,564	96.95%	20,859
Texas Resident (out-of-District)	682	2.29%	548	1.86%	600	2.14%	502	1.90%	374	1.72%
Non-Resident Tuition	481	1.61%	354	1.20%	301	1.07%	302	1.15%	433	2.00%
Total	29,812	100.00%	29,513	100.00%	28,006	100.00%	23,368	100.00%	21,666	100.00%

Source: CBM001

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

Student Classification (Contact Hours)	Continuing Education									
	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Continuing Education (CE)	2,314	97.02%	859	95.87%	1,069	97.36%	1,175	98.57%	921	98.40%
CE Not State Funded	71	2.98%	37	4.13%	29	2.64%	17	1.43%	15	1.60%
Total	2,385	100.00%	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%

Contact Hour Load	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	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	295	12.37%	100	11.16%	77	7.01%	86	7.21%	105	11.22%
9-11 semester hours	-	0.00%	-	0.00%	-	0.00%	-	0.00%	6	0.64%
12-14 semester hours	209	8.76%	186	20.76%	265	24.13%	481	40.35%	345	36.85%
15-17 semester hours	30	1.26%	12	1.34%	7	0.64%	22	1.85%	30	3.21%
18 & over	1,851	77.61%	598	66.74%	749	68.22%	603	50.59%	450	48.08%
Total	2,385	100.00%	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%

Average course load 72.03 49.04 49.59 49.59 43.36

Tuition Status	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	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	2,385	100.00%	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%
Total	2,385	100.00%	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%

Source: CBM00A Item #21 Tuition Status of CE Students

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

Academic										
Gender	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	17,160	57.56%	16,877	57.18%	16,039	57.27%	15,233	57.77%	12,714	58.68%
Male	12,652	42.44%	12,636	42.82%	11,967	42.73%	11,135	42.23%	8,952	41.32%
Total	29,812	100.00%	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%
Ethnic Origin	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	769	2.58%	591	2.00%	911	3.25%	786	2.98%	671	3.10%
Hispanic	27,582	92.52%	26,815	90.86%	24,853	88.74%	24,567	93.17%	20,387	94.10%
African American	65	0.22%	62	0.21%	39	0.14%	91	0.35%	73	0.34%
Asian	227	0.76%	156	0.53%	80	0.29%	259	0.98%	273	1.26%
Foreign	82	0.28%	64	0.22%	55	0.20%	170	0.64%	146	0.67%
Native American	26	0.09%	7	0.02%	33	0.12%	13	0.05%	16	0.07%
Unknown	1,061	3.56%	1,818	6.16%	2,035	7.26%	482	1.83%	100	0.46%
Total	29,812	100.00%	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%
Age	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	10,783	36.17%	9,540	32.32%	4,079	14.56%	6,639	25.18%	5,584	25.77%
18 - 21	10,281	34.49%	10,479	35.51%	12,132	43.32%	9,630	36.52%	7,913	36.52%
22 - 24	3,039	10.19%	3,085	10.45%	4,042	14.43%	3,289	12.47%	2,713	12.52%
25 - 35	4,019	13.48%	4,545	15.40%	5,499	19.64%	4,909	18.62%	3,953	18.25%
36 - 50	1,489	4.99%	1,675	5.68%	2,014	7.19%	1,712	6.49%	1,334	6.16%
51 & over	201	0.67%	189	0.64%	240	0.86%	189	0.72%	169	0.78%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	29,812	100.00%	29,513	100.00%	28,006	100.00%	26,368	100.00%	21,666	100.00%
Average Age	21.2		22.0		22.1		22.0		22.0	

Source: CBM001

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

Continuing Education

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	1,039	43.56%	429	47.88%	678	61.75%	638	53.52%	436	46.58%
Male	1,346	56.44%	467	52.12%	420	38.25%	554	46.48%	500	53.42%
Total	2,385	100.00%	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%
Ethnic Origin										
White	10	0.42%	44	4.91%	24	2.19%	549	46.07%	226	24.14%
Hispanic	1,255	52.62%	282	31.47%	433	39.44%	640	53.69%	705	75.32%
African American	3	0.13%	1	0.11%	-	0.00%	1	0.08%	1	0.11%
Asian	5	0.21%	1	0.11%	1	0.09%	1	0.08%	3	0.32%
Foreign	-	0.00%	-	0.00%	3	0.27%	-	0.00%	-	0.00%
Native American	2	0.08%	1	0.11%	1	0.09%	-	0.00%	-	0.00%
Unknown	1,110	46.54%	567	63.29%	636	57.92%	1	0.08%	1	0.11%
Total	2,385	100.00%	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%
Age										
Under 18	927	38.87%	19	2.12%	14	1.28%	12	1.01%	3	0.32%
18 -21	259	10.86%	97	10.83%	202	18.40%	263	22.06%	158	16.88%
22 - 24	143	6.00%	53	5.92%	84	7.65%	92	7.72%	68	7.27%
25 - 35	418	17.53%	263	29.35%	319	29.05%	336	28.19%	280	29.91%
36 - 50	481	20.17%	358	39.96%	388	35.34%	384	32.21%	332	35.47%
51 & over	157	6.58%	106	11.82%	91	8.28%	105	8.81%	95	10.15%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	2,385	100.00%	896	100.00%	1,098	100.00%	1,192	100.00%	936	100.00%
Average Age	27.0		36.20		33.80		33.35		34.71	

Source: CBM00A

Statistical Supplement 17
Transfers to Senior Institutions
Students as of Fall 2012
(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	2,933	280	27	3,240	63.08%
2 Texas A&M University - Kingsville	312	31	4	347	6.76%
3 Texas A&M University	290	10	1	301	5.86%
4 University of Texas at Austin	258	10	1	269	5.24%
5 University of Texas at San Antonio	193	12	3	208	4.05%
6 Texas State University - San Marcos	150	19	2	171	3.33%
7 The University of Texas at Brownsville	92	17	1	110	2.14%
8 Texas State Technical College - Harlingen	53	19	4	76	1.48%
9 Texas A&M International University	60	7	3	70	1.36%
10 Texas A&M University - Corpus Christi	46	8	-	54	1.05%
11 Texas Southmost College	21	16	2	39	0.76%
12 University of Houston	34	3	1	38	0.74%
13 Texas Tech University	34	2	1	37	0.72%
14 University of North Texas	26	-	1	27	0.53%
15 Sam Houston State University	22	-	-	22	0.43%
16 Austin Community College	16	5	-	21	0.41%
17 Blinn College	16	2	-	18	0.35%
18 Del Mar College	8	10	-	18	0.35%
19 The University of Texas at Arlington	9	5	-	14	0.27%
20 ACCD - Northwest Vista College	13	-	1	14	0.27%
21 Texas Woman's University	8	2	-	10	0.19%
22 University of Texas at El Paso	8	-	1	9	0.18%
23 Lamar University	8	-	-	8	0.16%
24 ACCD - San Antonio College	7	1	-	8	0.16%
25 The University of Texas at Dallas	7	-	-	7	0.14%
Total	4,624	459	53	5,136	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/ctcaddl/>

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

	Fiscal Year				
	2013	2012	2011	2010	2009
Academic Buildings	23	24	22	22	22
Square footage	949,435	1,023,096	897,023	897,023	898,166
Academic Portable Buildings	43	44	44	42	20
Square footage	71,305	72,865	72,865	69,793	36,769
Libraries	3	3	3	3	3
Square footage	105,507	105,507	105,507	105,507	105,507
Number of volumes	138,221	142,163	133,283	139,625	136,217
Administrative and Support Buildings	13	12	12	12	11
Square footage	305,970	232,309	232,309	232,309	234,664
Administrative and Support Portable Buildings	12	9	8	8	6
Square footage	15,124	13,404	12,964	12,964	8,352
Dining Facilities	5	5	5	5	3
Square footage	15,343	15,343	15,343	15,343	11,845
Average daily customers	1,052	1,005	1,059	1,257	516
Fitness Facilities	2	2	2	2	2
Square footage	37,432	37,432	37,432	37,432	37,432
Plant Facilities	1	1	1	1	1
Square footage	11,754	11,754	11,754	11,754	11,754
Transportation					
Automobiles-instructional	29	29	29	29	28
Light trucks/vans	24	21	19	19	18
Light trucks/vans-instructional	28	28	28	28	28
Heavy trucks/backhoe	1	1	1	-	-
Heavy trucks/backhoe-instructional	5	5	4	4	3
Golf and forklift	18	14	10	9	7
Shuttle/bus	2	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 Position
Fiscal Years 2004-2013
(unaudited)

	For the Fiscal Year Ended			
	2013	2012	2011	2010
Operating Revenues				
Tuition and fees (net of discounts)	\$ 21,051,377	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615
Federal grants and contracts	4,630,302	4,748,007	6,172,207	8,979,526
State grants and contracts	5,160,704	6,794,060	6,335,567	6,711,706
Local grants and contracts	1,270,376	1,293,135	1,380,691	1,255,944
Non-governmental grants and contracts	3,113,960	2,740,134	2,796,686	2,200,618
Auxiliary enterprises	1,810,240	1,872,734	1,877,501	1,666,738
General operating revenues	621,264	439,642	545,846	1,988,232
Total Operating Revenues	37,658,223	37,471,221	37,390,206	39,956,379
Operating Expenses				
Instruction	57,766,578	53,899,805	57,359,050	55,454,200
Research	4,516	67,273	6,303	-
Public service	903,735	736,507	640,673	2,460,617
Academic support	12,775,912	11,551,178	12,035,474	9,565,508
Student services	10,090,241	9,681,946	9,939,104	10,264,591
Institutional support	21,108,957	19,494,885	20,293,881	19,044,676
Operations and maintenance of plant	9,486,934	9,459,757	10,270,614	10,437,077
Scholarships and fellowships	28,724,249	31,873,082	39,320,494	37,212,122
Auxiliary enterprises	1,383,521	1,418,145	1,421,243	1,524,084
Depreciation	6,589,876	6,414,932	6,265,826	5,923,105
Total Operating Expenses	148,834,519	144,597,510	157,552,662	151,885,980
Operating Loss	\$ (111,176,296)	\$ (107,126,289)	\$ (120,162,456)	\$ (111,929,601)

Note: Other non-operating expenses were segregated into separate categories for FY 2013, 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

	2009	2008	2007	2006	2005	2004
\$	16,561,311	\$ 15,075,608	\$ 12,657,625	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388
	7,015,595	6,508,073	5,057,914	6,653,576	8,591,817	7,416,615
	5,412,226	4,292,294	3,068,738	3,094,018	3,553,359	2,948,994
	1,129,509	741,390	922,667	756,312	757,398	801,324
	1,594,568	1,555,367	1,192,509	1,017,893	1,525,659	998,230
	1,403,045	1,300,682	874,962	906,335	838,057	733,900
	2,280,483	1,129,049	1,493,987	1,680,707	872,885	1,518,171
	35,396,737	30,602,463	25,268,402	28,276,377	27,592,663	22,848,622
	48,698,353	42,291,067	37,853,111	36,144,166	32,107,169	29,670,904
	-	-	-	19,663	11,768	-
	2,637,239	2,924,649	1,795,019	2,847,813	2,106,665	2,354,241
	9,271,172	8,241,265	8,089,561	7,542,624	6,707,548	4,175,859
	9,070,935	8,057,220	7,727,628	6,476,443	6,021,112	5,334,153
	17,197,508	15,303,315	14,169,127	13,255,074	11,765,777	10,611,400
	10,356,102	9,336,528	8,712,299	8,473,871	7,137,221	4,746,623
	23,176,417	19,424,919	15,819,630	19,681,397	22,958,306	22,956,070
	1,498,378	655,258	422,150	438,747	411,684	346,671
	5,848,873	5,391,971	5,285,190	5,165,342	4,215,249	2,647,695
	127,754,977	111,626,192	99,873,715	100,045,140	93,442,499	82,843,616
\$	(92,358,240)	\$ (81,023,729)	\$ (74,605,313)	\$ (71,768,763)	\$ (65,849,836)	\$ (59,994,994)

(Continued)

Statistical Supplement 19
Changes in Net Position
Fiscal Years 2004 - 2013
(unaudited)

	For the Fiscal Year Ended			
	2013	2012	2011	2010
Non-Operating Revenues (Expenses)				
State allocations	\$ 38,977,829	\$ 37,017,673	\$ 36,676,953	\$ 37,514,938
Ad-valorem taxes				
Taxes for maintenance & operations	32,403,363	33,244,142	33,798,861	34,314,946
Taxes for debt service	12,030,232	12,276,741	12,187,090	12,197,541
Federal revenue, non-operating	57,151,307	61,950,136	66,972,554	59,089,947
Gifts	351,843	418,605	309,867	663,193
Investment income (net of investment expenses)	389,519	417,075	327,497	388,426
Interest on capital related debt	(1,513,884)	(1,821,871)	(2,054,633)	(2,986,702)
Gain on disposal of capital assets	-	2,793	-	-
Loss on sale/disposal/return of capital assets	(217)	-	(3,500)	(4,698)
Non-capital construction costs	(5,079,944)	(1,400,934)	(464,503)	(2,268,529)
Bond costs amortization	(566,261)	(536,677)	(496,724)	(353,037)
Other non-operating revenues (expenses)	(290,477)	(500,835)	(396,032)	(673,262)
Net Non-Operating Revenues (Expenses)	133,853,310	141,066,848	146,857,431	137,882,763
Income before contributions, endowment and extraordinary item	22,677,014	33,940,559	26,694,975	25,953,162
Capital contributions	83,298	22,740	732,061	1,248,559
Additions (deductions) to permanent and term endowment	-	(4,700)	300	-
Special item	-	-	-	-
Extraordinary item	-	2,010,294	-	-
Increase in net position	22,760,312	35,968,893	27,427,336	27,201,721
Net Position-Beginning of Year, as restated	293,087,941	257,119,048	229,691,712	202,489,991
Net Position-End of Year	\$ 315,848,253	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712

(Continued)

For the Fiscal Year Ended					
2009	2008	2007	2006	2005	2004
\$ 33,173,275	\$ 32,857,808	\$ 30,311,961	\$ 29,972,196	\$ 24,945,029	\$ 24,128,754
33,731,408	30,822,108	27,439,614	24,854,665	22,405,071	19,805,773
12,212,764	12,319,291	11,151,789	11,017,119	11,258,100	11,592,841
34,498,524	28,470,310	25,966,042	26,726,564	28,314,872	26,605,135
775,113	519,842	351,586	215,177	190,148	3,265,398
1,335,180	2,627,475	4,653,487	3,684,413	2,352,936	2,585,128
(3,186,226)	(3,046,995)	(4,926,778)	(4,662,868)	(3,704,377)	(4,606,271)
-	-	-	-	-	-
(77,747)	-	-	-	-	-
(1,038,216)	(735,663)	-	-	-	-
(353,037)	(353,211)	-	-	-	-
(706,561)	(426,718)	(1,712,405)	(1,091,717)	(5,949,680)	(2,017,952)
110,364,477	103,054,247	93,235,296	90,715,549	79,812,099	81,358,806
18,006,237	22,030,518	18,629,983	18,946,786	13,962,263	21,363,812
2,407,855	86,333	308,894	194,956	2,437,397	103,290
9,690	-	-	-	-	-
374,140	-	-	-	-	-
-	-	-	-	-	-
20,797,922	22,116,851	18,938,877	19,141,742	16,399,660	21,467,732
181,692,069	159,575,218	140,636,341	121,494,599	105,094,939	83,627,207
\$ 202,489,991	\$ 181,692,069	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599	\$ 105,094,939

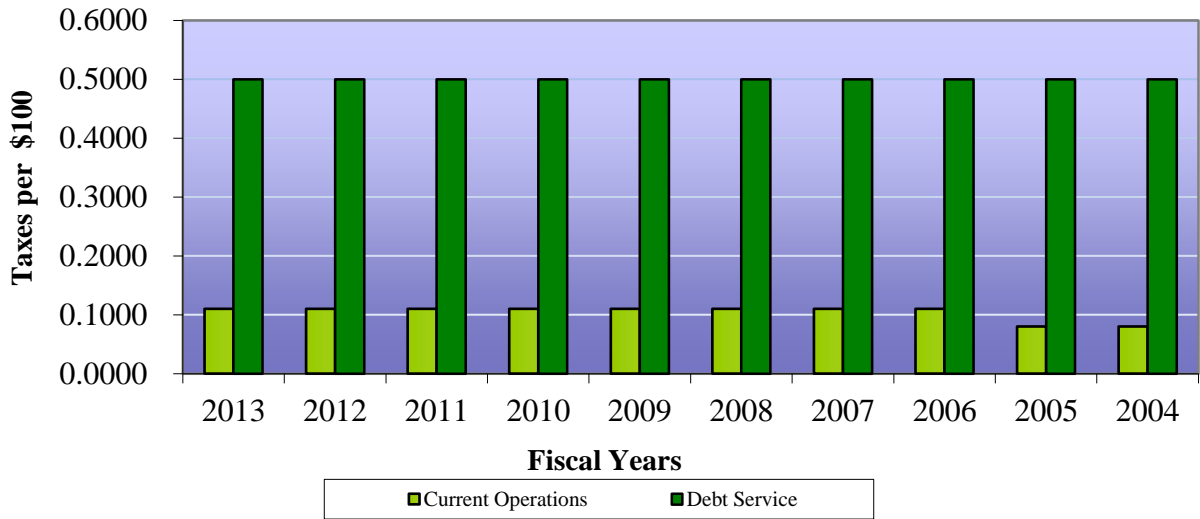


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Statistical Supplement 20
Ad Valorem Tax Rates Authorized
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Current Operations	Debt Service	Total
2013	0.1100	0.5000	0.6100
2012	0.1100	0.5000	0.6100
2011	0.1100	0.5000	0.6100
2010	0.1100	0.5000	0.6100
2009	0.1100	0.5000	0.6100
2008	0.1100	0.5000	0.6100
2007	0.1100	0.5000	0.6100
2006	0.1100	0.5000	0.6100
2005	0.1100	0.5000	0.6100
2004	0.1100	0.5000	0.6100

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 2012</u>	<u>Tax Year 2011</u>	<u>Tax Year 2010</u>	<u>Tax Year 2009</u>
South Texas College District	100.00%	\$0.150700	\$0.150700	\$0.149700	\$0.149100
HIDALGO COUNTY					
Cities:					
Alamo	100.00%	0.598970	0.585480	0.591910	0.591910
Alton	100.00%	0.479900	0.482500	0.485000	0.049500
Donna	100.00%	1.252300	1.252300	1.125979	1.038320
Edcouch	100.00%	0.999900	0.884200	0.854200	0.854200
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	100.00%	0.990000	0.990000	0.904200	0.904200
Granjeno	100.00%	0.425300	0.425300	0.375700	0.037200
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.567800	0.545200	0.532300	0.517600
La Villa	100.00%	0.783600	0.622400	0.623400	0.623400
McAllen	100.00%	0.431300	0.431300	0.421300	0.421300
Mercedes	100.00%	0.785000	0.785000	0.790000	0.790000
Mission	100.00%	0.528800	0.538800	0.556600	0.556600
Palmview	100.00%	0.466500	0.460000	0.453400	0.443800
Penitas	100.00%	0.410000	0.362500	0.329600	0.308500
Pharr	100.00%	0.680000	0.680000	0.680000	0.680000
Progreso	100.00%	0.538900	0.499900	0.455300	0.455300
San Juan	100.00%	0.738600	0.738600	0.738600	0.738600
Sullivan City	100.00%	0.383800	0.353500	0.322000	0.323200
Weslaco	100.00%	0.696700	0.696700	0.696700	0.696700
School Districts:					
Donna ISD	100.00%	1.258200	1.258200	1.258200	1.177900
Edcouch-Elsa ISD	100.00%	1.258000	1.258000	1.258000	1.258000
Edinburg ISD	100.00%	1.239800	1.239800	1.239800	1.219800
Hidalgo ISD	100.00%	1.556400	1.586400	1.586400	1.436400
La Joya ISD	100.00%	1.311000	1.311000	1.311000	1.311000
La Villa ISD	100.00%	1.303800	1.303800	1.224800	1.224800
Lyford CISD	4.87%	1.330000	1.330000	0.000000	0.000000
McAllen ISD	100.00%	1.165000	1.165000	1.165000	1.165000
Mercedes ISD	100.00%	1.290000	1.290000	1.290000	1.290000
Mission CISD	100.00%	1.300000	1.300000	1.300000	1.280000
Monte Alto ISD	100.00%	1.350000	1.350000	1.350000	1.220000
PSJA ISD	100.00%	1.359200	1.359200	1.359200	1.301300
Progreso ISD	100.00%	1.370000	1.430000	1.430000	1.310000
Sharyland ISD	100.00%	1.285500	1.200000	1.200000	1.200000
South Texas ISD	100.00%	0.049200	0.049200	0.049200	0.049200
Valley View ISD	100.00%	1.277000	1.317000	1.317000	1.317000
Weslaco ISD	100.00%	1.139700	1.139700	1.139700	1.139700

Tax Year 2008	Tax Year 2007	Tax Year 2006	Tax Year 2005	Tax Year 2004	Tax Year 2003
\$0.149800	\$0.154000	\$0.154800	\$0.158900	\$0.164700	\$0.173800
0.591910	0.592850	0.592850	0.553800	0.553800	0.522337
0.497400	0.499900	0.426600	0.426600	0.409600	0.429600
0.989999	0.989999	0.989999	0.989138	0.991648	1.039828
0.901200	0.899000	0.899000	0.773400	0.776100	0.797200
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.904220	0.741851	0.792720	0.810000	0.691735	0.751050
0.311100	0.281000	0.304900	0.275478	0.283700	0.275500
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.567800	0.560100	0.586200	0.565200	0.597900	0.646500
0.839600	0.772400	0.851600	0.785800	0.781000	0.761000
0.421300	0.421300	0.421300	0.421300	0.421300	0.421300
0.805000	0.850000	0.870000	0.870000	0.870000	0.870000
0.566600	0.556600	0.556600	0.558900	0.539800	0.550000
0.467964	0.352146	0.337009	0.334301	0.307025	0.310717
0.338900	0.275000	0.300000	0.300000	0.300000	0.300000
0.683120	0.683120	0.683120	0.683120	0.683120	0.683120
0.414700	0.422200	0.413900	0.389600	0.373600	0.387300
0.699300	0.699300	0.699300	0.699368	0.681369	0.683102
0.326000	0.326000	0.300000	0.300000	0.300000	0.300000
0.696700	0.696700	0.699500	0.699500	0.699500	0.699500
1.200000	1.200000	1.530000	1.660000	1.660000	1.660000
1.258000	1.258000	1.543400	1.600000	1.600000	1.600000
1.189800	1.115200	1.445200	1.575100	1.595100	1.599300
1.350000	1.320000	1.540000	1.610000	1.590000	1.590000
1.321600	1.252000	1.582000	1.642000	1.642000	1.569900
1.224800	1.224800	1.517800	1.626700	1.606700	1.586700
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
1.145000	1.145000	1.478000	1.615500	1.540000	1.540000
1.290000	1.290000	1.570000	1.660000	1.660000	1.620000
1.240000	1.180000	1.457400	1.663200	1.569100	1.584100
1.240000	1.186000	1.427300	1.546000	1.566400	1.577600
1.271000	1.211300	1.519400	1.613534	1.613534	1.611538
1.340000	1.239000	1.604600	1.654000	1.654000	1.654000
1.185000	1.185000	1.545100	1.565000	1.565000	1.555000
0.049200	0.049200	0.039200	0.039200	0.039200	0.039200
1.317000	1.255200	1.548800	1.548900	1.548900	1.480000
1.139700	1.104700	1.341800	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 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009
HIDALGO COUNTY					
Special Districts:					
Hidalgo County	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage Dist. #1	100.00%	0.075000	0.073300	0.072500	0.072500
EMS District #1	100.00%	0.014300	0.013400	0.013400	0.013200
EMS District #2	100.00%	0.036100	0.033600	0.031100	0.028400
EMS District #3	100.00%	0.030000	0.010000	0.008800	0.008000
EMS District #4	100.00%	0.026200	0.024500	0.024500	0.024000
Donna Irrigation #1	100.00%	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	100.00%	0.580000	0.510000	0.510000	0.000000
Engleman Water District #6	100.00%	0.230000	0.220000	0.220000	0.210000
Kennedy Co GCD	100.00%	0.015300	0.015300	0.012500	0.015000
Brush County GCD	100.00%	0.029894	0.030000	0.000000	0.000000
Red Sands Groundwater CD	100.00%	0.169000	0.169000	0.000000	0.000000
STARR COUNTY					
Cities:					
Roma	100.00%	0.516500	0.508710	0.508710	0.446330
Rio Grande City	100.00%	0.514160	0.507459	0.506460	0.350000
Escobares City	100.00%	0.340000	0.340000	0.322050	0.300000
School Districts:					
Rio Grande City CISD	100.00%	1.442600	1.479500	1.489500	1.413000
Roma ISD	100.00%	1.459090	1.459920	1.464760	1.416680
San Isidro ISD	100.00%	1.130000	1.040000	1.030000	1.040000
Special Districts:					
Starr County Memorial Hospital District	100.00%	0.251238	0.237531	0.204604	0.193676
Starr County	100.00%	0.551100	0.510100	0.460100	0.520400
F&M & FC	100.00%	0.228100	0.189100	0.239100	0.178800

Sources:

Hidalgo County Appraisal District

Starr County Appraisal District

*Municipal Advisor Council of Texas

(Continued)

<u>Tax Year</u> 2008	<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
0.590000	0.590000	0.590000	0.590000	0.590000	0.590000
0.070000	0.049200	0.043100	0.043500	0.043500	0.043500
0.013200	0.014700	0.015700	0.016700	0.017500	0.018300
0.029000	0.028000	0.027400	0.026200	0.024700	0.027500
0.007500	0.008600	0.010300	0.011500	0.011500	0.012500
0.021800	0.022800	0.024100	0.024100	0.024100	0.024100
0.210000	0.210000	0.210000	0.210000	0.210000	0.210000
0.480000	0.000000	0.540000	0.550000	0.550000	0.560000
0.280000	0.270000	0.274600	0.290000	0.290000	0.335700
0.020000	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
0.444620	0.453780	0.394940	0.394940	0.394940	0.377500
0.292292	0.292292	0.292292	0.290000	0.000000	0.000000
0.300000	0.000000	0.000000	0.000000	0.000000	0.000000
1.418900	1.418900	1.599800	1.594600	1.566000	1.566000
1.437683	1.234090	1.521000	1.594900	1.619700	1.594100
1.040000	1.040000	1.370000	1.500000	1.500000	1.500000
0.200178	0.196300	0.133400	0.115300	0.111400	0.124200
0.514200	0.514200	0.441000	0.446000	0.446000	0.468300
0.185000	0.185000	0.168200	0.168400	0.168400	0.161100

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	\$ 8,848,530	09/30/12	100.00%	\$ 8,848,530
Donna ISD	100,315,000 *	04/30/13	100.00%	100,315,000
Donna, City of	29,651,097	09/30/11	100.00%	29,651,097
Edcouch-Elsa ISD	46,916,840 *	04/30/13	100.00%	46,916,840
Edinburg CISD	205,800,000 *	04/30/13	100.00%	205,800,000
Edinburg, City of	35,193,158	09/30/12	100.00%	35,193,158
Elsa, City of	93,006 *	04/30/13	100.00%	93,006
Hidalgo Co.	174,275,000 *	04/30/13	100.00%	174,275,000
Hidalgo Co. DD #1	166,331,014	12/31/12	100.00%	166,331,014
Hidalgo ISD	45,075,000 *	04/30/13	100.00%	45,075,000
Hidalgo, City of	3,878,738	01/31/12	100.00%	3,878,738
La Joya ISD	281,965,767 *	04/30/13	100.00%	281,965,767
La Joya, City of	155,000 *	04/30/13	100.00%	155,000
La Villa ISD	5,735,000 *	04/30/13	100.00%	5,735,000
La Villa, City of	1,015,000 *	04/30/13	100.00%	1,015,000
Lyford CISD	8,003,648	08/31/12	4.87%	389,778
McAllen ISD	119,071,000 *	04/30/13	100.00%	119,071,000
McAllen, City of	26,630,592	09/30/11	100.00%	26,630,592
Mercedes ISD	50,635,693 *	04/30/13	100.00%	50,635,693
Mercedes, City of	22,997,000 *	04/30/13	100.00%	22,997,000
Mission CISD	146,458,222 *	04/30/13	100.00%	146,458,222
Mission, City of	28,710,000 *	04/30/13	100.00%	28,710,000
Monte Alto ISD	14,860,000 *	04/30/13	100.00%	14,860,000
Pharr, City of	19,396,200	01/31/12	100.00%	19,396,200
Pharr-San Juan-Alamo ISD	385,145,000 *	04/30/13	100.00%	385,145,000
Progreso ISD	29,465,000 *	04/30/13	100.00%	29,465,000
Rio Grande City CISD	126,985,000 *	04/30/13	100.00%	126,985,000
Rio Grande City, City of	6,376,803	09/30/09	100.00%	6,376,803
Roma ISD	69,148,326	08/31/11	100.00%	69,148,326
Roma, City of	6,219,000 *	04/30/13	100.00%	6,219,000
San Juan, City of	14,721,890	01/31/12	100.00%	14,721,890

(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	127,785,559 *	04/30/13	100.00%	127,785,559
Starr Co	3,251,053 *	04/30/13	100.00%	3,251,053
Valley View ISD	51,172,764 *	04/30/13	100.00%	51,172,764
Weslaco ISD	68,322,714	12/31/12	100.00%	68,322,714
Weslaco, City of	21,362,823	09/30/12	100.00%	21,362,823
Total Net Overlapping Debt:				2,444,352,568
South Texas College District		12/31/12		38,136,864
Total Direct and Overlapping Debt:				\$ 2,482,489,432

Source: Municipal Advisory Council of Texas

Note:

* Gross Debt



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**SPECIAL REPORTS
SECTION**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
South Texas College

Dr. Shirley Reed and Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of South Texas College (the College) as of and for the years ended August 31, 2013 and 2012 and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free 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 11, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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.



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 11, 2013

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

Dr. Shirley Reed and Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited South Texas College's (the College) compliance with the types of compliance requirements described in the OMB *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, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 11, 2013

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:

Report on Compliance for Each Major Federal Program

We have audited South Texas College's (the College) compliance with the types of compliance requirements described in the 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, 2013. The College's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular. Those standards and the Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, South Texas College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 11, 2013

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

• Material weakness (es) identified?

___ yes X no

• Significant deficiency (ies) identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

• Material weakness (es) identified?

___ yes X no

• Significant deficiency (ies) identified?

___ yes X none reported

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

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 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, 2013

Section I - Summary of Auditor's Results

State Awards (Continued)

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

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

Identification of major programs:

Federal major programs:

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

State major programs: TEXAS Grant I
T-STEM Scholarship

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

Federal	\$1,853,358
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, 2013

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, 2013

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, 2013

FEDERAL

Not Applicable.

STATE

Not Applicable.



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STC

South Texas College