

South Texas College District Comprehensive Annual Financial Report

Fiscal Years Ended
August 31, 2011 and 2010

Serving Hidalgo County and Starr County, Texas





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



Prepared by the Business Office

Hidalgo County and Starr County, Texas

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Introductory Section



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

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South Texas College District

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December 7, 2011

To: President Shirley A. Reed, M.B.A., Ed. D.
Members of the Board of Trustees and
Citizens of the South Texas College District:

The Comprehensive Annual Financial Report (CAFR) of South Texas College District (“the District”), Counties of Hidalgo and Starr, state of Texas, for the years ended August 31, 2011 and 2010, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities, in relation to its mission, have been included.

Management of the District is responsible for establishing and maintaining an internal control structure designed to protect the assets of the District, prevent loss from theft or misuse and provide adequate accounting data to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

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

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

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

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

Comprehensive Annual Financial Report

The South Texas College District Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2011 was prepared by the Business Office.

The District's Financial Statements are in compliance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows and replaces the fund-group perspective previously required.

The District maintains its accounts and prepares its financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP) as set forth by Governmental and Financial Accounting Standards Boards (GASB and FASB), National Association of College and University Business Officers (NACUBO) and the Texas Higher Education Coordinating Board (THECB). The financial records of the District are maintained on the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when incurred.

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

Profile of the District

South Texas College District is a political subdivision of the state of Texas located in Hidalgo and Starr Counties. The District offers academic, general occupational, developmental and continuing adult education programs through a network of locations in Hidalgo and Starr Counties. South Texas College District is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award the Baccalaureate and Associate degrees. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of South Texas College District. The District also offers certificates and institutional awards. It is also approved for veteran's educational training in Certificate and Associate of Applied Science degree programs by the Texas Education Agency. South Texas College District's offerings are approved by the Texas Higher Education Coordinating Board.

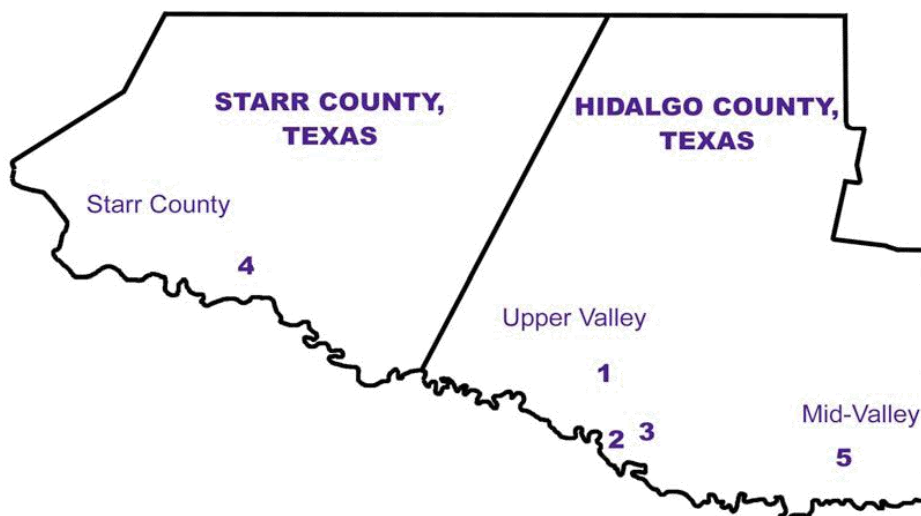
In fiscal year 2003, the District received approval from the Texas Higher Education Coordinating Board to be one of three community colleges in Texas to grant baccalaureate degrees in applied science and applied technology. On December 7, 2004, South Texas College District was approved as a Level II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

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

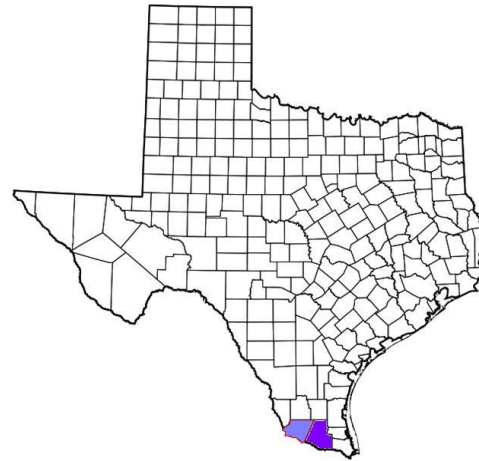
The District was created on September 1, 1993, by Texas Senate Bill 251, now codified as Section 130.0311, as amended, Texas Education Code, to serve Hidalgo and Starr Counties. It is the only community college in Texas to have been established prior to a taxing district being approved by local voters. A confirmation election, held on August 12, 1995, established a taxing district. Seven districts, based on population, were also approved for single member representation on the Board of Trustees. A community leader, from each of the seven districts, was originally appointed by the Texas Governor to serve on the founding Board of Trustees. Since then, elections have been held for all of the seats, as required by state law, and all members were elected by the year 2000. The Board of Trustees serves staggered six-year terms with elections held in May of each even-numbered year. Policy making functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the President, who is the Chief Executive Officer of the District.

The District's Board of Trustees voted unanimously at its June 24, 2004 meeting to change the name of the college from South Texas Community College District to South Texas College District to reflect the expanded scope and mission of the District.

South Texas College District has six campuses conveniently located throughout Hidalgo and Starr Counties. The six campuses are as follows: (1) the Pecan Campus, (2) the Technology Campus, (3) the Dr. Ramiro R. Casso Nursing and Allied Health Campus, (4) the Starr County Campus, (5) the Mid-Valley Campus and (6) eSTC. The Pecan Campus in McAllen, the Mid-Valley Campus in Weslaco and Starr County Campus in Rio Grande City offer traditional college programs. The Dr. Ramiro R. Casso Nursing and Allied Health Campus and the Technology Campus in McAllen provide specialized training for students entering the workforce. The sixth campus, eSTC, is the newly established online virtual campus. In addition, South Texas College District has Workforce Training Centers at the Technology Campus, the Mid-Valley and Starr County campuses. More than 1,800 faculty and staff serve South Texas College District's five campuses.



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



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

Vision

A better quality of life for our communities.

Purpose

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

Core Values

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

Guiding Principles

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

Strategic Directions

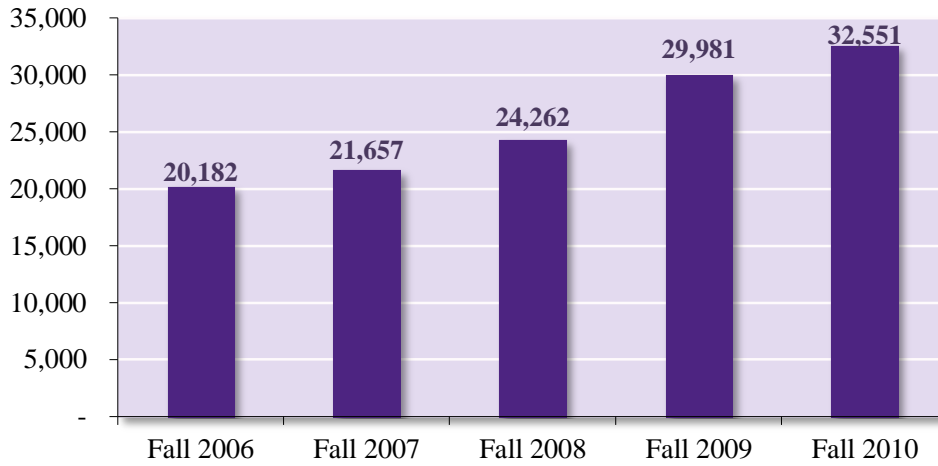
- South Texas College commits to student learning as the foundation of student success through excellence in teaching and service, faculty and staff empowerment, professional development, and accountability.
- South Texas College proudly provides opportunities to all students with high expectations for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

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

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

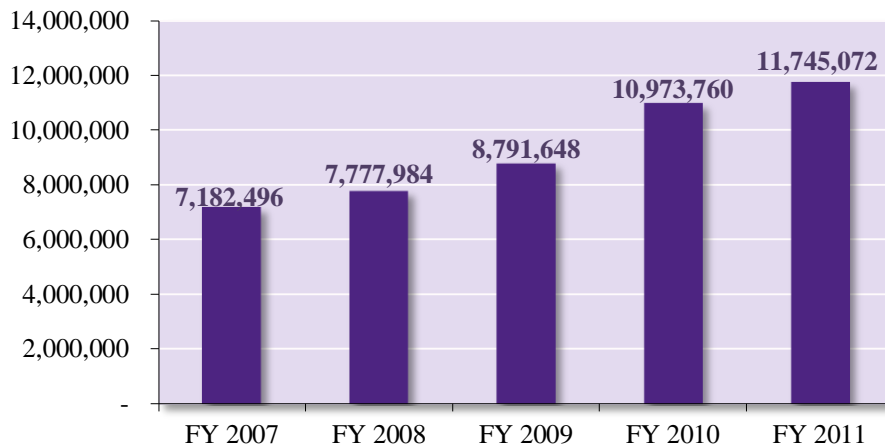
| FALL SEMESTER ENROLLMENT | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
| | Fall | Fall | Fall | Fall | Fall |
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Academic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

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

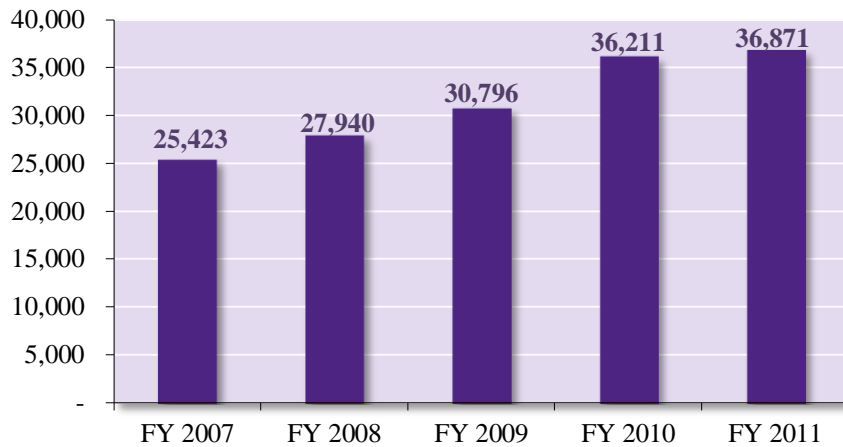


| ANNUAL ENROLLMENT - ACADEMIC | | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
| Unduplicated credit hours | 350,242 | 381,140 | 424,869 | 537,540 | 561,301 |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

Unduplicated Contact Hours



Annual Unduplicated Headcount



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

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

South Texas College District has developed three intensive academic programs for students interested in pursuing degrees in the medical, engineering and computer science fields. These programs are the Dual Enrollment Medical Science Academy, the Dual Enrollment Engineering Academy and the Dual Enrollment Computer Science Academy which started in Fall 2010. Each academy consists of concentrated two-year programs of study and internship opportunities for qualified students to pursue an Associate of Science degree during their junior and senior years of high school. South Texas College District also offers dual enrollment programs with 19 school districts at over 52 high school sites throughout Hidalgo and Starr Counties. Approximately 8,800 students enrolled in the program during the Spring 2011 semester.

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

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

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

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

Local Economy

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

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

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

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

Today, the Rio Grande Valley is being transformed into a major international trade area by developing first-rate commercial, retail, office, industrial, medical, retirement and educational facilities. The promotion of international and retail trade, tourism and manufacturing is among the most successful along the U.S. Mexico border. The principal cities of McAllen, Brownsville and Harlingen combine to form the northern half of among the most rapidly growing regions in the United States. (Source: McAllen Chamber of Commerce)

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

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

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

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

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

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

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

Travel and tourism are an ever-growing element of the area's economy. People from all over the globe travel to the area, which is one of the best bird watching spots in North America to view nearly 500 rare species of birds. Nature tourism alone is stated to bring in an estimated \$300 million a year to the Rio Grande Valley economy. Nature and wildlife attractions coupled with conventions, art festivals and other tourist attractions have made the area a primary tourist destination. Much of McAllen area's attraction lies in its geography, its great outdoors, its climate, its history, and its rich Hispanic flavor. McAllen MSA's unique geographic position allows its residents to sample two unique cultures, while fueling our own unique blend of art, music and literature. The Rio Grande Valley is also quite popular with winter visitors due to the area's balmy weather. The part-time residents enjoy the beach, golf courses, flea markets, Mexico sites and participating in the various area festivals. Conditions are inviting for those who want to escape the snow, ice and cold weather of northern United States and Canadian Winters. Approximately 144,000 Winter Texans come into the Valley often returning year after year. (Source: wintertexaninfo.com)

Located 15 miles east of McAllen is the city of Weslaco. It is in the heart of an immense citrus, vegetable, and cotton-producing area. As of 2011, the population was 33,418. Weslaco is known for preserving its history and it has about fifteen historic landmarks from the early 1900's. In the 1800's, downtown Weslaco was called the neon city as downtown businesses used the gas filled tubes for signage. Today, businesses still use neon lights to identify their business. The city is now focusing its energy on attracting business and industry. It is the front door to business and trade between the United States and Mexico. Weslaco is strategically located at the center of the Rio Grande Valley. Weslaco has a strong economy being home to a combination of retail, distribution and light manufacturing businesses. (Sources: bestplaces.net, weslaco.com and traveltex.com)

The McAllen-Edinburg-Mission MSA's, attractions lie in its geography, its great outdoors, climate, history, and its rich Hispanic flavor including the Valley's mild year-round climate, which makes for outdoor living 365 days a year. The McAllen MSA is out pacing the rest of the nation in population and job growth because of the fact that the area has a very young and trainable labor force, as well as the abundance of extraordinary business opportunities created by the city's growth. The area is enriched by the contributions of many cultures and offers a range of outdoor creations, museums, theater and musical performances. (Source: McAllen Economic Development Corporation)

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

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

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

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

The District plays a vital role in providing educational opportunities for its citizens and preparing a strong workforce in the region. South Texas College District has earned a popular reputation among the residents of the two counties due to the enthusiastic support of the private, business, corporate and industrial communities of Hidalgo and Starr Counties; the rapid expansion of its technical/vocational and academic programs; and its strong commitment to meeting the area's need for a trained and skilled workforce. The District's students are graduating in record numbers, transferring to four-year colleges and universities in greater numbers than ever before or finding employment upon completion.

Long-Term Financial Planning

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

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

The District's outstanding bonds have been rated AA- by Standards & Poor's and Aa2 by Moody's. These ratings are a reflection of South Texas College District's stable outlook for continued enrollment growth and favorable operating performance.

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

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

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

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

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

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

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

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

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

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

Relevant Financial Policies

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act amendments of 1996, U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, Schedule of Expenditures of State Awards and Related Notes, and the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, is included in the single audit section of this report.

Each community/junior college in Texas must file by December 1 of each fiscal year directly with the Governor, Legislative Budget Board, the Legislative Reference Library, and the Texas Higher Education Coordinating Board, a copy of an annual operating budget, and subsequent amendments thereto, approved by the community/junior college governing board. The budget must include departmental operating budgets by function and salaries and emoluments for faculty and staff listed by position.

The District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Trustees.

The budget is developed in collaboration with personnel from all divisions of the institution. Available resources are allocated based on division's requirements and as approved by the Board of Trustees. The budget process ensures that demands are integrated with the District's mission statement. Monthly budget reports reflecting budgeted and actual revenue and expenses are prepared and provided to management and the Board of Trustees to assist in decision-making and to monitor compliance and performance.

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

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

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

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

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

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

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

The District continually conducts self-assessment of risk exposure. An out-sourced risk consultant is retained to monitor risk factors and to recommend insurance coverage. Insurances include property, general liability, crime, auto, flood, sports activity, errors and omissions, workers compensation, and tax collectors bond. The District has elected to reimburse the Texas Workforce Commission, on a quarterly basis, for unemployment benefits instead of paying contributions.

Major Initiatives

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

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

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

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

Awards and Acknowledgments

South Texas College District has continued its tradition of being recognized and honored for its dedication to excellence and its innovative endeavors. The District has received numerous awards from national, state and local sources that demonstrate its leadership among the community colleges in the state of Texas and the nation. Some of the accomplishments and initiatives of the past year include:

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

- In fiscal year 2011, South Texas College District launched the District’s sixth state-of-the-art campus, eSTC. Students will be able to enroll in one of more than 500 course sections toward earning one of 15 degrees and five certificates all online. Not only will students have access to a wide catalog of course offerings, they will also have access to online library services, admissions, advising, payment services, financial aid, bookstore and testing. An online chat function allows students to ask questions of Student Affairs Division staff. This is in addition to the existing ability to chat live with instructors and participate in group discussion boards. The District has been offering distance education courses for 14 years, time that has provided the college the chance to perfect its online education model and tailor it to the needs of its students. Student feedback shows that success is possible for the dedicated student. (Source: South Texas College District)

- South Texas College District was one of five Texas schools selected to participate in a \$500,000 “Completion by Design” grant by the Bill and Melinda Gates Foundation to increase college graduation rates. The Gates Foundation also selected El Paso Community College, Alamo Colleges, the Dallas Community College District, and the grant’s lead coordinator, the Lone Star College System, or LSCS. The colleges were selected because of their innovative ideas for improving the completion rates on their campuses. The amount funds the first planning and development phase of the five-year program, which also will run in Ohio, North Carolina, and Florida to find the most innovative ideas for increasing completion rates among students. The grant aims to experiment with each school’s best graduation efforts before it attempts to scale the most successful program state and eventually nationwide. (Source: South Texas College District)

- CNNMoney.com ranked South Texas College District 1st on the list of the most affordable institutions in the nation, beating out all other U.S. colleges and universities that offer undergraduate degrees and have an enrollment of 5,000 students or more. The tool ranks four-year colleges and universities based on their “net price.” The average costs after tuition, room and board, book fees and financial aid are all taken into consideration. The District’s fees and tuition are half that of any other college in the top 10 of the ranking. (Source: South Texas College District)

- *Community College Week’s* annual community college rankings released in June 2011 continue to rank South Texas College District as one of the top 100 community colleges out of more than 1,100 community colleges in the nation in the following areas:
 - Number 4 in the nation in awarding associate degrees in all disciplines to Hispanics
 - Number 10 in the nation in awarding associate degrees to all minorities
 - Top 50 in the nation in awarding associate degrees in the fields of Criminal Justice, Interdisciplinary Studies, and Registered Nursing
 (Source: South Texas College District)

- *Diverse Education’s Top 100 Degree Producers* ranks South Texas College District in awarding associate degrees to Hispanic students in June 2011 as Number 1 in the nation in awarding associate degrees to Hispanic students in the field of Engineering and

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

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

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


- On May 20, 2010, the Government Treasurers' Organization of Texas presented the Certificate of Distinction to South Texas College District for its investment policy for the second straight time. The certificate was issued for the District's success in developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas. The Certificate Distinction is effective for a two-year period ending August 31, 2012. (Source: Government Treasures' Organization of Texas)

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Texas College District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2010. This was the eighth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

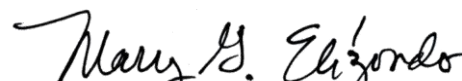
A Certificate of Achievement is valid for a period of only one year. We believe that the District's current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Diana A. Peña
Vice President for Financial Services



Mary G. Elizondo, MBA, CPA
Comptroller



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South Texas College District
ADMINISTRATIVE OFFICERS
For the Fiscal Year 2011

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

South Texas College District

BOARD OF TRUSTEES

Rose Benavidez
Vice-Chair



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

Oscar Longoria, Jr.
Secretary



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

VACANT

VACANT

District 3

Gary Gurwitz
Chair



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

Dr. Alejo Salinas, Jr.
Member



Clinical Lecturer, University of Texas-Pan American, Retired
Superintendent/Superintendent Emeritus, Hidalgo ISD
District 5 Representing North West Hidalgo County, Edinburg, North San Juan and
Northeast Pharr
First Term: May 1996-May 2002
Second Term: May 2002-May 2008
Third Term: May 2008-May 2014
Serves as a member of the Education and Workforce Innovation Committee and
the Finance and Human Resources Committee
Formerly served a member of the Facilities Committee

Jesse Villarreal
Member



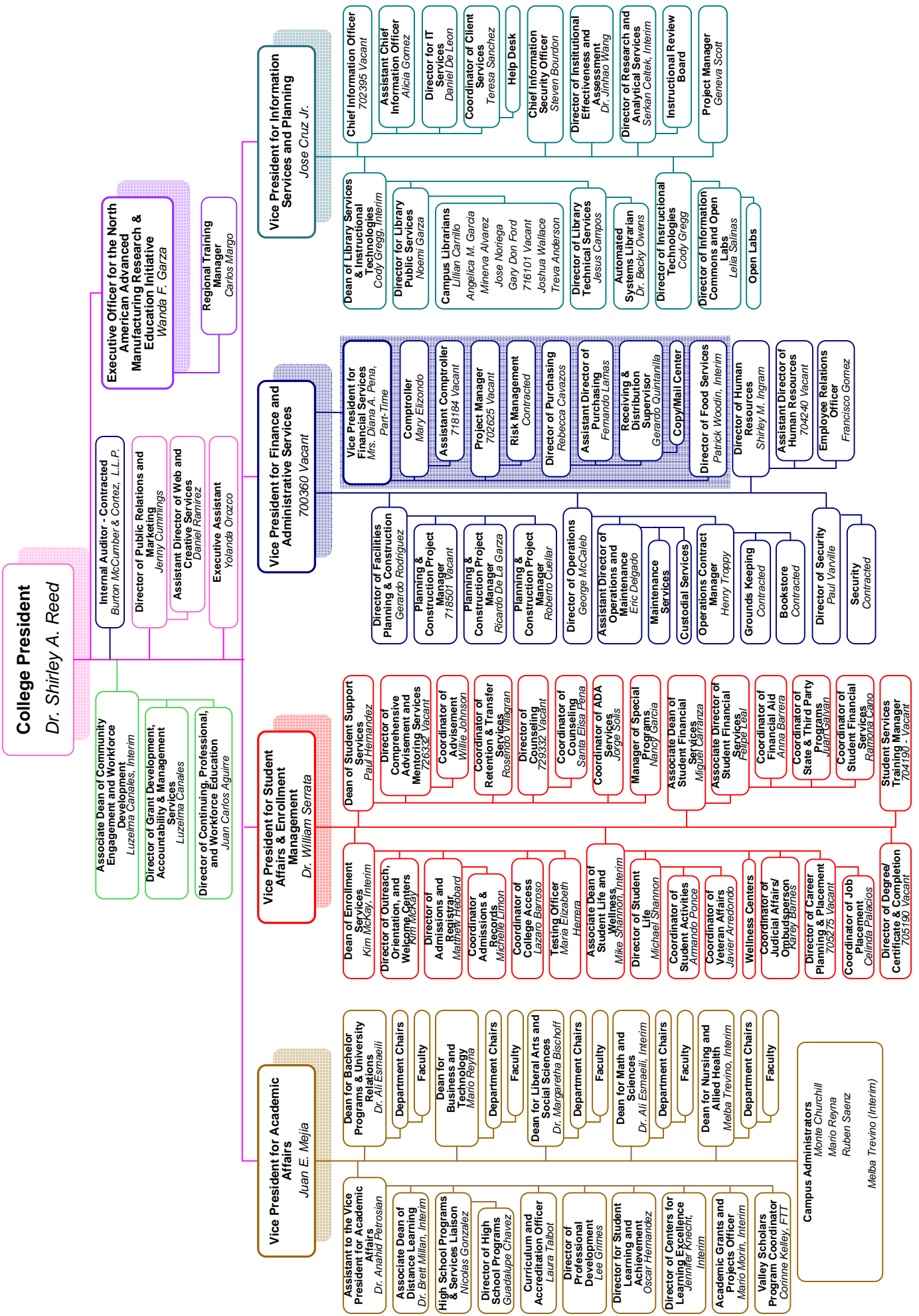
Parental Involvement Department, Weslaco ISD
District 6 Representing Donna, South Alamo, South San Juan, South East Pharr,
South Weslaco and Progreso
First Term: May 2000-May 2006
Second Term: May 2006-May 2012
Serves as a member of the Facilities Committee
Formerly served as Secretary and Vice Chair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

Roy De Leon
Member



Vice President of Compass Bank– McAllen
District 7 Representing North East Hidalgo County, North Weslaco, Edcouch-Elsa,
La Villa, North Mercedes, Northeast Alamo, Northeast Edinburg and Hargill
(Appointed 1997-1998)
First Term: May 1998-May 2002
Second Term: May 2002-May 2008
Third Term: May 2008-May 2014
Serves as Chair of the Finance & Human Resources Committee
Formerly served as Chair of the Board and as a member of the Facilities
Committee

South Texas College Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Texas College

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2010

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



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Financial Section



Independent Auditor's Report

To the Board of Trustees
South Texas College

Members of the Board:

We have audited the accompanying basic financial statements of the South Texas College, as of and for the years ended August 31, 2011 and August 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Texas College as of August 31, 2011 and August 31, 2010 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 7, 2011

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

INTRODUCTION

This section of South Texas College District's Comprehensive Annual Financial Report presents management's discussion and analysis of the District's financial position and activities for the year ended August 31, 2011, and comparative information for the year ended August 31, 2010. This discussion focuses on current activities, resulting changes and currently known facts. It should be read in conjunction with the transmittal letter, the District's basic financial statements and notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the District.

FINANCIAL HIGHLIGHTS

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

FINANCIAL STATEMENTS

The financial statements of this annual report consist of three parts – Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The financial statements, consisting of the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and, the Statements of Cash Flows are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local*

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

Governments; and No. 35 (GASB 35), Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

These three statements will assist the reader in determining whether the District, as a whole, is performing financially better this year as compared to last year. The financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

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

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

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

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

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

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

Statements of Net Assets

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

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

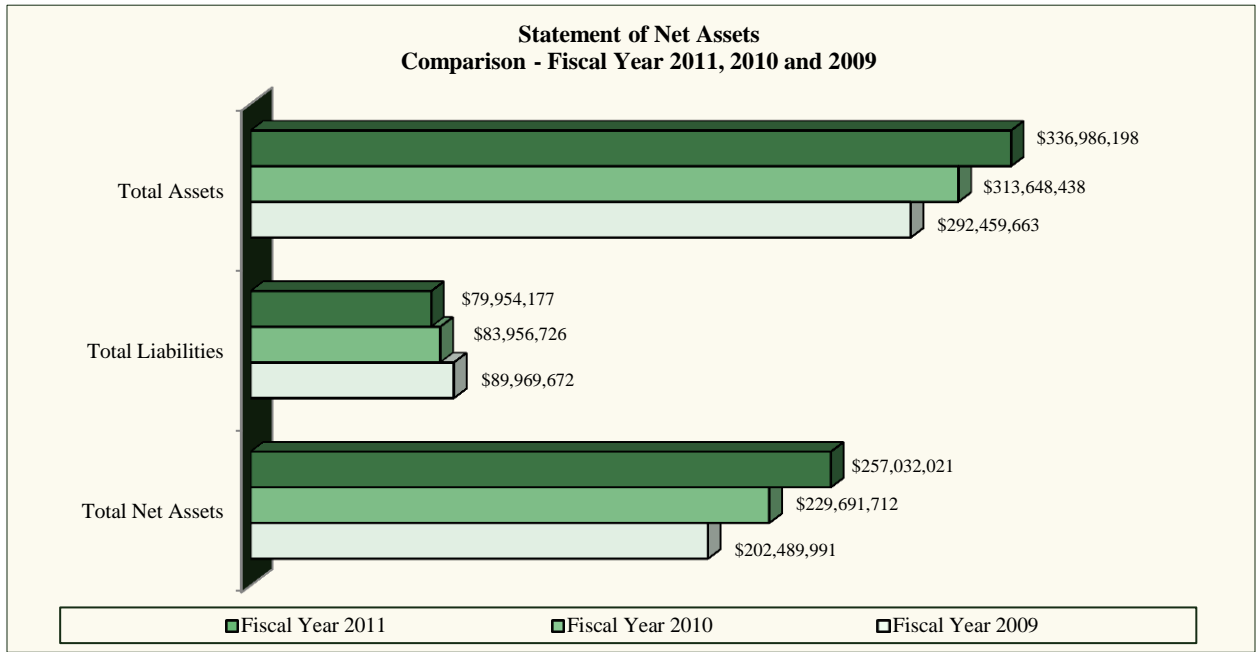
Current assets consist mainly of cash, short-term investments, and receivables. Cash and short-term investments are maintained at levels necessary to cover current liabilities as they come due and to ensure adequate liquidity as funds are needed for expenditures associated with building and expansion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

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

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

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

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



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

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

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

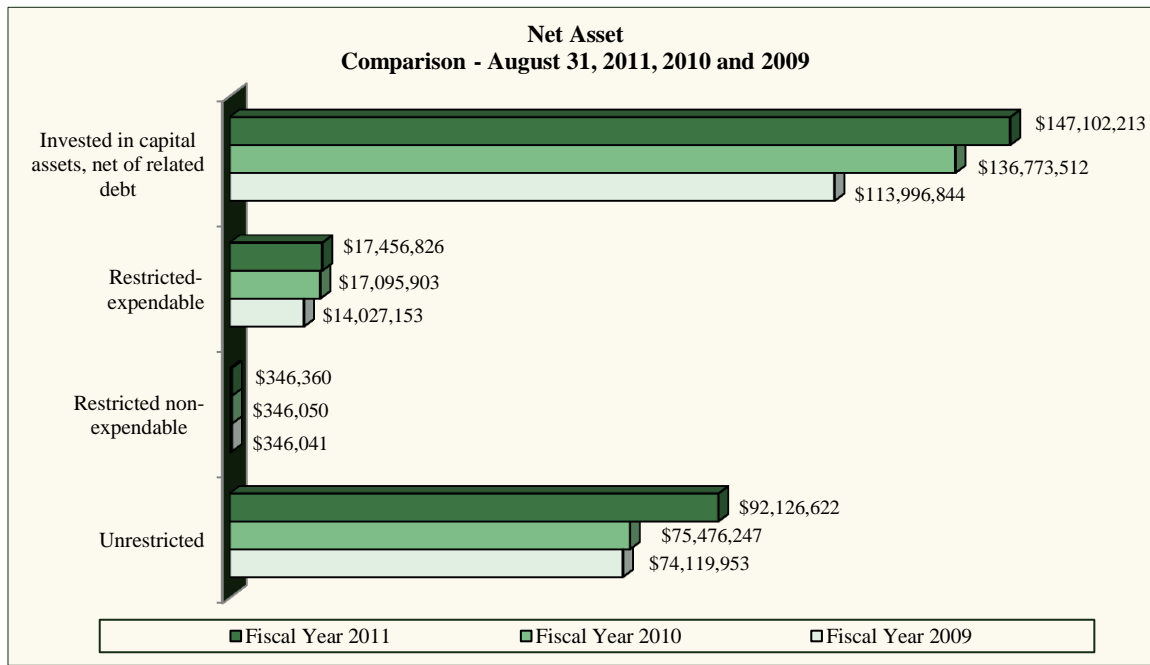
**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2011 and 2010**

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

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

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

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



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

Statements of Revenues, Expenses and Changes in Net Assets

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

Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the District. Non-operating revenues are revenues received for which goods and services are not provided.

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

Statements of Revenues, Expenses and Changes in Net Assets

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

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

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

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

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

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

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

Grants and contracts include restricted revenues made available by government agencies as well as private agencies. Grant funding is recognized as revenue at the point when all eligibility requirements imposed by the provider have been met. This source of revenue was approximately 44.6 percent of total revenues, a decrease from 19,147,794 in fiscal year 2010 to \$16,685,151 in fiscal year 2011.

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

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

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

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

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

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

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

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

Grants and contracts include restricted revenues made available by government agencies as well as private agencies. Grant funding is recognized as revenue at the point when all eligibility requirements imposed by the provider have been met. This source of revenue was approximately 47.9 percent of total revenues, an increase from 15,151,898 in fiscal year 2009 to \$19,147,794 in fiscal year 2010.

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

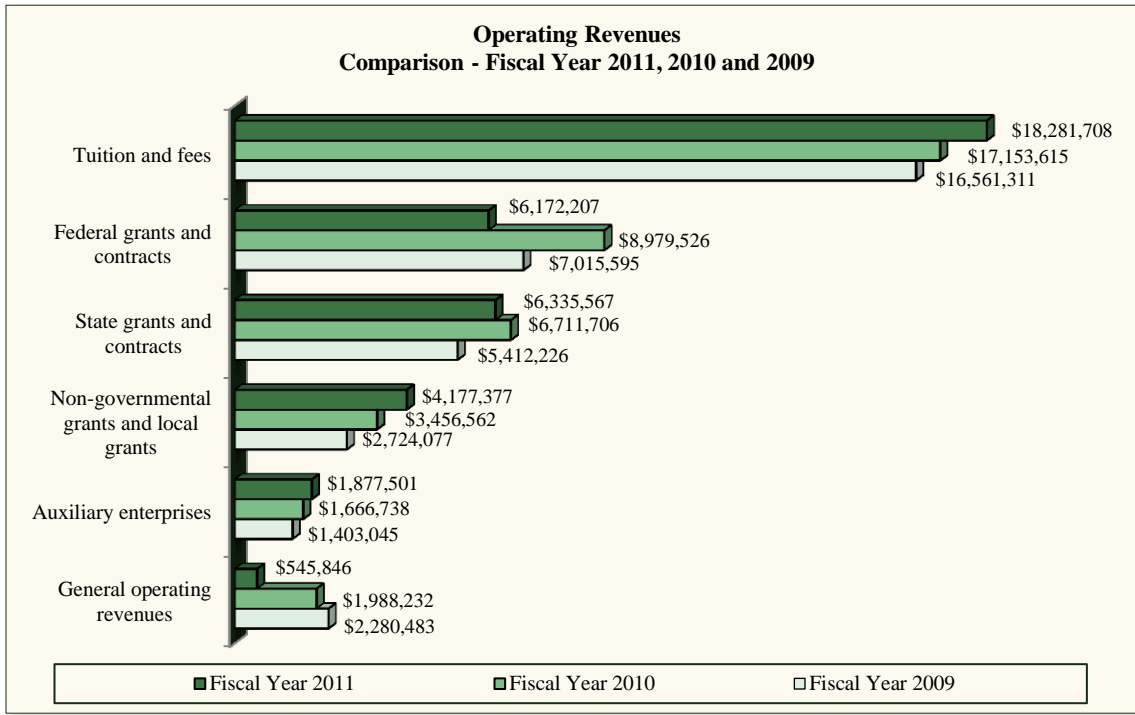
In fiscal year 2010, the increase in operating expenses of \$24,131,003 was due to the budgeted level of spending associated with increased personnel costs and increased operating costs associated with newly expanded facilities and increases in enrollment.

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

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

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

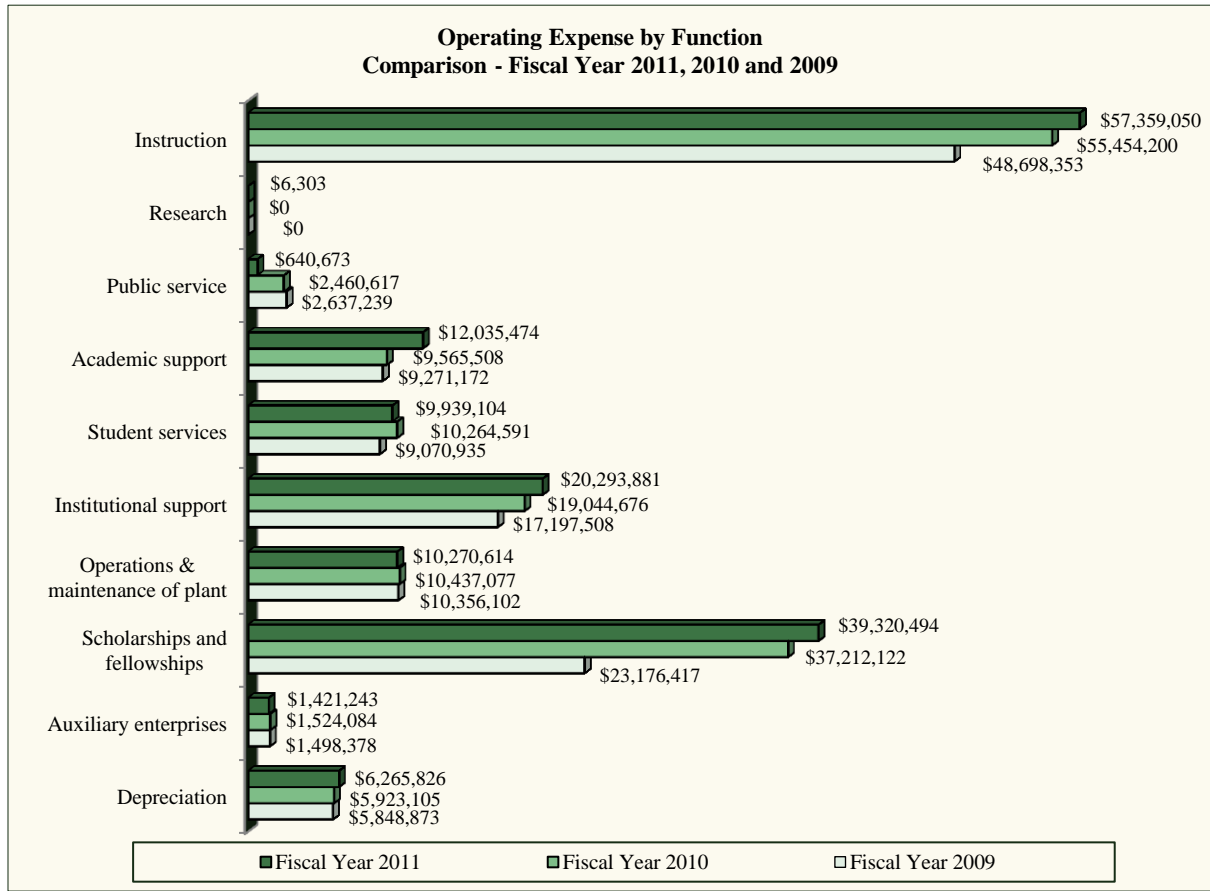
**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2011 and 2010**



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

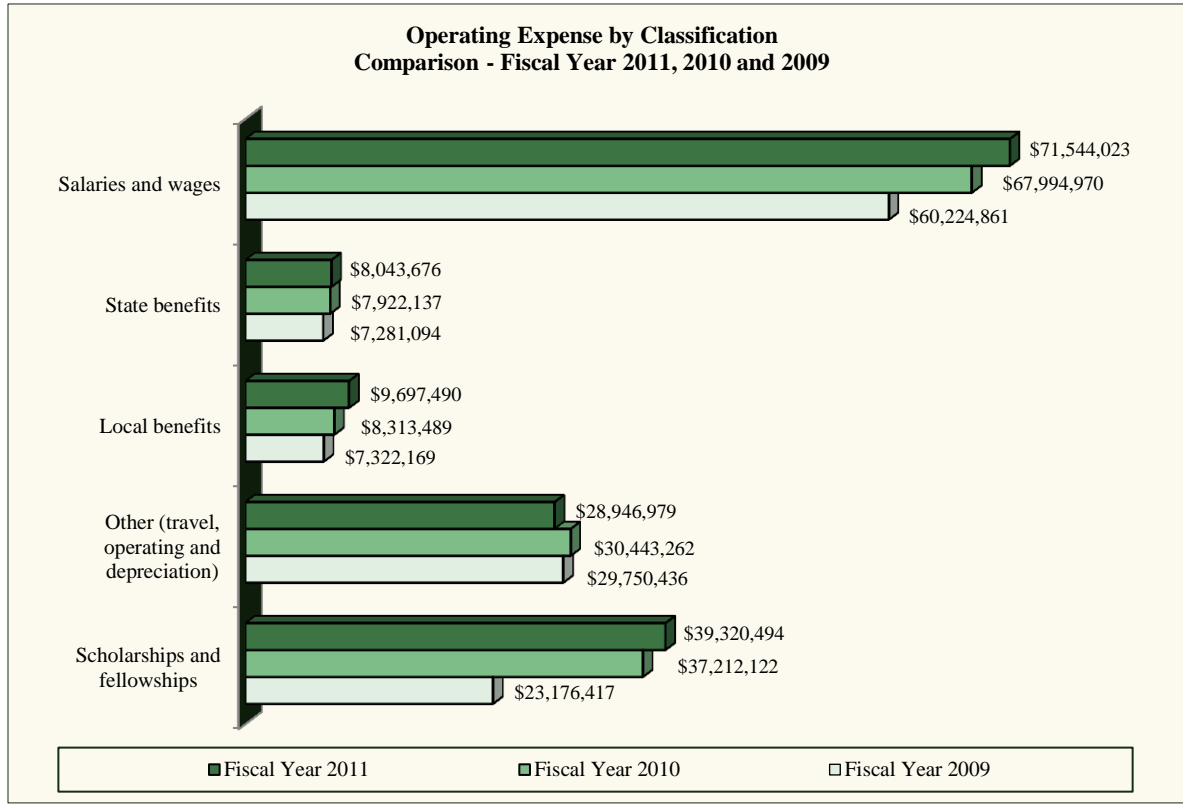
| Operating Expenses by Function | 2011 | | 2010 | | 2009 | |
|---|-----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|
| | Amount | Percentage of Total | Amount | Percentage of Total | Amount | Percentage of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

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



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

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



Non-operating revenues and expenses consisted of the following:

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

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

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

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

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

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

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

Statements of Cash Flows

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

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statements of Revenues, Expenses, and Changes in Net Assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

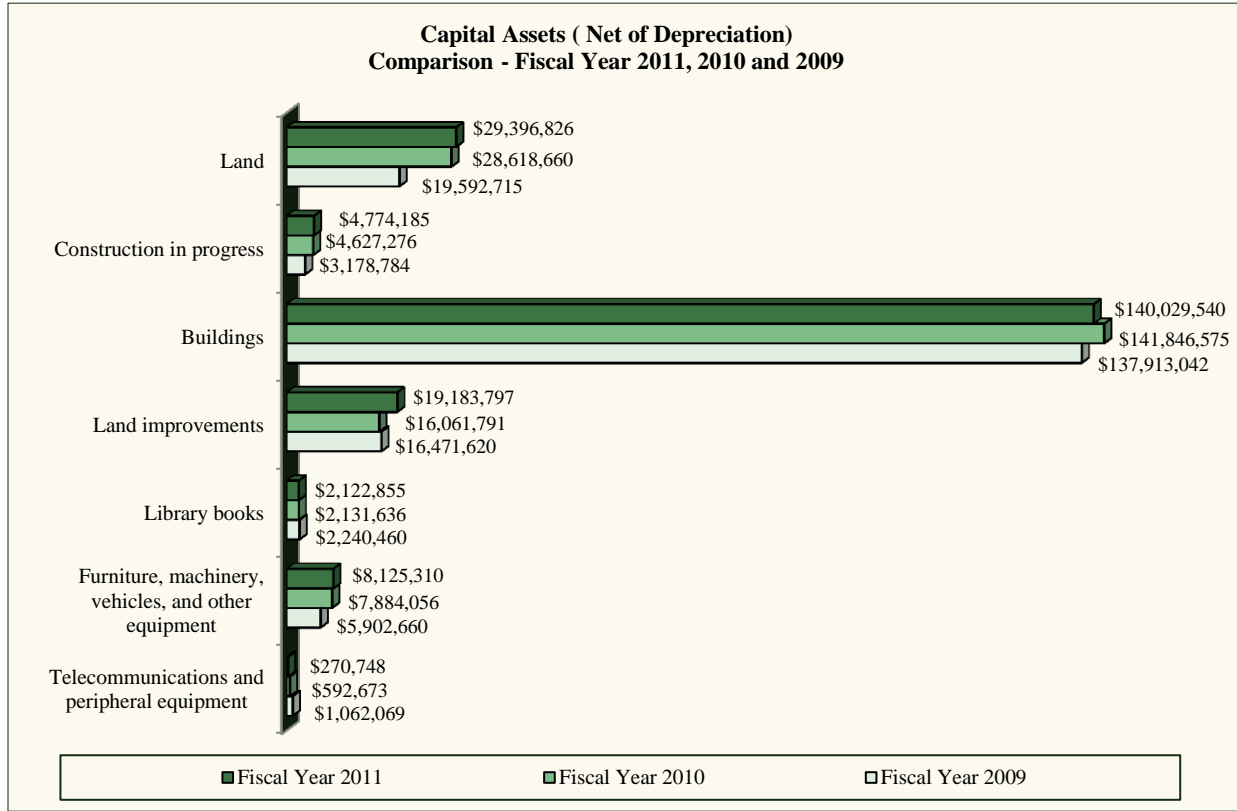
CAPITAL ASSET AND LONG - TERM DEBT ADMINISTRATION

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

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

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

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



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

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

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

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

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

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

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

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

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

The District is authorized to issue, per Education Code Section 130.122, \$0.50 per \$100 valuation of taxable property for bonded debt. The District's debt tax rate in fiscal year 2011 was \$0.0397 per \$100 valuation of taxable property.

ECONOMIC OUTLOOK

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

The District's overall financial position is strong. Increases in tuition and fee revenues and ad-valorem taxes largely offset the increases in expenditures, which were caused by increased personnel costs and operating costs associated with newly expanded facilities. As a result, the District was able to realize an increase in net assets.

REQUEST FOR INFORMATION

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

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

Exhibit 1

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

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

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

Exhibit 2

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

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

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

Exhibit 3

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

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

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

Exhibit 3

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

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

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

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

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

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

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

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

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

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

Exhibit 3

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1 – Reporting Entity

South Texas College District (“STC”, “the District”) was established on June 1, 1993, in accordance with the laws of the state of Texas, to serve the educational needs of Hidalgo and Starr Counties and the surrounding communities. South Texas College District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

Note 2 – Summary of Significant Accounting Policies

A. Reporting Guidelines

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

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

B. Nature of Operations

South Texas College District is a political subdivision of the state of Texas located in Hidalgo and Starr Counties, Texas. The District offers academic, general occupational, developmental and continuing adult education programs through a network of locations. The District is governed by a seven member Board of Trustees who serve staggered six-year terms with elections held in May of each even-numbered year.

C. Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Section 56.033). When the award is

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

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Tuition Discounting (Continued)

used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program (HEA) Funds

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

D. Basis of Accounting, Measurement Focus & Financial Statement Presentation

The financial statements of South Texas College District have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. The District's financial statements are prepared using the economic resources measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

E. Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. As business-type activities, the college's operating revenues are defined as the result of exchange transactions with those who purchase, use, or directly benefit from the goods or services of the college. The principal operating revenues are tuition and related fees, net of discounts. The District also recognizes as operating revenue Federal/State/Local Grants, Non-Governmental Grants and Contracts, Auxiliary Enterprises, and Other Operating Revenues. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. The operation of the bookstore is not performed by the District. Non-operating revenues include activities that have the characteristic of non-exchange transactions, such as gifts and contributions, property tax and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as investment income. The major non-operating revenues are allocations from the state, including restricted revenues such as state insurance and benefit allocations, property tax collections, and Title

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

IV funds. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as non-operating revenues or non-operating expenses.

F. Budgetary Data

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

G. Elimination of Internal Activity

The internal activity and balances reflected in the internal use only fund financial statements are eliminated in the preparation of the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets, to avoid the inappropriate "grossing-up" effects that internal activity would otherwise have on aggregated amounts.

H. Non-current Cash and Investments

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

I. Non-current Liabilities

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

J. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

L. Inventories

Inventories consist of consumable office supplies, physical plant supplies and food service supplies. Inventories are valued at cost under the “first-in, first-out” method and are charged to expenses as consumed.

M. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are valued at their estimated fair value at the date of donation. South Texas College District capitalization policy includes real and personal property with a unit cost equal to or greater than \$5,000 and an estimated useful life in excess of one year. Renovations of \$100,000 or more to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets’ lives are charged to operating expense in the year in which the expense is incurred. Library books and materials purchased, in total for the year, are subject to the \$5,000 capitalization threshold.

The District reports depreciation under a single-line item as a business-type activity. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following useful lives are used:

| | |
|--|----------|
| Buildings | 50 years |
| Facilities and land improvements | 20 years |
| Library books and materials | 15 years |
| Furniture, machinery, vehicles and equipment | 10 years |
| Telecommunications and peripheral equipment | 5 years |

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

N. Collections/Works of Art

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Unearned Revenues

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

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments and auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Funds Held for Others

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

S. Capitalization of Interest

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

T. Bond Discounts/Premiums

Bond discounts/premiums and issuance costs are deferred and amortized over the term of the bond. Bond discounts/premiums are presented as a reduction/addition of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

U. Gain or Loss on Retirement of Debt

The gain or loss on the early retirement of debt is deferred and amortized over the shorter of (1) the remaining amortization period that was used in the original refunding or (2) the life of the newly issued debt. This deferred amount is reported as a deduction from the new debt liability on the statement of net assets.

V. Characterization of Title IV Grant Revenues

In response to guidance provided by the Government Accounting Standards Board (GASB) as question/answer 7.72.10 in the Implementation Guide, beginning fiscal year 2009, the Texas Higher Education Coordinating Board required colleges to reclassify the revenue received for federal Title IV grant programs (i.e. Pell grants) from operating revenue to non-operating revenue.

V. Designation of Unrestricted Net Assets

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

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

Note 3 – Capital Assets

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

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

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

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

Note 3 – Capital Assets (Continued)

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

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

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

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

Note 3 – Capital Assets (Continued)

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

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

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

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

Note 3 – Capital Assets (Continued)

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

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

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

Note 4 – Long Term Liabilities

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

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

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

Note 4 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2011, 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 2002 | \$ 68,253 | \$ 304,067 | \$ - |
| South Texas College District Tax Bonds, Series 2003 | 52,281 | 136,820 | - |
| South Texas College District Tax Bonds, Series 2004 | 120,060 | 848,419 | 653,474 |
| South Texas College District Tax Bonds, Series 2007 MTR | 31,776 | 13,328 | 63,026 |
| South Texas College District Tax Bonds, Series 2007 LTR | 236,785 | 1,431,210 | 674,207 |
| South Texas College District Tax Bonds, Series 2010 LTR | 238,937 | 1,988,998 | 1,262,009 |
| Total | <u>\$ 748,092</u> | <u>\$ 4,722,842</u> | <u>\$ 2,652,716</u> |

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

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

Note 4 – Long Term Liabilities (Continued)

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

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

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

Note 4 – Long Term Liabilities (Continued)

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

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

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2010, the District did not have a liability.

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

Note 5 – Debt and Lease Obligations and Rental Agreements

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

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

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

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

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

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

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

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

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

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

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

Note 6 – Bonds Payable

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

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

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

Note 6 – Bonds Payable (Continued)

| | 2011 | 2010 |
|--|--------------|---------------|
| <p>\$22,845,000 South Texas College District Limited Tax General Obligation Bonds, Series 2003 due in varying installments through 2019, interest at 2.0% - 5.25%. Purpose: Construction, renovation and equipment of District facilities. Issued: May 8, 2003, refunded in part by issue dated November 18, 2010. Source of revenue for debt service: Ad-valorem taxes</p> | \$ 3,130,000 | \$ 14,140,000 |
| <p>\$15,514,996 South Texas College District Limited Tax General Obligation Bonds, Series 2004 due in varying installments through 2017, interest at 2.0% - 5.0%. Purpose: To advance refund a portion of the District’s outstanding debt, in order to lower the overall annual debt service requirements of the District, and to pay for the costs of issuance of the bonds. Issued: March 15, 2004 Source of revenue for debt service: Ad-valorem taxes</p> | 9,615,000 | 11,005,000 |
| <p>\$2,985,000 South Texas College District Maintenance Tax Refunding Bonds, Series 2007 due in varying installments through 2019, interest at 4.0%. Purpose: To current refund a portion of the District’s maintenance tax debt, in order to lower the overall annual debt requirements of the District, and to pay for the costs of issuance of the bonds. Issued: March 29, 2007 Source of revenue for debt service: Ad-valorem taxes</p> | 2,660,000 | 2,935,000 |
| <p>\$23,589,991 South Texas College District Limited Tax Refunding Bonds, Series 2007 due in varying installments through 2019, interest at 4.0%. Purpose: To current refund a portion of the District’s maintenance tax debt, in order to lower the overall annual debt requirements of the District, and to pay for the costs of issuance of the bonds. Issued: March 29, 2007 Source of revenue for debt service: Ad-valorem taxes</p> | 22,384,991 | 22,639,991 |

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

Note 6- Bonds Payable (Continued)

| | 2011 | 2010 |
|--|----------------------|----------------------|
| \$19,550,011 South Texas College District Limited Tax Refunding Bonds, Series 2010 due in varying installments through 2019, interest at 3.0% - 5.6%. Purpose: To advance refund a portion of the District's outstanding debt, in order to lower the overall annual debt service requirements of the District, and to pay for the cost of issuance of the bonds. Issued: November 18, 2010 Source of revenue for debt service: Ad-valorem taxes | \$ 18,969,296 | \$ - |
| Total Bonds Payable | \$ 61,389,287 | \$ 69,779,991 |

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

Note 7 – Advance Refunding of Bonds

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

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

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

Note 7 – Advance Refunding of Bonds (Continued)

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

Note 8 – Disaggregation of Receivable and Payable Balances

Receivables

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

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

Taxes receivable may not all be collected within one year.

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

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

Payables

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

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

Note 9 – Compensable Absences

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

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

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

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

Note 9 – Compensable Absences (Continued)

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

Note 10 – Authorized Investments

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

Note 11 – Deposits and Investments

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

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objectives of the policy are preservation of capital, safety of District funds, maintenance of sufficient liquidity, maximization of return within acceptable risk constraints, and diversification of investments. At August 31, 2011, and 2010 the carrying amount of South Texas College’s District bank deposits and investments was \$116,645,212 and \$93,562,509 respectively. Federal Deposit Insurance Corporation (FDIC) of \$250,000 served as collateral from money market accounts and \$250,000 served as collateral for certificate of deposits. In addition, the collateral held by the depository bank in South Texas College’s District name had a fair value of \$146,080,998 and \$130,000,000 for the years ended August 31, 2011, and 2010 respectively. The District is subject to collateral credit risk in the event of the bank’s nonperformance of collateral requirements under the collateral agreement.

Cash and deposits reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

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

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

Note 11 – Deposits and Investments (Continued)

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

Reconciliation of Deposits and Investments to Statement of Net Assets

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

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

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

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

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

Interest Rate Risk – In accordance with its investment policy, the District limits its exposure to interest rate risk by investing in securities whose maturities will not exceed the anticipated cash flow requirements of the funds. District policy states that investments of operating funds are limited to a weighted average of 270 days until maturity for all investments, with a maximum allowable maturity of two years for any one investment. The investment maturities of construction funds and of funds for retirement of indebtedness are generally limited to the anticipated cash flow requirements of the funds.

Credit Risk – In accordance with state law and the District’s investment policy, the District limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by limiting its investments to the types herein described: obligations of the United States, direct or guaranteed obligations of the state of Texas, obligations of states, agencies, counties, cities or other political subdivisions of any state that have been rated as to investment quality by a nationally

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

Note 11 – Deposits and Investments (Continued)

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

Concentration of Credit Risk – The District’s investment policy seeks to minimize its concentration of credit risk by establishing the following maximum percentages of investment type for the total District investment portfolio: U.S. Treasury Bills/Notes/Bonds 100%; U.S. Agencies and Instrumentalities 100%; States, Counties, Cities, and Other 25%; Certificates of Deposit 100%; Money Market Mutual Funds 25%; and Eligible Investment Pools 50%.

Note 12 – Ad Valorem Tax

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

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

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

Taxes levied for the year ended August 31, 2011, and 2010 amounted to \$46,372,420 and \$46,563,620, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

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

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

Note 12 – Ad Valorem Tax (Continued)

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

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

Note 13 – Auxiliary Operations

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

Note 14 – Employees’ Retirement Plan

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

Teacher Retirement System of Texas

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

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

Note 14 – Employees’ Retirement Plan (Continued)

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011-2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state’s 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011, for fiscal years 2011-2010 and 6.58% for fiscal year 2009. State contributions to TRS made on behalf of the District’s employees for the years ended August 31, 2011, 2010, and 2009 were \$2,957,765, \$2,682,526, and \$2,373,801, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010, and 2009 in the amount of \$403,277, \$402,888, and \$356,607, respectively.

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

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

Optional Retirement Plan

Plan Description. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

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

Note 14 – Employees’ Retirement Plan (Continued)

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state are 6.4% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2011, 2010 and 2009, respectively. The District contributes 2.1% for fiscal years 2011-2010 and 1.92% for fiscal year 2009 for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

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

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

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

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

Note 15 – Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

As of August 31, 2011, the District has 78 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 73 participated in 2010. A total of \$308,252 and \$295,227 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2011 and 2010, respectively.

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

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

Note 15 – Deferred Compensation Program (Continued)

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

Note 16 – Contract and Grant Awards

Grant funds are considered to be earned when all eligibility requirements have been met and to the extent of expenses made under the provisions of the grant. Revenues are recognized on the Statements of Revenues, Expenses and Changes in Net Assets (Exhibit 2) and Schedule of Operating Revenues (Schedule A). Accordingly, when such funds are received in advance, they are recorded as unearned revenue on the Statements of Net Assets (Exhibit 1). Grant funds expended but not yet collected are reported as receivables on the Statements of Net Assets (Exhibit 1). Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

Contract and grant award funds already committed (e.g. multi-year awards) or funds awarded during fiscal years ended 2011 and 2010, for which monies have not been received nor funds expended totaled \$4,120,216 and \$3,139,528 respectively.

These amounts are comprised of the following:

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

Note 17 – Risk Management

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

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

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

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

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

Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state’s contribution per full-time employee was \$413.26 per month for the year ended August 31, 2011 and \$385.38 per month for the year ended August 31, 2010, for the Blue Cross Blue Shield-Health Select Plan. The state’s contribution totaled \$4,255,871 for fiscal year 2011 and \$4,430,338 for fiscal year 2010.

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

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

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

Note 19 – On-Behalf Payments

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

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

Note 20 – Related Parties

One member of the Board of Trustees and his spouse are employed at the District’s depository bank. Another member of the Board of Trustees provided professional services to the District’s depository bank and other entities that conducted business with the college during fiscal year 2011.

Note 21 – Construction and Improvement Commitments

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

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

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

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

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

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

Note 22 – Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the year ended August 31, 2011 and 2010.

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

Note 23 – Contingencies

A. Litigation

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

B. Federal and State Assisted Grant Programs

The District participates in several federal and state assisted grant programs. Although the District's grant programs have been audited in accordance with the provisions of OMB A-133 and the State of Texas Single Audit Circular through August 31, 2011, these programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

Note 24 – Subsequent Events

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

Note 25 – Postemployment Benefits Other than Pensions

This footnote is in accordance with GASB Statement 45.

Plan Description. South Texas College District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be

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

Note 25 – Postemployment Benefits Other than Pensions (Continued)

amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

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

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

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

Note 26 – Endowments

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

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

The fund balances of the endowments were as follows:

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

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

Note 27 – Deposits in Escrow

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

Note 28 – Pledges of Gifts

The District records pledges of gifts when an unconditional promise to pay is received. At August 31, 2011, pledges receivable totaled \$27,147, which consisted of non-cash gifts of \$24,492 and \$2,655 in cash gifts. At August 31, 2010, pledges receivable totaled \$39,278, which consisted of non-cash gifts of \$30,938 and \$8,340 in cash gifts. All the pledges are expected to be received within the next fiscal year. Pledges receivable are recorded on the statement of financial position as assets net of allowance for uncollectible accounts.

Note 29 – Reclassifications

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

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

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

Note 30 – Write Off Method for Uncollectible Accounts

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

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

Schedule A

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

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

Schedule A

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

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

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

Schedule B

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

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

Schedule C

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



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

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

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

Schedule D

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

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

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

Schedule E

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

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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

Schedule E

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

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

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

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

Schedule F

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

See Accompanying Notes to Schedule of Expenditures of State Awards

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

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

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

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

Note 3: Inkind Match.

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



Statistical Information



Statistical Information

This part of South Texas College District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

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

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

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

For the Fiscal Year Ended August 31,

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

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

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

For the Year Ended August 31,

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

(Continued)

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

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

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

(Continued)

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

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

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

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

For the Year Ended August 31,

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

(Continued)

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2003-2010
(unaudited)

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

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

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

(Continued)

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

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

| |
|---|
| Resident Fees per Semester Credit Hour (SCH) |
|---|

| Academic Year (Fall) | Registration Fee (per student) | In-District Tuition (a) | Out-of-District Tuition (a) | Technology Fee | Learning Support Fee | Cost for 12 SCH In-District | Cost for 12 SCH Out-of-District | Increase from Prior Year In-District | Increase from Prior Year Out-of-District |
|----------------------|--------------------------------|-------------------------|-----------------------------|----------------|----------------------|-----------------------------|---------------------------------|--------------------------------------|--|
| 2010 | \$ 90/125 | \$ 63 | \$ 76 | \$ 16 | \$ 12 | \$ 1,182/1,217 | \$ 1,339/1,374 | 10.06% | 8.79% |
| 2009 | 90/125 | 63 | 76 | 12 | 7 | 1,074/1,109 | 1,231/1,266 | 9.82% | 4.15% |
| 2008 | 90/125 | 59 | 76 | 10 | 5 | 978/1,013 | 1,182/1,217 | 11.52% | 9.33% |
| 2007 | 85/120 | 59 | 76 | 7 | - | 877/912 | 1,081/1,116 | 1.38% | 1.12% |
| 2006 | 85/120 | 59 | 76 | 6 | - | 865/900 | 1,069/1,104 | 0.00% | 0.00% |
| 2005 | 85 | 59 | 76 | 6 | - | 865 | 1,069 | 12.48% | 9.85% |
| 2004 | 85 | 57 | 74 | - | - | 769 | 973 | 20.34% | 30.75% |
| 2003 | 75 | 47 | 56 | - | - | 639 | 747 | 1.59% | 1.35% |
| 2002 | 65 | 47 | 56 | - | - | 629 | 737 | 0.00% | 0.00% |
| 2001 | 65 | 47 | 56 | - | - | 629 | 737 | 0.00% | 0.00% |

| |
|---|
| Non - Resident Fees per Semester Credit Hour (SCH) |
|---|

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

Source: South Texas College District Student Guide

Note: Includes basic enrollment tuition and fees but excludes course based fees, such as laboratory fees, testing fees and certification fees.
(a) Tuition rate at 12 credit hours.

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

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

Source: Hidalgo County and Starr County Tax Assessor and Collector

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



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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 | |
| 2010-11 | \$ 27,944,746 | 20,282 | \$ 1,378 | 8,185,840 | 3,076,852 | 11,262,692 | \$ 2.48 |
| 2009-10 | 28,236,264 | 20,442 | 1,381 | 7,755,466 | 3,218,188 | 10,973,654 | 2.57 |
| 2008-09 | 25,271,072 | 15,956 | 1,584 | 6,123,504 | 2,639,854 | 8,763,358 | 2.88 |
| 2007-08 | 25,271,074 | 14,762 | 1,712 | 5,617,712 | 2,193,404 | 7,811,116 | 3.24 |
| 2006-07 | 23,228,528 | 11,921 | 1,949 | 5,221,392 | 1,876,011 | 7,097,403 | 3.27 |
| 2005-06 | 23,228,528 | 11,323 | 2,051 | 5,150,672 | 1,756,186 | 6,915,858 | 3.36 |
| 2004-05 | 19,849,307 | 11,478 | 1,729 | 5,334,720 | 1,741,056 | 7,075,776 | 2.81 |
| 2003-04 | 19,849,635 | 10,662 | 1,862 | 5,014,608 | 1,563,949 | 6,578,557 | 3.02 |
| 2002-03 | 18,188,234 | 10,260 | 1,773 | 4,944,970 | 1,488,006 | 6,432,976 | 2.83 |
| 2001-02 | 19,615,495 | 9,339 | 2,100 | 4,267,200 | 1,518,082 | 5,785,282 | 3.39 |

Notes: FTSE is calculated by summing total credit hours taken by academic students divided by 30 and contact hours taken by continuing education students divided by 120.

(a) Source CBM001

(b) Source CBM00A

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

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

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

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

Taxable Assessed Value (TAV) by Tax Year

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

(Continued)

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

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

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

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year

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

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

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

Sources: Hidalgo County and Starr County Tax Assessor/Collector and the District's records

(a) As reported in notes to the financial statements for the year of the levy

(b) As of August 31st of the current reporting year

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy

(e) Represents current year collections of prior years levies

Total collections = c + d + e

Notes:

* Includes rollback total collections

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

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

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

For the Year Ended August 31,

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

Notes:

- (a) Ratios calculated using current year per capita from Statistical Supplement 12
- (b) Ratios calculated using the FTSE from Statistical Supplement 6
- (c) Ratios calculated using the current Taxable Assessed Value Statistical Supplement 5
- (d) Ratios calculated using District Personal Income from Statistical Supplement 12

For the Year Ended August 31,

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

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

For the Year Ended August 31,

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

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

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

For the Year Ending August 31,

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



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

Sources:

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

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

Statistical Supplement 13
Principal Employers
(unaudited)

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

Sources:

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

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

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

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

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

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

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

| | | | | | |
|---------------------|------|------|------|------|------|
| Average course load | 8.57 | 8.46 | 8.26 | 8.57 | 9.00 |
|---------------------|------|------|------|------|------|

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

Source: CBM001

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

Continuing Education

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

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

Average course load 49.59 49.59 43.36 49.76 44.28

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

Source: CBM00A Item #21 Tuition Status of CE Students

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

| Academic | | | | | | | | | | |
|-----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| Gender | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Female | 16,039 | 57.27% | 15,233 | 57.77% | 12,714 | 58.68% | 11,553 | 58.32% | 10,920 | 59.15% |
| Male | 11,967 | 42.73% | 11,135 | 42.23% | 8,952 | 41.32% | 8,255 | 41.68% | 7,540 | 40.85% |
| Total | 28,006 | 100.00% | 26,368 | 100.00% | 21,666 | 100.00% | 19,808 | 100.00% | 18,460 | 100.00% |

| Ethnic Origin | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| White | 911 | 3.25% | 786 | 2.98% | 671 | 3.10% | 628 | 3.17% | 614 | 3.33% |
| Hispanic | 24,853 | 88.74% | 24,567 | 93.17% | 20,387 | 94.10% | 18,542 | 93.61% | 17,333 | 93.89% |
| African American | 39 | 0.14% | 91 | 0.35% | 73 | 0.34% | 56 | 0.28% | 44 | 0.24% |
| Asian | 80 | 0.29% | 259 | 0.98% | 273 | 1.26% | 232 | 1.17% | 209 | 1.13% |
| Foreign | 55 | 0.20% | 170 | 0.64% | 146 | 0.67% | 132 | 0.67% | 81 | 0.44% |
| Native American | 33 | 0.12% | 13 | 0.05% | 16 | 0.07% | 15 | 0.08% | 11 | 0.06% |
| Unknown | 2,035 | 7.26% | 482 | 1.83% | 100 | 0.46% | 203 | 1.02% | 168 | 0.91% |
| Total | 28,006 | 100.00% | 26,368 | 100.00% | 21,666 | 100.00% | 19,808 | 100.00% | 18,460 | 100.00% |

| Age | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | | Fall 2006 | |
|--------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Under 18 | 4,079 | 14.56% | 6,639 | 25.18% | 5,584 | 25.77% | 1,829 | 9.23% | 3,814 | 20.66% |
| 18 - 21 | 12,132 | 43.32% | 9,630 | 36.52% | 7,913 | 36.52% | 8,643 | 43.63% | 6,785 | 36.76% |
| 22 - 24 | 4,042 | 14.43% | 3,289 | 12.47% | 2,713 | 12.52% | 3,315 | 16.74% | 2,530 | 13.71% |
| 25 - 35 | 5,499 | 19.64% | 4,909 | 18.62% | 3,953 | 18.25% | 4,329 | 21.85% | 3,829 | 20.74% |
| 36 - 50 | 2,014 | 7.19% | 1,712 | 6.49% | 1,334 | 6.16% | 1,499 | 7.57% | 1,330 | 7.20% |
| 51 & over | 240 | 0.86% | 189 | 0.72% | 169 | 0.78% | 189 | 0.95% | 172 | 0.93% |
| Unknown | - | - | - | - | - | - | 4 | 0.03% | - | - |
| Total | 28,006 | 100.00% | 26,368 | 100.00% | 21,666 | 100.00% | 19,808 | 100.00% | 18,460 | 100.00% |

| | | | | | |
|-------------|------|------|------|------|------|
| Average Age | 22.1 | 22.0 | 22.0 | 24.0 | 23.0 |
|-------------|------|------|------|------|------|

Source: CBM001

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

Continuing Education

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

Source: CBM00A

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

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

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

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

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

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

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

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

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

For the Fiscal Year Ended

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

(Continued)

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

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

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

(Continued)

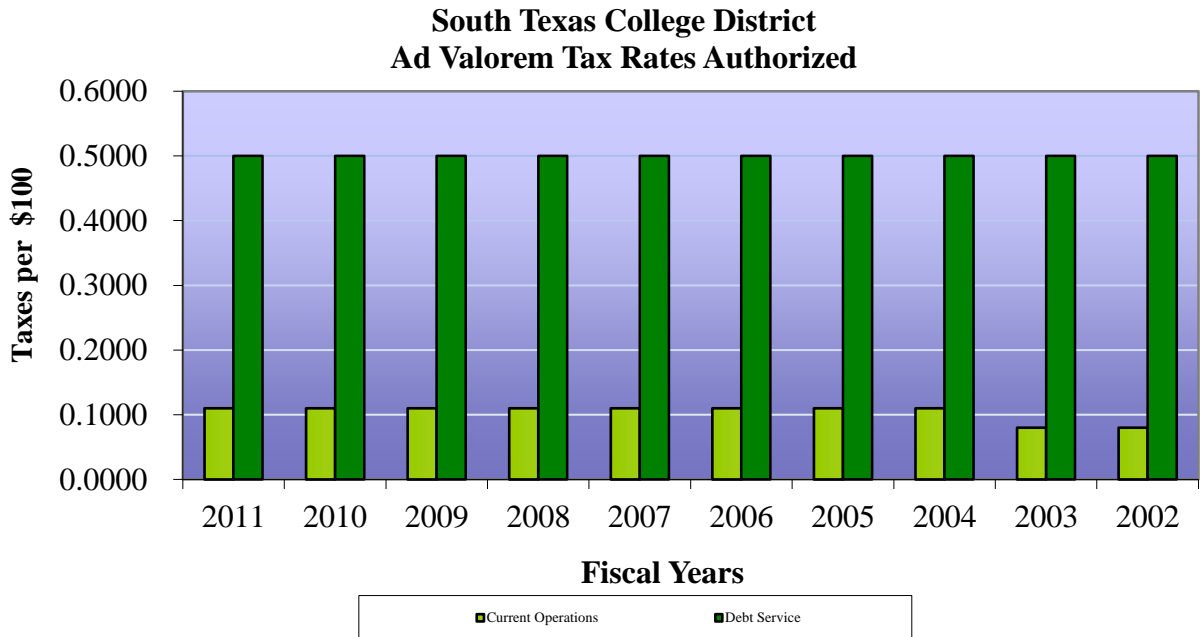
| | | | | | | | For the Fiscal Year Ended | | | | | |
|------|--------------------|------|--------------------|------|--------------------|------|---------------------------|------|--------------------|------|-------------------|--|
| 2008 | | 2007 | | 2006 | | 2005 | | 2004 | | 2003 | | |
| \$ | 32,857,808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



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

| Fiscal Year | Current Operations | Debt Service | Total |
|-------------|--------------------|--------------|--------|
| 2011 | 0.1100 | 0.5000 | 0.6100 |
| 2010 | 0.1100 | 0.5000 | 0.6100 |
| 2009 | 0.1100 | 0.5000 | 0.6100 |
| 2008 | 0.1100 | 0.5000 | 0.6100 |
| 2007 | 0.1100 | 0.5000 | 0.6100 |
| 2006 | 0.1100 | 0.5000 | 0.6100 |
| 2005 | 0.1100 | 0.5000 | 0.6100 |
| 2004 | 0.1100 | 0.5000 | 0.6100 |
| 2003 | 0.0800 | 0.5000 | 0.5800 |
| 2002 | 0.0800 | 0.5000 | 0.5800 |



Sources:
Texas Constitution and Statutes, Education Code (Debt Service)
South Texas College District Tax Order Resolution (Current Operations)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

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

Source: Municipal Advisory Council of Texas

Note:
* Gross Debt



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Special Reports



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

To the Board of Trustees
South Texas College

Members of the Board:

We have audited the financial statements of South Texas College as of and for the years ended August 31, 2011 and 2010 and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Texas Public Funds Investment Act

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

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



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 7, 2011

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

To the Board of Trustees
South Texas College

Members of the Board:

Compliance

We have audited South Texas College's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2011. South Texas College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, South Texas College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

Management of South Texas College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 7, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH STATE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Trustees
South Texas College

Members of the Board:

Compliance

We have audited South Texas College's compliance with the types of compliance requirements described in the Texas Governor's Office of Budget and Planning, the State of Texas Single Audit Circular that could have a direct and material effect on each of the College's major state programs for the year ended August 31, 2011. South Texas College's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular. Those standards and State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, South Texas College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2011.

Internal Control Over Compliance

Management of South Texas College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 7, 2011

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness (es) identified?

___ yes X no

- Significant deficiency (ies) identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified?

___ yes X no

- Significant deficiency (ies) identified?

___ yes X none reported

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

Unqualified

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

___ yes X no

State Awards

Internal control over major programs:

- Material weakness (es) identified?

___ yes X no

- Significant deficiency (ies) identified?

___ yes X none reported

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

Section I - Summary of Auditor's Results

State Awards (Continued)

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

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

Identification of major programs:

Federal major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal or State Program</u> |
|-----------------------|---|
| | Student Financial Aid Cluster |
| 84.007 | FSEOG |
| 84.033 | Federal College Workstudy |
| 84.063 | Pell Grant |
| 84.375 | Academic Competitiveness Grants (ACG) |
| 84.376 | National Science and Mathematics Access to Retain Talent (SMART) Grant |

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

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

| | | |
|---------|----|-----------|
| Federal | \$ | 2,194,343 |
| State | \$ | 300,000 |

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

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

Section II – Financial Statement Findings

None.

Section III – Federal/State Award Findings and Questioned Costs

Federal

None.

State

None.

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEAR FINDINGS FEDERAL AND STATE
For the Year Ended August 31, 2011

Schedule of Status of Prior Year Findings - Federal

No prior year findings.

Schedule of Status of Prior Year Findings - State

No prior year findings.

SOUTH TEXAS COLLEGE
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2011

FEDERAL

Not Applicable.

STATE

Not Applicable.



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