

Comprehensive Annual Financial Report

Fiscal Years Ended
August 31, 2010 and 2009

South Texas College District



Serving Hidalgo County and Starr County, Texas



South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2010 and 2009



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, 2010 AND 2009

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South Texas College District

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McAllen, Texas 78502
(956) 872-4646

Transmittal Letter

December 9, 2010

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, 2010 and 2009, 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, 2010. 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, 2010 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

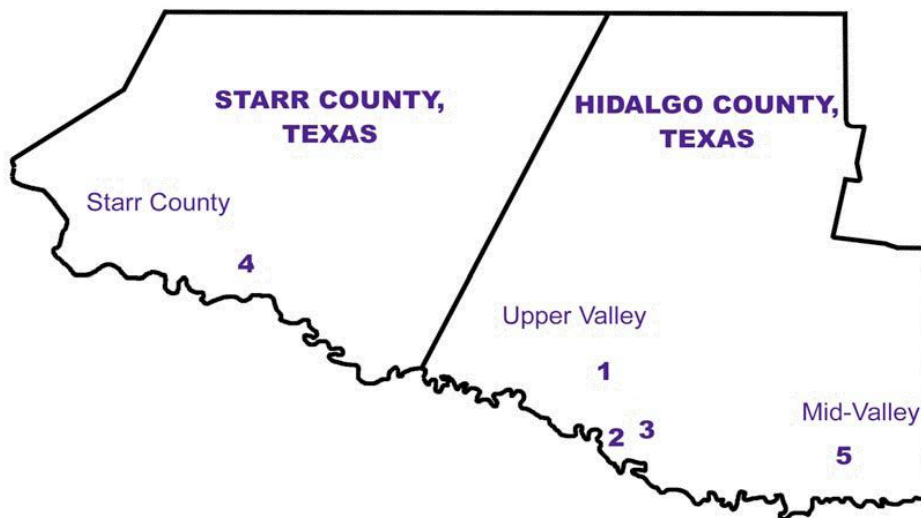
South Texas College District is a political subdivision of the state of Texas located in Hidalgo and Starr Counties. The District offers academic, general occupational, developmental and continuing adult education programs through a network of locations in Hidalgo and Starr Counties. South Texas College 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.

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.

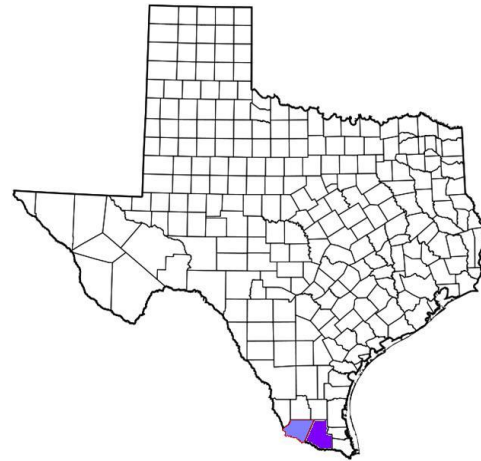
Since then, elections have been held for all of the seats, as required by state law, and all members were elected by the year 2000. The Board of Trustees serves staggered six-year terms with elections held in May of each even-numbered year. Policy making functions are the responsibility of, and are vested 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 to South Texas College District to reflect the expanded scope and mission of the District.

South Texas College District has five campuses conveniently located throughout Hidalgo and Starr Counties. The five campuses are as follows: (1) the Pecan Campus, (2) the Technology Campus, (3) the Dr. Ramiro R. Casso Nursing and Allied Health Campus, (4) the Starr County Campus, and (5) the Mid-Valley Campus. The Pecan Campus in McAllen, the Mid-Valley Campus in Weslaco and Starr County Campus in Rio Grande City offer traditional college programs. The Dr. Ramiro R. Casso Nursing and Allied Health Campus and the Technology Campus in McAllen provide specialized training for students entering the workforce. In addition, South Texas College District has Workforce Training Centers at the Technology Campus, the Mid-Valley and Starr County campuses. Faculty and staff of more than 1,800 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

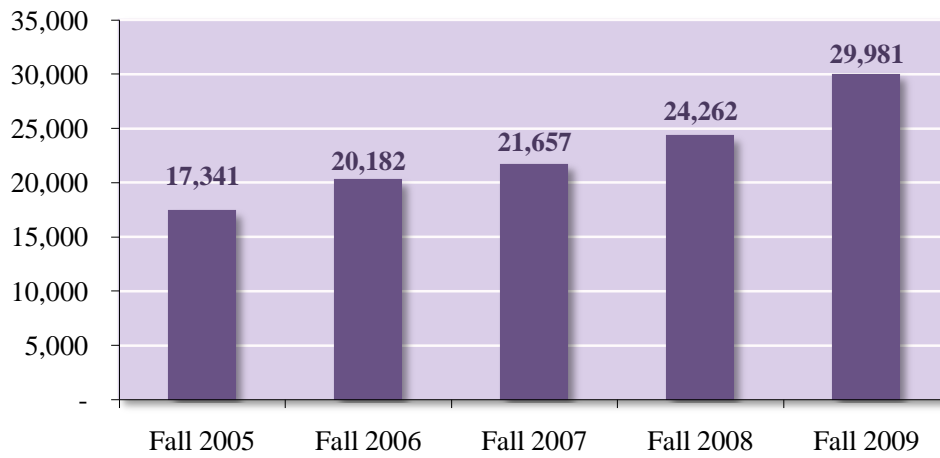
- South Texas College commits to student learning as the foundation of student success through excellence in teaching and service, faculty and staff empowerment, professional development, and accountability.
- South Texas College proudly provides opportunities to all students with high expectations for 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. According to Texas Higher Education Coordinating Board, Texas added 113,770 students, an increase of 9 percent to 1.3 million students from Fall 2008. About 75 percent of that boost is attributed to community colleges, which enroll more than half of all college students in Texas. South Texas College District had a 23.5 percent increase in headcount enrollment from Fall, fiscal year 2009 to Fall, fiscal year 2010.

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

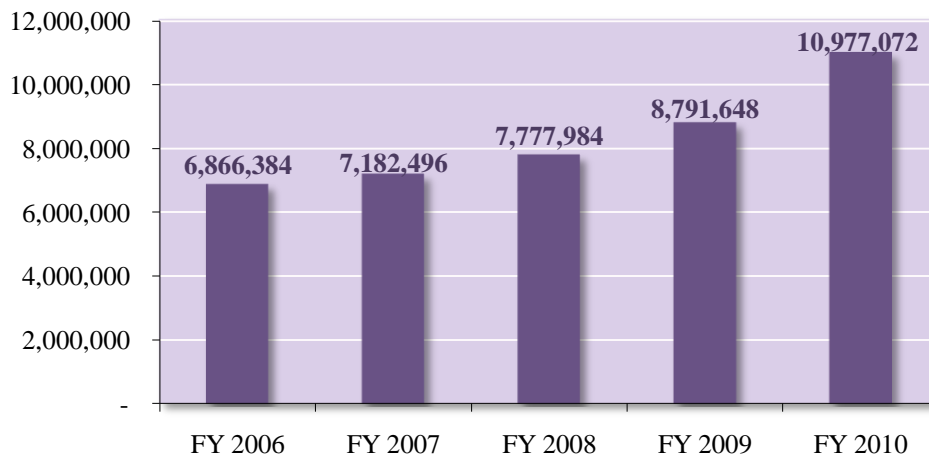
FALL SEMESTER ENROLLMENT					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
	Fall	Fall	Fall	Fall	Fall
	2005	2006	2007	2008	2009
Academic					
Headcount	16,233	18,460	19,808	21,666	26,368
Full-time equivalent	11,645	12,819	13,765	14,913	18,599
Continuing Education					
Headcount	1,108	1,722	1,849	2,596	3,613
Full-time equivalent	564	574	798	667	1,246

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

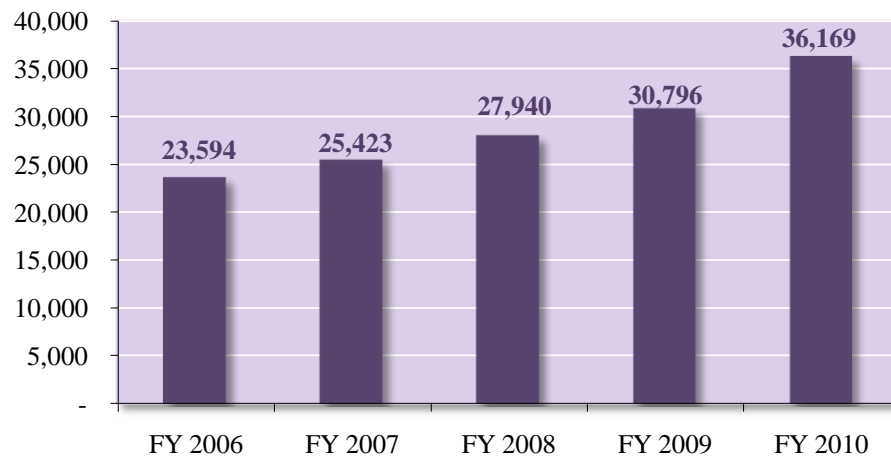


ANNUAL ENROLLMENT - ACADEMIC					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Unduplicated credit hours	334,395	350,242	381,140	424,869	537,734
Unduplicated contact hours	6,866,384	7,182,496	7,777,984	8,791,648	10,977,072
Unduplicated full-time equivalent	11,147	11,675	12,705	14,162	17,924
Unduplicated headcount	23,594	25,423	27,940	30,796	36,169

Unduplicated Contact Hours



Annual Unduplicated Headcount



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 two Bachelor of Applied Technology (BAT) degrees, a Bachelor's of Applied Technology in Technology Management and a Bachelor's of Applied Technology in Computer and Information Technologies.

South Texas College District has more than 60 articulation agreements in place with colleges across the country. During fiscal year 2010, South Texas College District and the Texas A&M University Irma Rangel College of Pharmacy, teamed up to prepare more pharmacists to meet a growing demand. The two institutions signed an agreement which would ensure that any South Texas College District student who earns the District's Associate of Science, Field of Study Pre-Pharmacy degree, will be guaranteed that all of their courses will transfer to the Rangel College of Pharmacy following admission. The District launched its Pre-Pharmacy Program in Fall 2009.

South Texas College District has developed two intensive academic programs for students interested in pursuing degrees in the medical and engineering fields. The Dual Enrollment Medical Science Academy and the Dual Enrollment Engineering Academy consist 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 52 high schools throughout Hidalgo and Starr Counties. Approximately 7,600 students enrolled in the program during the Spring 2010 semester.

The Continuing, Professional and Workforce (CPWE) Education 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 eleven online Associate Degrees in the following fields: Interdisciplinary Studies, Secondary Education, Anthropology, Psychology, Social Work, Sociology, Business Administration, Criminal Justice, Cultural Studies-English/Spanish Translation and Cultural Studies-Spanish.

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), in just its third year of operation. This facility is the only one in the Rio Grande Valley to have earned this prestigious accreditation. The accreditation process included a self-study in which District administrators and staff, as well as parents, evaluated the program in accordance with NAC standards. After the self-study process was complete, an onsite observation took place at the Center by the early childhood professional accreditation association. National commissioners assessed the information provided by the District's center and the onsite observer to determine worthiness for earning the accreditation. Only 47 other child care and day care facilities in Texas have earned the accreditation.

With a total of approximately 746 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 571 faculty members with master's degrees, 49 hold double master's, 126 have doctorate degrees, and 1 holds a double doctorate degree. In certificate and other programs, there are 135 faculty members holding bachelor degrees, 1 double bachelor degree, 63 with associate degrees, 3 double associate degrees, and 4 with certificates.

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 1,223 square miles with a 2010 estimated population of 67,521. 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 814,214 in 2010. Both counties are located in the Rio Grande Valley of South Texas and border the Republic of Mexico, served by 9 international bridges.

Although the South Texas border region has not been completely immune to the recent recession, the region demonstrates a well-balanced local economy that should remain strong into the next year and likely beyond. Employment growth has happened even during the recession. The area has been luring companies with low business costs, which has fueled employment growth numbers and helped increase population. As a result of population growth of gainfully employed citizens, the service-based industry, which has taken such a hit elsewhere, continues to

prosper while other economic indicators are declining. The unemployment rate had a minimal increase in both counties, however, the sales tax revenue increased in both counties.

- The unemployment rate for Hidalgo County increased from 11.6% in 2009 to 12.1% in 2010.
- The unemployment rate for Starr County increased from 17.8% in 2009 to 17.9% in 2010.
- Building permits in the major cities of the district increased 32.1% from 2009 to 2010.
- Per capita income in Hidalgo County increased from \$12,009 in 2009 to \$12,119 in 2010.
- Per capita income in Starr County increased from \$7,980 in 2009 to \$8,072 in 2010.
- Sales tax receipts in Hidalgo County increased 1.7% from 2009 to 2010.
- Sales tax receipts in Starr County increased 4.8% from 2009 to 2010.

South Texas is one of the fastest growing areas in the United States. The region is currently the third largest market in Texas, the 23rd largest market in the country and the largest U.S./Mexico border region in America. McAllen was ranked as the most competitive city in the United States and Canada based on the low cost of business by KPMG. McAllen allows companies to have a strategic global location and direct access to the North American and Latin American markets.

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

- According to the MetroMonitor released by Brookings Institute, McAllen has made the top 20 list for Recession-Proof Cities and also ranked 11th in the United States for beating the recession. The report indicates: “Of all the cities in the ranking, McAllen has experienced the longest period of job growth, gaining jobs over the last four quarters.” In July 2010, McAllen was one of only 16 metros in the United States that surpassed employment totals from the past five years. McAllen increased its job totals by 2 percent, according to the analysis.
(Source: McAllen Economic Development Corporation)
- Forbes recognized McAllen as one of the Best Places for Business and Careers in 2010. Areas were ranked on 12 metrics including business and living costs, job growth, income growth, educational attainment and projected economic growth. Quality of life was also factored in with issues like crime, cultural and recreational opportunities.
(Source: forbes.com)
- McAllen-Edinburg-Mission MSA made the list in the 2010 Milken Institute Best-Performing Cities Index. McAllen ranked fourth in the top 10 list based on the ability to create and sustain jobs and economic growth. The Milken Institute rankings are based on a variety of factors, two of which include job and salary growth trends.
(Sources: milkeninstitute.org and edinburgedc.com)
- McAllen was in the top pick for America’s Best Housing Markets for Investors, according to a Forbes publication in 2010. Raleigh, North Carolina, McAllen, Texas and Austin, Texas led the top 10 list for having a strong pre-recession population growth,

slowing home price drops and a mix of jobs that's weighted toward growth industries like government and education. (Source: forbes.com)

- McAllen made the top of the list of being one of several metro areas that saw significant job growth in 2010. Business Week and Moody's Economy teamed up to identify America's 25 next recovering job markets with McAllen topping the list at number 3. These metros were ranked based on Economy.com's projected job growth in the first three months of 2010. Tourism, retail, and hospitality are expected to make a comeback as the economy improves. (Source: BusinessWeek.com)
- A recent report by Kiplinger, ranks McAllen No. 4 as the least expensive city to live in. The report is based on the ACCRA Cost of Living Index and measured relative price levels for housing, utilities, transportation, grocery items, health care and miscellaneous goods and services.
(Sources: McAllen Economic Development Corporation and Kiplinger)
- Fitch Ratings assigns an 'AA+' rating for McAllen, Texas. The city's sound financial management practices and policies have enabled it to maintain solid fund balance reserves. Dependence upon economically sensitive sales tax revenues, particularly from the retail sector, including the activity generated by shoppers from Mexico, is substantially mitigated by strong fund balances and a relatively low property tax rate. Commercial trade with Mexico and health care are sectors both locally and within the region that have grown to diversify the historically agricultural and tourism-based economy. (Source: McAllen Economic Development Corporation)
- McAllen MSA ranks in the top 20 for the most Secure U.S. Places to Live. This ranking from Farmers Insurance Group of Companies augments the reality that McAllen, Texas is a great place to live and invest. The rankings took into consideration crime statistics, extreme weather, risk of natural disasters, housing depreciation, foreclosures, air quality, terrorist threats, environmental hazards, life expectancy and job loss numbers in 379 U.S. municipalities.
(Sources: insurancejournal.com and McAllen Economic Development Corporation)
- RelocateAmerica ranks McAllen as one of the top 10 cities to live in 2010. Economically, McAllen has one of the most stable and fastest growing local economies in the United States with job growth. Relocate America focused on communities poised for recovery and future growth. McAllen is a viable, industrious, hard working community with good employment, affordable housing and excellent future potential.
(Sources: relocateamerica.com and mcallenrealestate.com)
- In the bi-national metropolitan area, McAllen retailers serve a market population of 1.8 million. McAllen is represented by 40 of America's top 100 retailers and is ranked 3rd in Texas in per capita sales tax receipts. La Plaza Mall is one of the most prosperous and highest trafficked centers in the United States, boasting average sales of over \$650 per square foot. Many national retailers located here are among the most profitable stores in their chains. The mall is known to generate more than 18 million visitors annually.
(Sources: mcallen.org, imagesmcallen.com, and relocateamerica.com)

- 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 population of approximately 1.2 million. These two interdependent communities are joined by three international bridges that allow economic and cultural exchanges on a daily basis. Reynosa has a diverse economic base which includes oil and natural gas resources, livestock, agriculture, tourist trade and industry. This city is the fastest growing city in the state of Tamaulipas and is the 5th fastest growing city in Mexico. (Sources: missioneda.com, mcallen.org, and pharredc.com)
- The Anzalduas International Bridge at Granjeno, Texas officially opened for traffic on December 15, 2009, becoming the state's 24th border crossing with Mexico and the fifth in Hidalgo County. This highly anticipated opening of the bridge has come after nearly 17 years of work and forging of a strong partnership between the cities of McAllen, Mission, Hidalgo and Granjeno. The new bridge serves as the most direct and efficient route between the Rio Grande Valley and Mexican cities such as Monterrey and Mexico City, reducing travel time by as much as 45 minutes. (Sources: City of McAllen, and brownsvilleherald.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 and wildlife attractions coupled with conventions, art festivals and other tourist attractions have made the area a primary tourist destination. The Rio Grande Valley also is 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 sleet, snow, ice and cold of more northern climates. Approximately 150,000 Winter Texans move into the Valley for extended stays, often returning year after year. (Sources: traveltex.com, University of Texas-Pan American, and www.worldbirdingcenter.org)
- Located 15 miles east of McAllen is the city of Weslaco. It has a population of 32,497. 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 and weslaco.com)

The McAllen-Edinburg-Mission, Texas 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 city of 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.

After obtaining degrees, many South Texas College District graduates find work in the Rio Grande Valley, hoping to stimulate the Texas economy, the world's 11th-largest economy and continues to fare better than those of many other states. The area's rising number of college-educated residents has contributed to its economic boom. The District held three separate graduation ceremonies in May 2010, where more than 3,200 students received degrees. Among those who celebrated this milestone were the college's Bachelor of Applied Technology (BAT) Program students. A total of 77 graduates earned their bachelor degrees.

Additionally, the District graduated 47 students from its Dual Enrollment Medical Science Academy (DEMSA). The students obtained their college diplomas weeks before earning their high school diplomas. To complete the program, students were required to complete their high school curriculum, and 61 hours of college credits to earn their Associate's Degrees in Biology. A second specialized academy was created in the Fall of 2006. The Dual Enrollment Engineering Academy (DEEA) requires students to take 66 college credits during the last two years of high school to earn an Associate of Science in Engineering. Students from high schools throughout Hidalgo County participated, including students from La Joya, Sharyland, McAllen, PSJA, Hidalgo, Edcouch, Donna, Mercedes, and Weslaco. Thirty-five students graduated from this academy.

The District is planning to offer a new academy specialized in computers and a new field in medical electronic records. Interested participants in the Dual Enrollment Computer Science Academy (DECSA) will need to be enrolled in Starr County high schools. Upon completion of the two-year round program, each participant will earn an Associate of Science in Computer Science. The degree is transferable toward earning a bachelor's degree at colleges across the state and is a step in preparing students for careers in computer software engineering, computer system analysts, information systems and computer programming.

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, 2010.

At August 31, 2010, the District has outstanding bonds payable for Bond Series 2002, Bond Series 2003 and Bond Series 2004 in the amounts of \$19,060,000, \$14,140,000 and \$11,005,000 respectively. Bond Series 2007 MT and Bond Series 2007 LTR were issued in March 2007 to refund portions of the District's outstanding debt and lower the overall debt service requirements. The outstanding amounts at year end were \$2,935,000 and \$22,639,991, for Bond Series 2007 MT and Bond Series 2007 LTR, respectively. Total bonds payable at August 31,

2010, was \$69,779,991. All debt service requirements are to be paid with ad-valorem taxes levied.

The District's outstanding bonds have been rated AA- by Standards & Poor's and Aa2 by Moody's. 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
2001	0.08000	0.01220	12,106,414
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

The District's average collection rate over the past ten years, including collection of delinquent taxes, has been 97.25%.

The tax base has increased by an average of 9.31% annually over the past ten years. The tax base has increased from \$13,660,953,185 in fiscal year 2001 to \$30,304,183,226 in fiscal year 2010. Hidalgo County's property value has shown a steady increase due to a tremendous amount of development. 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 2010, the District has set aside a total of \$77,750,000 for construction of facilities and a total of \$8,713,236 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 five months of budgeted expenditures. As reflected below, South Texas College District has met the minimum range over the past three years.

	August 31, 2008	August 31, 2009	August 31, 2010
Current Unrestricted Fund Balance	\$38,356,697	\$40,854,291	\$53,722,303
Next FY Budgeted Unrestricted Fund Expenses (including transfers and contingencies)	113,939,295	126,463,510	133,283,581
Fund Balance as a % of Total Expenses	34%	32%	40%
Number of Months Expenses in Reserve	4.0 months	3.9 months	4.8 months

In fiscal year 2010, South Texas College District computed four core ratios that provide information on the overall financial stability of the District. These four core ratios are the following: Primary Reserve Ratio, Viability Ratio, Return on Net Assets Ratio, and Net Operating Revenues Ratio. These four ratios are used to create one overall financial measurement called the Composite Financial Index, or CFI.

South Texas College District has computed overall CFI scores of 6.48, 5.71 and 6.22 for FY 2008, FY 2009, and FY 2010, 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 college'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 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 the following programs were increased from \$20 to \$25 per semester credit hour in fiscal year 2010: Associate Degree Nursing, Occupational Therapy Assistant, Physical Therapist Assistant, Radiologic Technology, Vocational Nursing, Pharmacy Technology, Emergency Medical Technology and Respiratory Therapy. 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 charges related to the Accuplacer Exam are as follows: Accuplacer Exam Fee (All Exams), \$29; Accuplacer Exam Fee - Reading only, \$10; Accuplacer Exam Fee – Writing only, \$10; Accuplacer Exam Fee – Math only, \$10. Other additions for fiscal year 2010 include the Continuing Education Installment Plan Fee of \$5, the Continuing Education Installment Plan Late Payment Fee of \$10, and the Parking Permit Replacement Fee of \$10.

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 to the Child Development Center include 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.

In keeping with the District's commitment to recruit, retain and fairly compensate qualified personnel, for fiscal year 2010 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, 2010, the college had a total amount of \$93,549,269 in bank deposits, consisting of seven money market accounts totaling \$14,076,418 and six certificates of deposit totaling \$79,472,851. In addition, the District held an endowment investment in the form of a coin collection valued at \$5,590, and change funds totaling \$7,650. As of August 31, 2010, total investments were \$93,562,509.

Total interest revenue earned on money market accounts and certificates of deposit during FY 2010 totaled \$388,427.

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, in addition to a staff member, 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 2010 included the Mid-Valley Campus Building C renovations and Building D Workforce Precision Manufacturing Technology & welding lab improvements, district wide site improvements, Pecan Campus Early College High School improvements and utilities, Pecan Campus Building K Student Services renovation, Pecan Campus drainage canal improvements, Starr Campus Building J Rural Technology Center, Starr Campus Building E steel frame improvements, Starr Campus Building G Cashier's Office renovation, Nursing Allied Health vocational nursing lab improvements, Technology Campus Building B welding lab expansion, and Starr Campus sidewalk east loop. 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. Freese & Nichols, Inc. is a Fort-Worth based engineering, architectural, and environmental science consulting firm which specializes in master planning for higher education institutions. In 2008, a study was conducted to identify the projected growth for the District and to identify facilities 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, Greater McAllen Alliance 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 close to sixteen years, South Texas College District has grown from over 1,000 headcount in Fall 1994 to over 27,000 headcount in Spring 2010. 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 \$3,900,000 in 1994 to \$126,463,510 in 2010.

Awards and Acknowledgments

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

- Community College Week’s annual community college rankings released in June 2010 continue to rank South Texas College District as one of the top 100 community colleges in the nations out of more than 1,100 community colleges in awarding associate degrees in the following areas:
 - #3 in the nation for awarding associate degrees to Hispanic students
 - #12 in the nation for awarding associate degrees in Multi/Interdisciplinary studies
 - #32 in the nation for awarding associate degrees in Criminal Justice
 (Sources: Community College Week and South Texas College)

- For another year, 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)

- Texas Higher Education Coordinating Board awarded South Texas College District in early December 2009, the THECB’s prestigious Star Award along with Pharr-San Juan-Alamo School District for initiating a dropout recovery program. South Texas College District and Pharr-San Juan-Alamo School District received the award for their contribution to the state’s “Closing the Gaps” higher education initiative. The program was one of six that were recognized. (Source:texasborderbusiness.com)

- 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 is 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)

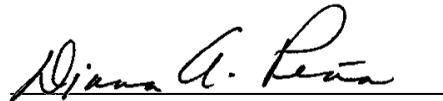
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Texas College District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2009. This was the seventh 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.

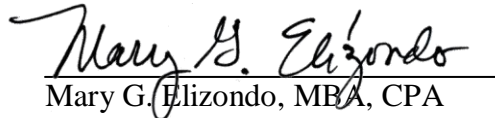
The timely preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of the entire staff of the District’s Business Office. Each member

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 Finance and
Administrative Services



Mary G. Elizondo, MBA, CPA
Comptroller



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South Texas College District

OFFICIALS AND STAFF

ELECTED OFFICIALS

Board of Trustees	District	Term Expires
Rose Benavidez, Vice-Chair	District 1	May 2012
Oscar Longoria, Jr., Secretary	District 2	May 2012
Vacant	District 3	
Gary Gurwitz, Chair	District 4	May 2016
Dr. Alejo Salinas, Jr.	District 5	May 2014
Jesse Villarreal	District 6	May 2012
Roy De Leon	District 7	May 2014

ADMINISTRATIVE AND FINANCE OFFICIALS

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 Finance and Administrative 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

College President
Dr. Shirley A. Reed

Associate Dean of Community Engagement and Workforce Development
Luzelma Canales, Interim

Director of Continuing, Professional, and Workforce Education
Juan Carlos Aguirre

Director of Grant Development, Accountability & Management Services
Luzelma Canales

Internal Auditor - Contracted
Burton McCumber & Cortez, L.L.P.

Director of Public Relations and Marketing
Jenny Cummings

Assistant Director of Web and Creative Services
Daniel Ramirez

Executive Assistant
Yolanda Orozco

Vice President for Academic Affairs
Juan E. Mejia

Vice President for Student Affairs & Enrollment Management
Dr. William Serrata

Vice President for Finance and Administrative Services
Mrs. Diana A. Pena

Vice President for Information Services and Planning
Jose Cruz Jr.

Executive Officer for the North American Advanced Manufacturing Research & Education Initiative
Wanda F. Garza

- Assistant to the Vice President for Academic Affairs
Dr. Anahid Petrosian
- Associate Dean for High School Programs & Services
Nicolas Gonzalez
- Director of High School Programs
Guadalupe Chavez
- Director for Distance Education
Dr. Brett Millan, Interim
- Curriculum and Accreditation Officer
Laura Talbot
- Director for Student Learning Outcomes and Assessment
Oscar Hernandez
- Director of Professional Development
Lee Grimes
- Director of Centers for Learning Excellence
Jennifer Knecht, Interim
- Valley Scholars Program Coordinator
Mario Olivarez
- Academic Grants and Projects Officer
708279 Vacant
- Dean for Bachelor Programs & University Relations
Dr. Ali Esmaeili — Chairs — Faculty
- Dean of Business and Technology
Mario Reyna — Chairs — Faculty
- Dean of Developmental Studies
Dr. Ali Esmaeili, Interim — Chairs — Faculty
- Dean of Liberal Arts and Social Sciences
Dr. Margaretha Bischoff — Chairs — Faculty
- Dean of Math and Sciences
Dr. Ali Esmaeili, Interim — Chairs — Faculty
- Dean of Nursing and Allied Health
Meiba Trevino, Interim — Chairs — Faculty
- Coordinator for Excellence for Health Professionals (ends 12/31/2010)
Dores Jay-Pang Freeman
- Campus Administrators
Mid Valley Campus: *Monte Churchill*
Technology Campus: *Mario Reyna*
Starr County Campus: *Ruben Saenz*
Dr. Ramiro R. Casso Nursing and Allied Health Campus: *Meiba Trevino (Interim)*

- Dean of Enrollment Services
Kim McKay, Interim
- Director of Outreach, Orientation, and Welcome Centers
Kim McKay
- Director of Admissions and Registrar
Matthew Hubbard
- Coordinator Admissions & Records
Michelle Limon
- Coordinator of College Access
Lazaro Barroso
- Testing Officer
Maria Elizabeth Herrera
- Dean of Student Support Services
Paul Hernandez
- Director of Comprehensive Advisement and Mentoring Services
726332 Vacant
- Coordinator of Advisement
Willie Johnson
- Coordinator of Retention & Transfer Services
Rosendo Villagran
- Director of Counseling
729332 Vacant
- Coordinator of Counseling
Santa Elisa Pena
- Coordinator of ADA Services
Jorge Solis
- Associate Dean of Student Financial Services
Miguel Carranza
- Associate Director of Student Financial Services
Felipe Leal
- Coordinator of Financial Aid
Annia Barrera
- Coordinator of State & Third Party Programs
Juan Galvan
- Coordinator of Student Financial Services
Ramona Cano
- Associate Dean of Student Life and Wellness
Mike Shannon, Interim
- Director of Student Life
Michael Shannon
- Coordinator of Student Activities
Armando Ponce
- Coordinator of Veteran Affairs
Javier Arredondo
- Wellness Centers
- Coordinator of Judicial Affairs/Ombudsperson
Karey Barnes
- Director of Career Planning & Placement
705275 Vacant
- Coordinator of Job Placement
Celinda Palacios
- Director of Degree/Certificate & Completion
705190 Vacant
- Student Services Training Manager
704190 - Vacant
- Manager of Special Programs
Nancy Garcia

- Comptroller
Mary Elizondo
- Assistant Comptroller
718184 Vacant
- Project Manager
702925 Vacant
- Risk Management
Contracted
- Director of Purchasing
Rebecca Cavazos
- Assistant Director of Purchasing
Fernando Lamas
- Receiving & Distribution Supervisor
Gerardo Quintanilla
- Copy/Mail Center
- Director of Facility Planning & Construction
Gerardo Rodriguez
- Planning & Construction Project Manager
718501 Vacant
- Planning & Construction Project Manager
Ricardo De La Garza
- Planning & Construction Project Manager
Roberto Cuellar
- Director of Operations Services
George McCaleb
- Assistant Director of Operations and Maintenance
Eric Delgado
- Maintenance Services
- Custodial Services
- Operations Contract Manager
Henry Toppy
- Grounds Keeping
Contracted
- Bookstore
Contracted
- Director of Human Resources
Shirley M. Ingram
- Assistant Director of Human Resources
704240 Vacant
- Employee Relations Officer
Francisco Gomez
- Director of Security
Paul Varville
- Security
Contracted
- Director of Food Services
Patrick Woodin, Interim

- Chief Information Officer
Arnaldo Gonzalez
- Assistant Chief Information Officer
Alicia Gomez
- Director for IT Services
Daniel De Leon
- Coordinator of Client Services
Teresa Sanchez
- Help Desk
- Chief Information Security Officer
Steven Bourdon
- Dean of Library Services & Instructional Technologies
Cody Gregg, Interim
- Director of Library Public Services
Noemi Garza
- Campus Librarians
Lillian Carrillo, Gary Don Ford, Angelica M. Garcia, James Phillips, Minerva Alvarez, Joshua Wallace, Jose Noriega, Treva Anderson
- Director of Library Technical Services
Jesus Campos
- Automated Systems Librarian
Dr. Becky Owens
- Director of Instructional Technologies
Cody Gregg
- Director of Information Commons and Open Labs
Lelia Salinas
- Open Labs
- Director of Institutional Effectiveness and Assessment
Dr. Jinhao Wang
- Director of Research and Analytical Services
Dr. Brenda Cole
- Instructional Review Board
- Administrative Specialist
729101 Vacant

Regional Training Manager
Carlos Margo

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, 2009

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.



President



Executive Director



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“Get a Life...A Student Life!”

Financial Section



Independent Auditor's Report

To the Board of Trustees
South Texas College District

Members of the Board:

We have audited the accompanying financial statements of the South Texas College District, as of and for the years ended August 31, 2010 and August 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the District'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 District'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 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 District as of August 31, 2010 and August 31, 2009 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 9, 2010 on our consideration of the District'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 accompanying Management's Discussion and Analysis (MD&A) on pages 29 through 46 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 an opinion on South Texas College District's financial statements taken as a whole. 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 the 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section 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 9, 2010

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2010 and 2009

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, 2010, and comparative information for the year ended August 31, 2009. 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 \$229,691,712 at August 31, 2010. Of this amount, \$75,476,247 may be used to meet the District's ongoing obligations.
- ◆ Total combined net assets increased by \$27,201,721 or 13% from fiscal year 2009 to fiscal year 2010. This increase can be attributed to increases in state allocations revenue, tuition and fee revenue, and grants and contracts revenue. State allocations revenue increased 13%. Student full time equivalent enrollment increased 27.3%. In addition, there was a \$2 increase to the Electronic Distance Learning Fee per semester credit hour, a \$2 increase to the Information Technology Fee per semester credit hour, and a \$4 increase to the In-District Tuition rate per credit hour which generated additional tuition and fee revenue. Grants and contracts revenue increased due to an increase in federal Pell grants.
- ◆ During fiscal year 2010, the balance of cash and cash equivalents and short-term and other investments increased by \$4,178,342 from \$89,378,577 at August 31, 2009 to \$93,556,919 on August 31, 2010 or 5%.
- ◆ Capital assets, net of accumulated depreciation, at August 31, 2010, had an increase of \$15,401,317 from August 31, 2009, due mainly to an increase of \$3,933,533 in buildings, an increase of \$9,025,945 in land, an increase in furniture and equipment of \$1,981,396, and an increase of \$1,448,492 in construction in progress. Other changes included a decrease in library books of \$108,824, a decrease of \$409,829 in land improvements and a decrease in telecommunication equipment of \$469,396.

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
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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, 2010 and 2009

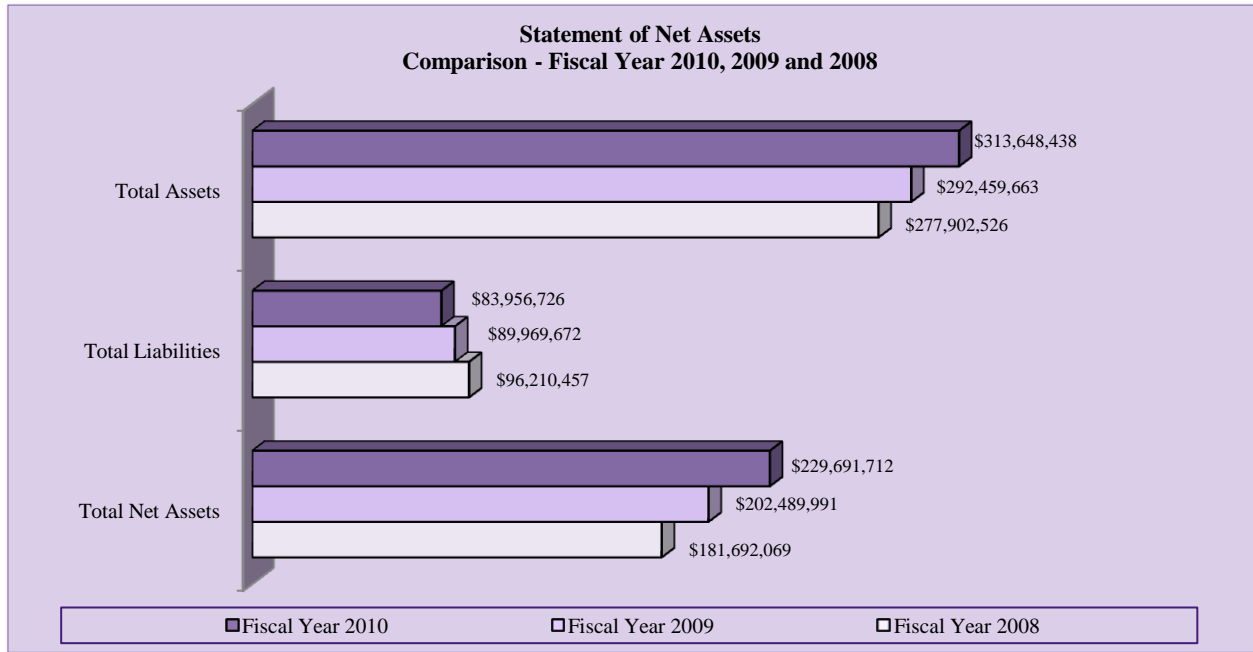
Current assets consist mainly of cash, short-term investments, and receivables. Cash and short-term investments are maintained at levels necessary to cover current liabilities as they come due and to ensure adequate liquidity as funds are needed for expenditures associated with building and expansion 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		
	2010	2009	2008
Assets			
Current assets	\$ 111,060,936	\$ 105,142,712	\$ 94,915,790
Capital assets, net	201,762,667	186,361,350	181,905,960
Other	824,835	955,601	1,080,776
Total Assets	313,648,438	292,459,663	277,902,526
Liabilities			
Current liabilities	19,971,372	17,792,677	16,187,883
Non-current liabilities	63,985,354	72,176,995	80,022,574
Total Liabilities	83,956,726	89,969,672	96,210,457
Net Assets			
Invested in capital assets, net of related debt	136,773,512	113,996,844	99,425,786
Restricted expendable	17,095,903	14,027,153	12,741,856
Restricted non-expendable	346,050	346,041	332,230
Unrestricted	75,476,247	74,119,953	69,192,197
Total Net Assets	\$ 229,691,712	\$ 202,489,991	\$ 181,692,069

**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The total assets of the District increased by \$21,188,775 from \$292,459,663 at August 31, 2009 to \$313,648,438 on August 31, 2010. A review of the Statements of Net Assets will reveal that the increase was primarily attributable 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 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 from \$89,969,672 at August 31, 2009 to \$83,956,726 on August 31, 2010. 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, 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 7.6 percent of net assets. The remaining unrestricted net assets may be used for educational or general operations of the District.

The total assets of the District from fiscal year 2008 to fiscal year 2009 increased by \$14,557,137. The increase was attributed to an increase of \$6,154,928 in short-term and other

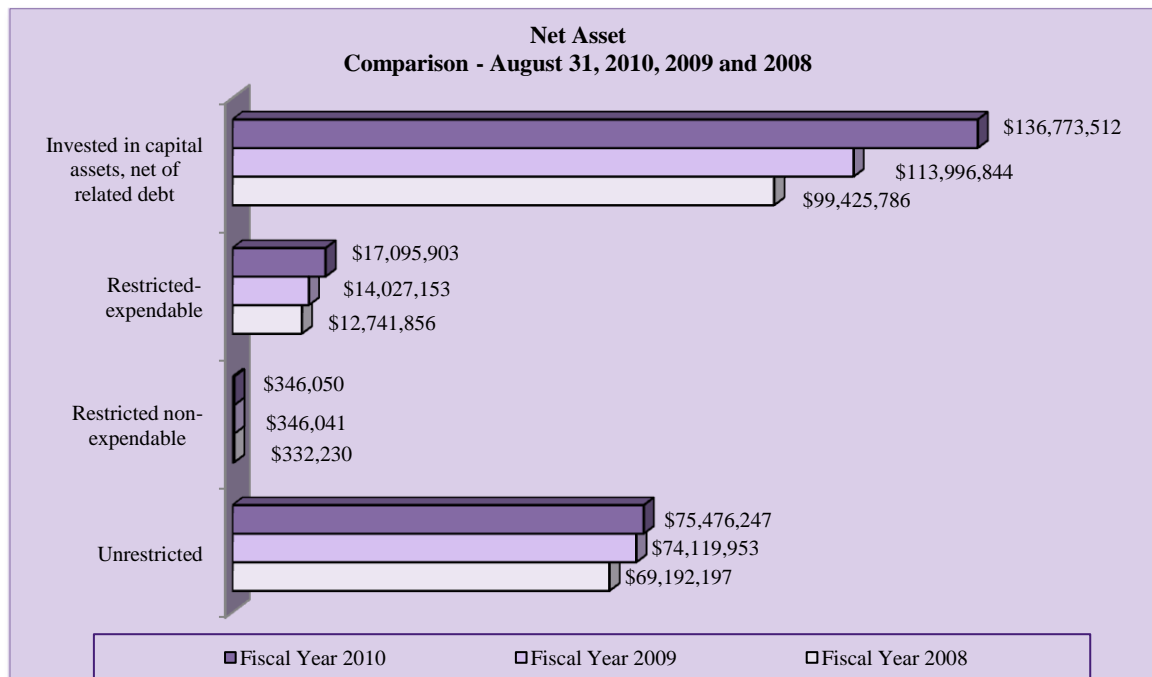
**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2010 and 2009**

investments, an increase of \$2,981,931 in cash and cash equivalents and an increase of \$4,455,390 in capital assets. A net increase in accounts receivables of \$1,162,135 was due primarily to an increase of \$1,274,999 in contractor receivables and \$849,350 in taxes receivable (net), which were offset by a decrease of \$889,698 in federal receivables during fiscal year 2009.

The total liabilities from 2008 to 2009 decreased by \$6,240,785. The primary cause was a decrease in total bonds payable of \$7,561,317, due to principal payments and associated amortization of bond discount, premium and deferred loss. This was offset by an increase in accrued liabilities of \$812,810, mainly consisting of an increase in salaries and benefits of \$825,926 and a decrease in accrued interest of \$13,079.

The combination of the increase in total assets from 2008 to 2009 of \$14,557,137 and the decrease in total liabilities of \$6,240,785 yields an increase in total net assets of \$20,797,922. Fifty-six percent of net assets, \$113,996,844, 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 7.1 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, 2010, 2009 and 2008:



SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2010 and 2009

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

	2010	2009	2008
Operating revenues	\$ 39,956,379	\$ 35,396,737	\$ 30,602,463
Operating expenses	151,885,980	127,754,977	111,626,192
Operating loss	(111,929,601)	(92,358,240)	(81,023,729)
Non-operating revenues and expenses	137,882,763	110,364,477	103,054,247
Capital contributions	1,248,559	2,407,855	86,333
Additions to permanent and term endowment	-	9,690	-
Special item	-	374,140	-
Increase in net assets	27,201,721	20,797,922	22,116,851
Net assets at beginning of year	202,489,991	181,692,069	159,575,218
Net assets at end of year	\$ 229,691,712	\$ 202,489,991	\$ 181,692,069

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.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 total operating expenses increased by \$24,131,003.

Operating revenues increased by \$4,559,642, which 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, \$606,050 in non-governmental grants and contracts. This was offset by a decrease of \$292,251 in general operating revenues. The Federal Pell grant program revenue increased by \$24,435,555 from 2009 to 2010.

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 include 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.

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 \$6,710,875 or 13.8 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 \$92,358,240 resulted in fiscal year 2009. 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.

SOUTH TEXAS COLLEGE DISTRICT
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The operating loss increased by \$11,334,511 or 14%, from \$81,023,729 in fiscal year 2008 to \$92,358,240 in fiscal year 2009. Operating revenues increased by \$4,794,274 and operating expenses increased by \$16,128,785.

The \$4,794,274 increase in operating revenues primarily consisted of an increase of \$1,485,703 in tuition and fees, \$507,522 in federal grants and contracts and \$1,119,932 in state grants and contracts, \$388,119 in local grants and contracts and \$1,151,434 in general operating revenues. The Federal Pell grant program revenue increased by \$5,220,559 from 2008 to 2009.

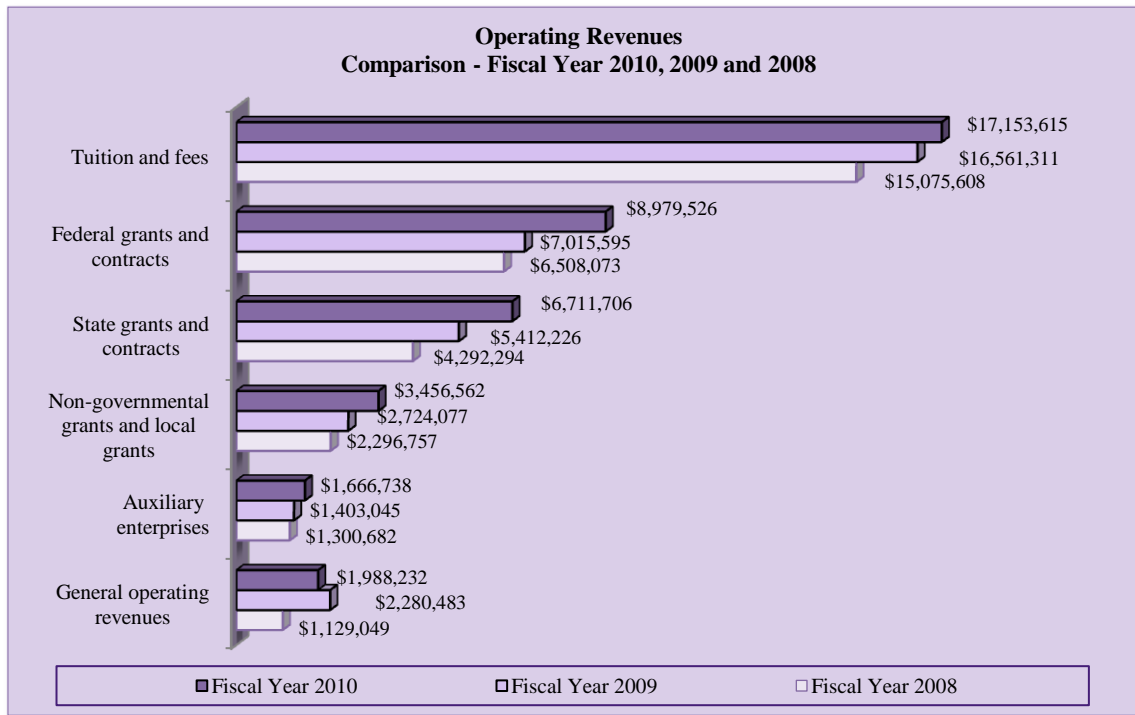
The increase in tuition and fee revenue consisted of increased student enrollment and changes in fees and differential tuition. The changes in fees consisted of increases in the Electronic Distance Learning Fee, the Information Technology Fee and the Learning Support Fee. The additions to differential tuition per credit hour consisted of Emergency Medical Technology and Pharmacy Technology.

In fiscal year 2009, the increase in operating expenses of \$16,128,785 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.

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

Operating Revenues	2010		2009		2008	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$43,725,063, \$28,623,240, and \$22,692,827)	\$ 17,153,615	42.93%	\$ 16,561,311	46.79%	\$ 15,075,608	49.26%
Federal grants and contracts	8,979,526	22.47%	7,015,595	19.82%	6,508,073	21.27%
State grants and contracts	6,711,706	16.80%	5,412,226	15.29%	4,292,294	14.03%
Non-governmental grants and local grants	3,456,562	8.65%	2,724,077	7.70%	2,296,757	7.51%
Auxiliary enterprises	1,666,738	4.17%	1,403,045	3.96%	1,300,682	4.25%
General operating revenues	1,988,232	4.98%	2,280,483	6.44%	1,129,049	3.68%
Total	\$ 39,956,379	100.00%	\$ 35,396,737	100.00%	\$ 30,602,463	100.00%

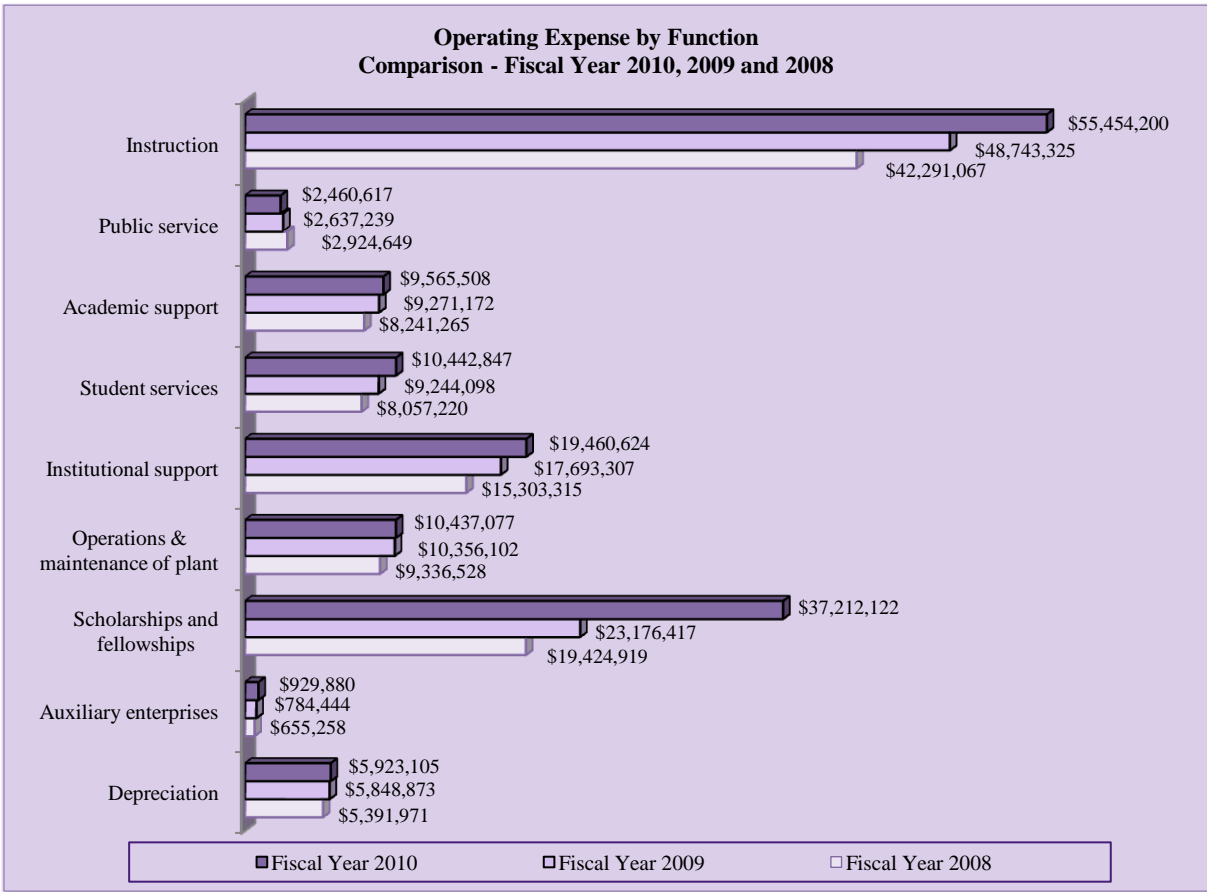
**SOUTH TEXAS COLLEGE DISTRICT
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Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated below:

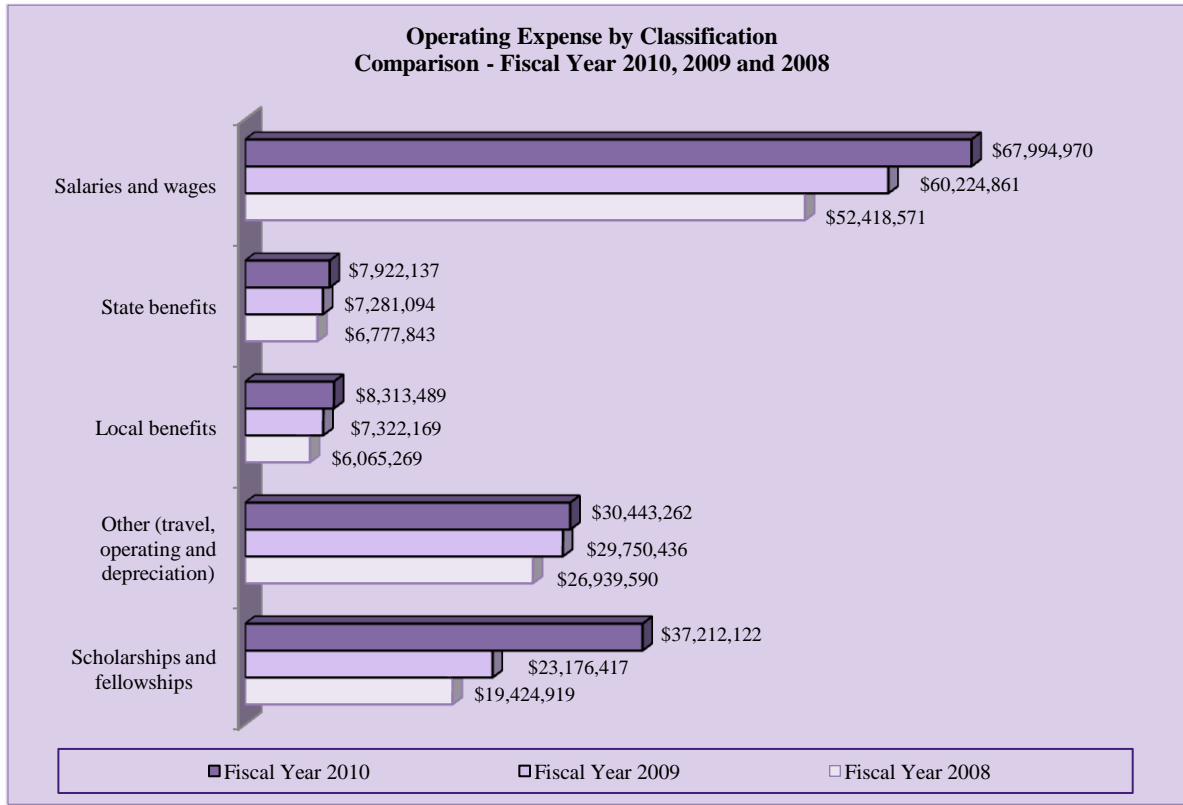
Operating Expenses by Function	2010		2009		2008	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 55,454,200	36.51%	\$48,743,325	38.15%	\$42,291,067	37.89%
Public service	2,460,617	1.62%	2,637,239	2.06%	2,924,649	2.62%
Academic support	9,565,508	6.30%	9,271,172	7.26%	8,241,265	7.38%
Student services	10,442,847	6.88%	9,244,098	7.24%	8,057,220	7.22%
Institutional support	19,460,624	12.81%	17,693,307	13.85%	15,303,315	13.71%
Operations and maintenance of plant	10,437,077	6.87%	10,356,102	8.11%	9,336,528	8.36%
Scholarships and fellowships	37,212,122	24.50%	23,176,417	18.14%	19,424,919	17.40%
Auxiliary enterprises	929,880	0.61%	784,444	0.61%	655,258	0.59%
Depreciation	5,923,105	3.90%	5,848,873	4.58%	5,391,971	4.83%
Total	\$ 151,885,980	100.00%	\$127,754,977	100.00%	\$111,626,192	100.00%

**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2010 and 2009**



Operating Expenses by Classification	2010		2009		2008	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and wages	\$ 67,994,970	44.77%	\$ 60,224,861	47.14%	\$ 52,418,571	46.96%
State benefits	7,922,137	5.22%	7,281,094	5.70%	6,777,843	6.08%
Local benefits	8,313,489	5.47%	7,322,169	5.73%	6,065,269	5.43%
Other (travel, operating and depreciation)	30,443,262	20.04%	29,750,436	23.29%	26,939,590	24.13%
Scholarships and fellowships	37,212,122	24.50%	23,176,417	18.14%	19,424,919	17.40%
Total	\$ 151,885,980	100.00%	\$ 127,754,977	100.00%	\$ 111,626,192	100.00%

**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2010 and 2009**



Non-operating revenues and expenses consisted of the following:

Non-Operating Revenues	2010		2009		2008	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State allocations	\$ 37,514,938	26.02%	\$33,173,275	28.67%	\$ 32,857,808	30.53%
Ad-valorem taxes – maintenance and operations	34,314,946	23.80%	33,731,408	29.15%	30,822,108	28.64%
Ad-valorem taxes – debt service	12,197,541	8.46%	12,212,764	10.55%	12,319,291	11.45%
Federal revenue, non-operating	59,089,947	40.99%	34,498,524	29.81%	28,470,310	26.46%
Gifts	663,193	0.46%	775,113	0.67%	519,842	0.48%
Investment income (net of investment expenses)	388,426	0.27%	1,335,180	1.15%	2,627,475	2.44%
Total	144,168,991	100.00%	115,726,264	100.00%	107,616,834	100.00%

SOUTH TEXAS COLLEGE DISTRICT
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Non-Operating Expenses	2010		2009		2008	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Interest on capital related debt	2,986,702	47.51%	3,186,226	59.42%	3,046,995	66.78%
Loss on sale/disposal/return of capital assets	4,698	0.07%	77,747	1.45%	-	-
Non-capital construction costs	2,268,529	36.09%	1,038,216	19.36%	735,663	16.12%
Bond costs amortization	353,037	5.62%	353,037	6.58%	353,211	7.74%
Other non-operating expenses	673,262	10.71%	706,561	13.19%	426,718	9.36%
Total	6,286,228	100.00%	5,361,787	100.00%	4,562,587	100.00%
Net non-operating revenue (expenses):	<u>\$ 137,882,763</u>		<u>\$110,364,477</u>		<u>\$103,054,247</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 \$43,725,063, \$28,623,240 and \$22,692,827 in fiscal years 2010, 2009 and 2008, 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 2010, state allocations received increased by \$4,341,663 due mainly to an increase in state funding for state retirement and state group insurance matching of \$641,043, and an increase in enrollment growth of \$88,429. 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.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- ◆ 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.
- ◆ In fiscal year 2009, state allocations received increased by \$315,467 due mainly to an increase in state funding for state retirement matching of \$413,122 and an increase in enrollment growth of \$95,767. State allocations totaling \$33,173,275 consisted of \$25,372,840 of contact hour funding, \$439,398 of enrollment growth funding, \$79,943 of professional nursing shortage reduction funding and \$7,281,094 of state on-behalf benefits, which consisted of state group insurance of \$4,112,622 and state retirement matching of \$3,168,472. 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 \$25,372,840 and \$25,372,841 for fiscal year 2009 and 2008, respectively.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties increased by \$2,404,261,139 or 9% from \$26,529,232,568 in fiscal year 2008 to \$28,933,493,707 in fiscal year 2009. Tax collections, net of penalties and interest, increased 7% from \$40,964,399 in fiscal year 2008 to \$43,734,507 in fiscal year 2009.
- ◆ The tax rates assessed in fiscal years 2008, 2009 and 2010 were \$0.1540, \$0.1498 and \$0.1491, respectively.
- ◆ 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 2010, 2009 and 2008.

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 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.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following summary is prepared from the District's Statements of Cash Flows for the fiscal years ended August 31:

	Statement of Cash Flows		
	2010	2009	2008
Cash provided (used) by:			
Operating activities	\$ (102,176,815)	\$ (79,592,369)	\$ (72,624,967)
Non-capital financing activities	123,998,042	95,845,980	86,884,584
Capital and related financing activities	(17,918,238)	(8,462,534)	(14,946,992)
Investing activities	(4,573,827)	(4,809,146)	(1,228,341)
Net change in cash and cash equivalents	(670,838)	2,981,931	(1,915,716)
Cash and cash equivalents - September 1	14,754,906	11,772,975	13,688,691
Cash and cash equivalents - August 31	\$ 14,084,068	\$ 14,754,906	\$ 11,772,975

Major sources of funds included in operating activities during fiscal year 2010 are student tuition and fees of \$18,010,838 and grants and contracts of \$17,380,548.

The largest payments in operating activities were compensation to employees for \$80,183,301, payments to suppliers for \$21,974,167 and payments for scholarships and fellowships for \$36,034,445.

The largest inflows of cash in the non-capital financing activities were the non-operating federal revenue of \$59,089,947, the 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 inflow was for ad-valorem taxes for debt service for \$12,172,871.

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.

Major sources of funds included in operating activities during fiscal year 2009 are student tuition and fees of \$17,598,235 and grants and contracts of \$16,183,140.

The largest payments in operating activities were compensation to employees for \$69,734,361, payments to suppliers for \$22,531,387 and payments for scholarships and fellowships for \$21,728,875.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The largest inflows of cash in the non-capital financing activities were the non-operating federal revenue of \$34,498,524, state allocations of \$29,060,653, and ad-valorem taxes for maintenance and operation of \$33,156,639.

The largest outflows in capital and related financing activities represent the purchases of capital assets in the amount of \$10,858,814 and payments on capital debt of \$11,146,701. The largest inflow was for ad-valorem taxes for debt service for \$12,129,957.

The cash flows from investing activities represent proceeds from sales and maturities of investments of \$19,345,072, investment income of \$1,345,782 and cash outflows of \$25,500,000 constituting the purchase of investments.

The cash and cash equivalents balance as of August 31, 2009, increased by \$2,981,931 from fiscal year 2008.

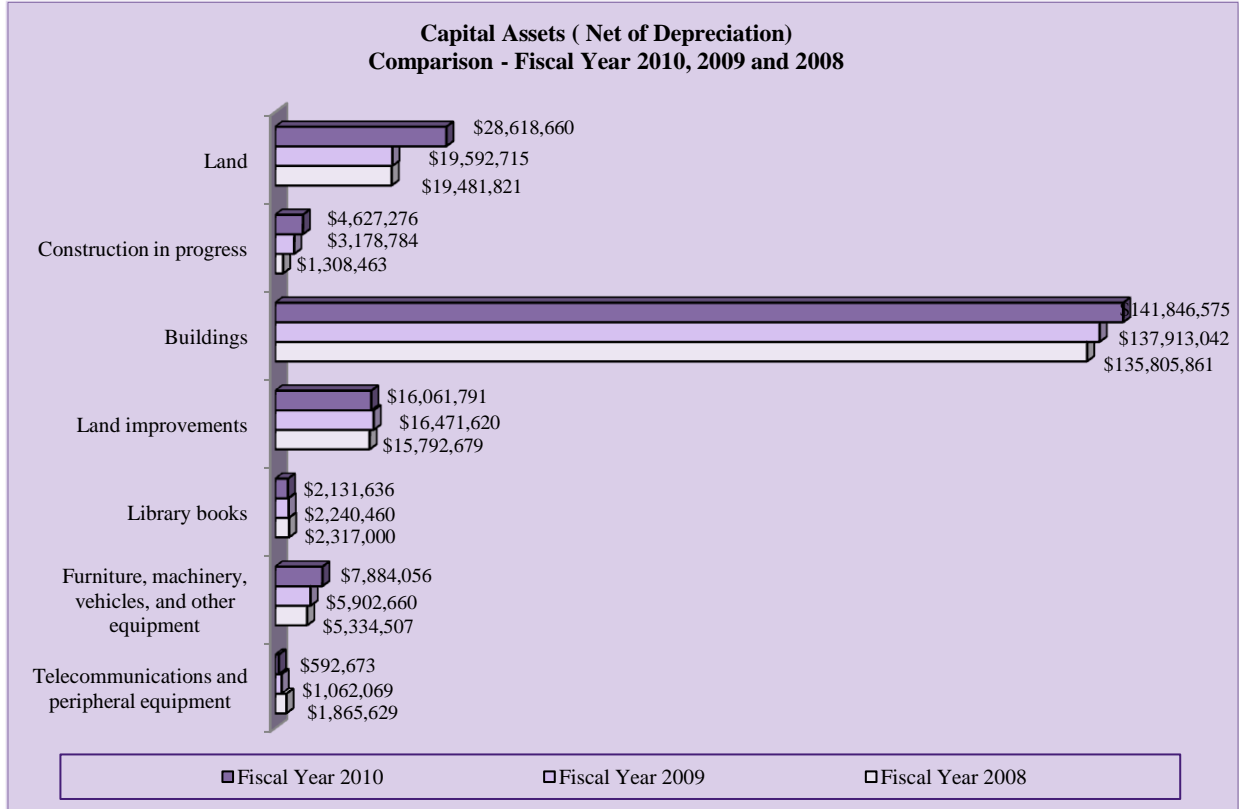
CAPITAL ASSET AND LONG - TERM DEBT ADMINISTRATION

The District had \$244,107,822 in capital assets, and \$42,345,155 in accumulated depreciation at August 31, 2010.

	South Texas College District Capital Assets (Net of Depreciation)		
	2010	2009	2008
Land	\$ 28,618,660	\$ 19,592,715	\$ 19,481,821
Construction in progress	4,627,276	3,178,784	1,308,463
Buildings	141,846,575	137,913,042	135,805,861
Land improvements	16,061,791	16,471,620	15,792,679
Library books	2,131,636	2,240,460	2,317,000
Furniture, machinery, vehicles, and other equipment	7,884,056	5,902,660	5,334,507
Telecommunications and peripheral equipment	592,673	1,062,069	1,865,629
Net capital assets	\$ 201,762,667	\$ 186,361,350	\$ 181,905,960

**SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2010 and 2009**

The following is a graphic illustration of capital assets, net of depreciation at August 31, 2010, 2009 and 2008.



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.

From fiscal year 2008 to fiscal year 2009, buildings, net of depreciation, increased by \$2,107,181, land improvements, net of depreciation, increased by \$678,941 and construction in progress increased by \$1,870,321 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, 2010 and 2009

The bonds payable liability balances at August 31, 2010, 2009, and 2008 are as follows:

South Texas College District Outstanding Debt – Bonds			
	2010	2009	2008
Public Property Finance Contractual Obligation Bonds, Series 1999	\$ -	\$ 260,000	\$ 510,000
South Texas College Tax Bonds, Series 2002	19,060,000	23,445,000	27,605,000
South Texas College Tax Bonds, Series 2003	14,140,000	15,560,000	16,920,000
South Texas College Tax Bonds, Series 2004	11,005,000	12,160,000	13,315,000
South Texas College Tax Bonds, Series 2007 MTR	2,935,000	2,945,000	2,955,000
South Texas College Tax Bonds, Series 2007 LTR	22,639,991	22,884,991	23,119,991
Total Bonds Payable	\$ 69,779,991	\$ 77,254,991	\$ 84,424,991

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 53%, from 23,594 in fiscal year 2006 to 36,169 in fiscal year 2010. The unduplicated contact hour generation has increased 59%, from 6,866,384 contact hours in 2006 to 10,977,072 contact hours in 2010.

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.

See Note No. 21 in the notes to financial statements for contractual commitments for capital expenditures at August 31, 2010. In fiscal years 1997 through 2010, the District has set aside a total of \$77,750,000 for construction of facilities and a total of \$8,713,236 for deferred maintenance purposes. The amounts set aside are funded from current year revenue and accumulated net assets.

SOUTH TEXAS COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2010 and 2009

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 2010 was \$0.0391 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.



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**South Texas College District
Statements of Net Assets
August 31, 2010 and 2009**

Exhibit 1

	FY 2010	FY 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14,084,068	\$ 14,754,906
Short-term investments	79,472,851	74,623,671
Accounts receivable (net of allowance for doubtful accounts of \$329,356 in 2010 and \$343,266 in 2009)	16,706,003	15,523,701
Deposits in escrow	133,207	-
Notes receivable	439	-
Prepaid expenses	664,368	240,434
Total Current Assets	111,060,936	105,142,712
Noncurrent Assets:		
Endowment investments	5,590	5,590
Deferred bond issuance costs (net of related amortization of \$130,766 in 2010 and \$130,766 in 2009)	819,245	950,011
Capital assets, net (note 3)	201,762,667	186,361,350
Total Noncurrent Assets	202,587,502	187,316,951
Total Assets	313,648,438	292,459,663
LIABILITIES		
Current Liabilities:		
Accounts payable	6,329,790	4,817,811
Accrued liabilities	779,060	1,226,960
Accrued compensable absences - current portion	647,563	598,300
Funds held for others	321,906	238,685
Unearned revenue	3,700,256	3,044,604
Bonds payable - current portion	8,192,797	7,866,317
Total Current Liabilities	19,971,372	17,792,677
Noncurrent Liabilities:		
Accrued compensable absences	41,746	40,590
Bonds payable, net	63,943,608	72,136,405
Total Noncurrent Liabilities	63,985,354	72,176,995
Total Liabilities	83,956,726	89,969,672
NET ASSETS		
Invested in capital assets, net of related debt	136,773,512	113,996,844
Restricted for:		
Expendable		
Loans	613,517	450,371
Debt service	11,949,354	10,478,389
Other purposes	4,533,032	3,098,393
Non-expendable		
Endowment	346,050	346,041
Unrestricted	75,476,247	74,119,953
Total Net Assets (Schedule D)	229,691,712	202,489,991
Total Liabilities & Net Assets	\$ 313,648,438	\$ 292,459,663

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, 2010 and 2009

Exhibit 2

	FY 2010	FY 2009
OPERATING REVENUES		
Tuition and fees (net of discounts of \$43,725,063 in 2010 and \$28,623,240 in 2009)	\$ 17,153,615	\$ 16,561,311
Federal grants and contracts	8,979,526	7,015,595
State grants and contracts	6,711,706	5,412,226
Local grants and contracts	1,255,944	1,129,509
Non-governmental grants and contracts	2,200,618	1,594,568
Auxiliary enterprises	1,666,738	1,403,045
General operating revenues	1,988,232	2,280,483
Total Operating Revenues (Schedule A)	39,956,379	35,396,737
OPERATING EXPENSES		
Instruction	55,454,200	48,743,325
Public service	2,460,617	2,637,239
Academic support	9,565,508	9,271,172
Student services	10,442,847	9,244,098
Institutional support	19,460,624	17,693,307
Operations and maintenance of plant	10,437,077	10,356,102
Scholarships and fellowships	37,212,122	23,176,417
Auxiliary enterprises	929,880	784,444
Depreciation	5,923,105	5,848,873
Total Operating Expenses (Schedule B)	151,885,980	127,754,977
OPERATING LOSS	(111,929,601)	(92,358,240)
NON-OPERATING REVENUES (EXPENSES)		
State allocations	37,514,938	33,173,275
Ad-valorem taxes		
Taxes for maintenance & operations	34,314,946	33,731,408
Taxes for debt service	12,197,541	12,212,764
Federal revenue, non-operating	59,089,947	34,498,524
Gifts	663,193	775,113
Investment income (net of investment expenses)	388,426	1,335,180
Interest on capital related debt	(2,986,702)	(3,186,226)
Loss on sale/disposal/return of capital assets	(4,698)	(77,747)
Non-capital construction costs	(2,268,529)	(1,038,216)
Bond costs amortization	(353,037)	(353,037)
Other non-operating revenues (expenses)	(673,262)	(706,561)
Net Non-Operating Revenues (Expenses) (Schedule C)	137,882,763	110,364,477
Income Before Capital Contributions	25,953,162	18,006,237
Capital contributions	1,248,559	2,407,855
Additions to permanent and term endowment	-	9,690
Special item	-	374,140
Increase In Net Assets	27,201,721	20,797,922
NET ASSETS		
Net assets - beginning of year	202,489,991	181,692,069
Net assets - end of year	\$ 229,691,712	\$ 202,489,991

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, 2010 and 2009**

Exhibit 3

	FY 2010	FY 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 18,010,838	\$ 17,598,235
Receipts from grants and contracts	17,380,548	16,183,140
Payments to suppliers for goods or services	(21,974,167)	(22,531,387)
Payments to or on behalf of employees	(80,183,301)	(69,734,361)
Payments for scholarships and fellowships	(36,034,445)	(21,728,875)
Payments for loans issued to students	(571,783)	(913,337)
Receipts from collection of loans to students	545,631	796,509
Other receipts (payments)	649,864	737,707
Net cash provided (used) by operating activities	(102,176,815)	(79,592,369)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	33,084,600	29,060,653
Receipts from ad-valorem taxes-maintenance and operation	34,017,833	33,156,639
Receipts from non-operating federal revenue	59,089,947	34,498,524
Payments for collection of taxes	(121,700)	(125,313)
Receipts from gifts or grants for other than capital purposes	626,717	697,807
Receipts from student organizations and other agency transactions	1,441,831	982,115
Payments to student organizations and other agency transactions	(1,238,470)	(721,015)
Receipts from private gifts for endowment	-	4,100
Receipts from endowment interest	2,617	50
Payments for non-operating construction costs	(2,268,579)	(1,038,216)
Payments for non-operating transactions	(636,754)	(669,364)
Net cash provided (used) by non-capital financing activities	123,998,042	95,845,980
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad-valorem taxes-debt services	12,172,871	12,129,957
Payments for collection of taxes for debt service	(66,078)	(66,331)
Contribution received in aid of construction	2,497,606	1,022,394
Proceeds from sale/return of capital assets	18,327	456,961
Purchases of capital assets	(21,257,222)	(10,858,814)
Payments for deposit in escrow	(133,207)	-
Payments on capital debt-principal	(7,475,000)	(7,170,000)
Payments on capital debt-interest and fees	(3,675,535)	(3,976,701)
Net cash provided (used) by capital and related financing activities	(17,918,238)	(8,462,534)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	38,768,696	19,345,072
Receipts from interest on investments	275,353	1,345,782
Purchase of investments	(43,617,876)	(25,500,000)
Net cash provided (used) by investing activities	(4,573,827)	(4,809,146)
Increase (decrease) in cash and cash equivalents	(670,838)	2,981,931
Cash and cash equivalents - September 1,	14,754,906	11,772,975
Cash and cash equivalents - August 31,	\$ 14,084,068	\$ 14,754,906

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, 2010 and 2009**

Exhibit 3

	<u>FY 2010</u>	<u>FY 2009</u>
Reconciliation of net operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ (111,929,601)	\$ (92,358,240)
Adjustments to reconcile net operating loss to net cash provided (used)		
by operating activities:		
Depreciation expense	5,923,105	5,848,873
Payments made directly by state for benefits	4,430,338	4,112,622
Changes in assets and liabilities:		
Receivables, net	(1,883,347)	1,001,059
Note receivable (adjusted for non-cash and non-operating amounts)	(439)	-
Prepaid expenses	(423,935)	72,072
Accounts payable	1,506,173	1,073,227
Accrued liabilities	(433,462)	825,889
Compensated absences	50,419	155,214
Deferred revenues	583,934	(323,085)
Net cash provided (used) by operating activities:	<u>\$ (102,176,815)</u>	<u>\$ (79,592,369)</u>

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.

**South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2010 and 2009**

Exhibit 3

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.

Non-cash investing, capital, and financing activities for fiscal year 2009:

A 1998 Ford Ambulance with a fair market value of \$10,000 was donated to the District on May 28, 2009.

During fiscal year 2009, the City of McAllen donated to the District a piece of land for a parking lot at the Nursing Allied Health Campus with a market value of \$100,554.

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

Discount - Bond Series 1999	1,481
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	204,458

The deferred loss ending balance as of August 31, 2009, is \$889,631, \$78,783 and \$866,838 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	47,968
Bond Series 2003	20,089
Bond Series 2004	20,157
MTR Bond Series 2007	3,972
LTR Bond Series 2007	33,827

Pledge contributions as of August 31, 2009, consisted of \$37,196 non-cash and \$11,000 cash.

Payments made directly by the state for benefits as of August 31, 2009, consisted of \$4,112,622.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

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, 2010 and 2009

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. 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, 2010 and 2009

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, 2010 and 2009

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, 2010, or August 31, 2009, or as of either year end.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Unearned Revenues

Tuition and fees of \$3,143,523 and \$2,866,185 and federal, state, local, and private grants of \$556,733 and \$178,419 have been reported as unearned revenues at August 31, 2010, and 2009, respectively. Total unearned revenues were \$3,700,256 and \$3,044,604 at August 31, 2010, and 2009.

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, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Funds Held for Others

At August 31, 2010, and at August 31, 2009, the District held, in trust funds, amounts of \$321,906 and \$238,685, 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.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 3 – Capital Assets

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, 2010 and 2009

Note 3 – Capital Assets (Continued)

Capital assets activity for the year ended August 31, 2009, was as follows:

	Balance September 1, 2008	Increases	Decreases	Balance August 31, 2009
Capital Assets Not Depreciated:				
Land	\$ 19,481,821	\$ 174,683	\$ 63,789	\$ 19,592,715
Construction in progress	1,308,463	8,170,118	6,299,797	3,178,784
Total Capital Assets Not Being Depreciated	<u>20,790,284</u>	<u>8,344,801</u>	<u>6,363,586</u>	<u>22,771,499</u>
Capital Assets Being Depreciated:				
Buildings	148,436,924	4,798,137	-	153,235,061
Land improvements	17,688,600	1,501,658	-	19,190,258
Total Buildings and Other Land Improvements	<u>166,125,524</u>	<u>6,299,795</u>	<u>-</u>	<u>172,425,319</u>
Library books	4,177,428	206,788	-	4,384,216
Furniture, machinery, vehicles and other equipment	11,297,755	1,818,474	381,386	12,734,843
Telecommunications and peripheral equipment	11,639,499	94,771	1,200,353	10,533,917
Total Capital Assets Being Depreciated	<u>193,240,206</u>	<u>8,419,828</u>	<u>1,581,739</u>	<u>200,078,295</u>
Accumulated Depreciation:				
Buildings	12,631,063	2,690,956	-	15,322,019
Land improvements	1,895,921	822,717	-	2,718,638
Library books	1,860,428	283,328	-	2,143,756
Furniture, machinery, vehicles and other equipment	5,963,248	1,153,542	284,607	6,832,183
Telecommunications and peripheral equipment	9,773,870	898,331	1,200,353	9,471,848
Total Accumulated Depreciation	<u>32,124,530</u>	<u>5,848,874</u>	<u>1,484,960</u>	<u>36,488,444</u>
Total Capital Assets Being Depreciated, Net	<u>161,115,676</u>	<u>2,570,954</u>	<u>96,779</u>	<u>163,589,851</u>
Total Capital Assets, Net	<u>\$ 181,905,960</u>	<u>\$ 10,915,755</u>	<u>\$ 6,460,365</u>	<u>\$ 186,361,350</u>
Net Asset Values				
Buildings	\$ 135,805,861	\$ 2,107,181	\$ -	\$ 137,913,042
Land Improvements	15,792,679	678,941	-	16,471,620
Library Books	2,317,000	(76,540)	-	2,240,460
Furniture, Machinery, Vehicles, and Other Equipment	5,334,507	664,932	96,779	5,902,660
Telecommunications and Peripheral Equipment	1,865,629	(803,560)	-	1,062,069
Total Capital Assets Being Depreciated, Net	<u>\$ 161,115,676</u>	<u>\$ 2,570,954</u>	<u>\$ 96,779</u>	<u>\$ 163,589,851</u>

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

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

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 / Reclassification	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, 2010 and 2009

Note 3 – Capital Assets (Continued)

Construction in progress as of August 31, 2009, including capitalized interest of \$163,807, consists of the following:

Project	Balance September 1, 2008	Additions / Deductions	Completed / Reclassification	Balance August 31, 2009
Mid Valley Student Activity Bldg Renovation	\$ 380,628	\$ 1,910,567	\$ 2,190,215	\$ 100,980
Mid Valley Fencing	1,525	(145)	-	1,380
Mid Valley Landscape & Irrigation	5,191	(580)	-	4,611
Mid Valley Monument Sign at SW	1,586	1,008	-	2,594
Mid Valley Light for Monument Signs	3,055	(352)	-	2,703
Mid Valley Additional Site Lighting	23,258	421,437	444,695	-
Mid Valley Sidewalk Project Bldg E & G	-	32,396	32,396	-
Nursing Renovate Existing Class (Pharmacy Lab)	55,271	46,329	101,600	-
Pecan Phase II Site Dev	22,500	-	-	22,500
Pecan Bldg B and Art Lab Renovation	-	1,455	1,455	-
Pecan 2501 Renovation	141,410	2,104,991	2,246,401	-
Pecan Plaza Renovation	144,564	107,462	252,026	-
Pecan Sports Field	17,462	126,477	143,939	-
Pecan Lighting Basketball Courts	4,505	30,308	34,813	-
Pecan Additional Parking Lighting	12,383	75,090	87,473	-
Pecan Memorial Project	5,460	77,785	83,245	-
Pecan Temporary Parking	49,971	177,950	227,921	-
Pecan Early College High School	-	178,887	-	178,887
Tech Sports Field	12,598	18,324	30,922	-
Tech Concrete Drive Park	2,327	42,045	44,372	-
Tech Landscape NW	2,201	626	-	2,827
Tech Lighting Basketball Courts	7,119	40	-	7,159
Tech Additional Parking Lighting	1,760	32,190	33,950	-
Tech Welding Stations Expansion	-	2,250	-	2,250
Starr Rural Tech	43,322	2,337,880	-	2,381,202
Starr Sports Field	14,174	121,971	136,145	-
Starr Lighting Basketball Courts	7,244	32,462	39,706	-
Starr Additional Site Lighting	3,574	95,621	99,195	-
Starr Bldg E Steel Frame Improvements	-	90,491	-	90,491
District Wide Renovation	-	62,671	-	62,671
District Wide Renovation - MISD/Portables	26,846	36,040	62,886	-
Pecan	318,529	6,442	6,442	318,529
Total	\$ 1,308,463	\$ 8,170,118	\$ 6,299,797	\$ 3,178,784

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 4 – Long Term Liabilities

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

\$ 63,943,608

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

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
Public Property Finance Contractual Obligation Bonds, Series 1999	\$ -	\$ -	\$ -
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 college did not have a liability.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 4 – Long Term Liabilities (Continued)

Long-term liabilities activity for the year ended August 31, 2009, was as follows:

	Balance September 1, 2008	Additions	Reductions	Balance August 31, 2009	Current Portion
Bonds					
Public Property Finance Contractual Obligation Bonds Series 1999	\$ 510,000	\$ -	\$ 250,000	\$ 260,000	\$ 260,000
South Texas College District Tax Bonds, Series 2002	27,605,000	-	4,160,000	23,445,000	4,385,000
South Texas College District Tax Bonds, Series 2003	16,920,000	-	1,360,000	15,560,000	1,420,000
South Texas College District Tax Bonds, Series 2004	13,315,000	-	1,155,000	12,160,000	1,155,000
South Texas College District Tax Bonds, Series 2007 MTR	2,955,000	-	10,000	2,945,000	10,000
South Texas College District Tax Bonds, Series 2007 LTR	23,119,991	-	235,000	22,884,991	245,000
Subtotal	<u>84,424,991</u>	<u>-</u>	<u>7,170,000</u>	<u>77,254,991</u>	<u>7,475,000</u>
Accrued Compensable Absences	483,676	188,331	33,117	638,890	598,300
Total Liabilities	<u>\$ 84,908,667</u>	<u>\$ 188,331</u>	<u>\$ 7,203,117</u>	<u>\$ 77,893,881</u>	<u>\$ 8,073,300</u>
Bond Detail					
Total Bonds Payable	\$ 84,424,991	\$ -	\$ 7,170,000	\$ 77,254,991	\$ 7,475,000
Premium on Bonds Payable	5,199,532	-	615,069	4,584,463	615,069
Discount on Bonds Payable	(2,961)	-	(1,481)	(1,480)	(1,480)
Deferred Refunding Costs	(2,057,523)	-	(222,271)	(1,835,252)	(222,272)
Total Bond Liabilities	<u>\$ 87,564,039</u>	<u>\$ -</u>	<u>\$ 7,561,317</u>	<u>\$ 80,002,722</u>	<u>\$ 7,866,317</u>
Less Current Bonds Payable				(7,866,317)	
Total Noncurrent Bonds Payable				<u>\$ 72,136,405</u>	

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 4 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2009, on the above bond issues are as follows:

	Deferred Bond Issuance Cost	Bond Discount	Bond Premium	Deferred Loss
Public Property Finance Contractual Obligation Bonds, Series 1999	\$ 4,753	\$ 1,480	\$ -	\$ -
South Texas College District Tax Bonds, Series 2002	239,842	-	1,068,470	-
South Texas College District Tax Bonds, Series 2003	200,883	-	525,899	-
South Texas College District Tax Bonds, Series 2004	160,374	-	1,133,307	889,631
South Texas College District Tax Bonds, Series 2007 MTR	39,720	-	16,660	78,783
South Texas College District Tax Bonds, Series 2007 LTR	304,439	-	1,840,127	866,838
Total	\$ 950,011	\$ 1,480	\$ 4,584,463	\$ 1,835,252

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, 2009, the college did not have a liability.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 5 – Debt and Lease Obligations and Rental Agreements

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

As of August 31, 2009, 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>
2010	7,475,000	3,675,535	11,150,535
2011	7,800,000	3,348,948	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
2015-2019	36,339,991	5,992,934	42,332,925
Total	\$ 77,254,991	\$ 20,829,169	\$ 98,084,160

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

<u>Fund Group</u>	<u>August 31, 2010</u>	<u>August 31, 2009</u>
Unrestricted Current Funds	\$ 450,385	\$ 463,299

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

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, 2010 Minimum Future Lease Payments</u>	<u>August 31, 2009 Minimum Future Lease Payments</u>
2010	\$ -	\$ 130,324
2011	62,597	41,807
2012	18,851	10,917
2013	15,284	746
2014	15,284	-
2015	6,368	-
Total	<u>\$ 118,384</u>	<u>\$ 183,794</u>

During fiscal year 2010, the District leased office space at the Pecan Plaza to two different parties. The terms of the leases vary by lessee. Pecan Plaza is currently being renovated in two phases for future instructional use. The District also leases space at the Mid Valley Campus and Starr County Campus to nonprofit agencies. In fiscal year 2010, the District received \$173,696 in rental income from these leases. Annual future minimum receipts under these agreements for fiscal year 2011 are \$117,284. No future receipts are expected for fiscal years 2012 and 2013. The building space leased is valued at \$425,311 and associated accumulated depreciation is \$29,802 at August 31, 2010.

Note 6 – Bonds Payable

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

	<u>2010</u>	<u>2009</u>
\$5,200,000 South Texas College District Public Property Finance Contractual Obligations, Series 1999 due in varying installments through 2010, interest at 4.0% - 4.2%. Purpose: Office and classroom equipment and furniture, motor vehicles, industrial training equipment, portable buildings and computer equipment Issued: March 24, 1999, refunded in part by issue dated March 29, 2007 Source of revenue for debt service: Ad-valorem taxes	\$ -	\$ 260,000

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 6 – Bonds Payable (Continued)

	<u>2010</u>	<u>2009</u>
<p>\$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 college facilities Issued: May 17, 2002, refunded in part by issue dated March 29, 2007 Source of revenue for debt service: Ad-valorem taxes</p>	\$ 19,060,000	\$ 23,445,000
<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%. Issued \$22,845,000 in principal amount of bonds Purpose: Construction, renovation and equipment of college facilities Issued: May 8, 2003 Source of revenue for debt service: Ad-valorem taxes</p>	14,140,000	15,560,000
<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 debt service requirements of the District, and to pay for costs of issuance of the bonds. Issued: March 15, 2004 Source of revenue for debt service: Ad-valorem taxes</p>	11,005,000	12,160,000
<p>\$2,985,000 South Texas College District Maintenance Tax Refunding Bonds, Series 2007 due in varying installments through 2019, interest at 4.0%. Purpose: To current refund a portion of the District’s maintenance tax debt, in order to lower the overall annual debt service requirements of the District, and to pay for the costs of issuance of the bonds. Issued: March 29, 2007 Source of revenue of debt service: Ad-valorem taxes</p>	2,935,000	2,945,000
<p>\$23,589,991 South Texas College District Limited Tax Refunding Bonds, Series 2007 due in varying installments through 2018, interest at 4.0% - 5.0%. Purpose: To advance refund a portion of the District’s outstanding debt, in order to lower the overall debt service requirements of the District, and to pay for cost of issuance of the bonds. Issued: March 29, 2007 Source of revenue of debt service: Ad-valorem taxes</p>	22,639,991	22,884,991
Total Bonds Payable	\$ 69,779,991	\$ 77,254,991

Bonds Payable are due in annual installments varying from \$10,000 to \$6,380,000 with interest rates from 2.0% to 5.5% with the final installment due in 2019.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 7 – Advance Refunding of Bonds

On March 29, 2007, South Texas College District issued a Maintenance Tax Refunding Bonds, Series 2007, totaling \$2,985,000 (all authorized bonds were issued) to advance refund a portion of the South Texas College District Public Property Finance Contractual Obligations, Series 1999, in order to lower the overall debt service requirements of the District and to pay for costs of issuance of the bonds. A total of \$2,940,000 of Public Property Finance Contractual Obligations, Series 1999, were refunded. The average interest rate of bonds refunded was 4.39%. In order to refund the bonds, the proceeds of the new bonds were deposited and held in an escrow fund. The post-refunding Public Property Finance Contractual Obligations, Series 1999, were paid as of August 31, 2010, therefore, there is no outstanding liabilities at August 31, 2010.

Also, 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 Limited Tax General Obligation Bonds, Series 2002, in order to lower the overall debt service requirements of the District and to pay for costs of issuance of the bonds. A 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 bonds were deposited and held in an escrow fund. The post-refunding Limited Tax General Obligation Bond, Series 2002, outstanding balance at August 31, 2010, is \$19,060,000. This issue of refunding bonds is not subject to early redemption prior to stated maturity.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 8 – Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2010, and August 31, 2009, were as follows:

	August 31, 2010	August 31, 2009
Student receivables	\$ 130,637	\$ 127,192
Taxes receivables	11,160,495	10,660,679
Federal receivables	4,031,010	2,801,291
Interest receivables	110,898	442
Accounts receivables		
Bookstore and auxiliary	40,039	37,639
State, local and private	1,149,557	732,444
Pledges receivable	40,079	40,110
Contractors	50	1,318,154
Agency	1,495	9,479
Other receivables	371,099	139,537
Subtotal	17,035,359	15,866,967
Allowance for doubtful accounts	(329,356)	(343,266)
Total Receivables – Exhibit 1	\$ 16,706,003	\$ 15,523,701

Taxes receivable may not all be collected within one year.

Payables

Payables at August 31, 2010, and August 31, 2009, were as follows:

	August 31, 2010		August 31, 2009	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor payable				
Vendors	\$ 2,841,571	\$ -	\$ 2,968,211	\$ -
Construction	3,030,009	-	1,056,834	-
Construction retainage	254,587	-	566,496	-
Salaries & benefits	-	633,454	-	1,066,916
Students payable	133,688	-	201,644	-
Accrued interest	-	145,606	-	160,044
Other payables	69,935	-	24,626	-
Total Payables – Exhibit 1	\$ 6,329,790	\$ 779,060	\$ 4,817,811	\$ 1,226,960

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 9 – Compensable Absences

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

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

	August 31, 2010	August 31, 2009
Compensable absences - beginning	\$ 638,890	\$ 483,676
Net additions and reductions	50,419	155,214
Total Compensable Absences	\$ 689,309	\$ 638,890
Current portion	\$ 647,563	\$ 598,300

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 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

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 11 – Deposits and Investments (Continued)

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, 2010, and 2009 the carrying amount of South Texas College’s District bank deposits and investments was \$93,562,509 and \$89,384,167 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 \$130,000,000 and \$119,674,966 for the years ended August 31, 2010, and 2009, respectively. The District is subject to collateral credit risk in the event of the bank’s nonperformance of collateral requirements under the collateral agreement.

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

	August 31, 2010	August 31, 2009
Demand deposit	\$ 14,076,418	\$ 14,747,306
Change funds on hand	7,650	7,600
Total Cash and Deposits	\$ 14,084,068	\$ 14,754,906

Total deposits and investments at August 31, 2010, and 2009, are as follows:

Reconciliation of Deposits and Investments to Statement of Net Assets

<u>Type of Security</u>	Fair Value August 31, 2010	Fair Value August 31, 2009
Certificates of deposit	\$ 79,472,851	\$ 74,623,671
Miscellaneous coins	5,590	5,590
Total Investments	79,478,441	74,629,261
Total Cash and Deposits	14,084,068	14,754,906
Total Deposits and Investments	\$ 93,562,509	\$ 89,384,167
 <u>Exhibit 1</u>		
Cash and cash equivalents	\$ 14,084,068	\$ 14,754,906
Short-term investments	79,472,851	74,623,671
Endowment investments	5,590	5,590
Total Reconciliation to Exhibit 1	\$ 93,562,509	\$ 89,384,167

SOUTH TEXAS COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2010 and 2009

Note 11 – Deposits and Investments (Continued)

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

As of August 31, 2009, 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	\$ 74,623,671	0.5015

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 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%.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 12 – Ad Valorem Taxes

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, 2010	August 31, 2009
Assessed valuation of the District	\$ 31,446,452,828	\$ 30,275,711,910
Less: Exemptions	1,142,269,602	1,342,218,203
Less: Abatements	-	-
Net Assessed Valuation of the District	\$ 30,304,183,226	\$ 28,933,493,707

	Fiscal Year 2010			Fiscal Year 2009		
	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	\$ 0.0391	\$ 0.1491	\$ 0.1100	\$ 0.0398	\$ 0.1498

Taxes levied for the year ended August 31, 2010, and 2009 amounted to \$46,779,043 and \$44,891,225, 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.

	August 31, 2010			August 31, 2009		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$ 30,765,284	\$ 10,935,664	\$ 41,700,948	\$ 30,119,880	\$ 10,897,923	\$ 41,017,803
Delinquent taxes collected	2,108,769	806,253	2,915,022	1,922,714	793,990	2,716,704
Penalties & interest collected	1,160,667	434,839	1,595,506	1,114,716	434,135	1,548,851
Total Collections	\$ 34,034,720	\$ 12,176,756	\$ 46,211,476	\$ 33,157,310	\$ 12,126,048	\$ 45,283,358

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 12 – Ad Valorem Taxes (Continued)

Tax collections for the year ended August 31, 2010, and 2009 were 92.73% and 94.91%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes were \$328,555 and \$343,266 for the years ending August 31, 2010, and 2009, 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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

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 year 2010, 2009 and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 14 – Employees’ Retirement Plan (Continued)

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 through August 2010, for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. The total payroll of employees covered by TRS and associated District contributions and state contributions made on behalf of the District were as follows:

	<u>August 31, 2010</u>	<u>August 31, 2009</u>	<u>August 31, 2008</u>
Total payroll for TRS	<u>\$ 47,213,550</u>	<u>\$ 41,628,449</u>	<u>\$ 35,449,699</u>
State contributions	2,682,526	2,373,801	2,006,818
District contributions	<u>434,165</u>	<u>377,277</u>	<u>322,486</u>
Total Contributions	<u>\$ 3,116,691</u>	<u>\$ 2,751,078</u>	<u>\$ 2,329,304</u>

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state are 6.4% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2010, 2009 and 2008, respectively. The District contributes 1.92% 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 \$809,273, \$794,671, and \$749,297 for the fiscal years ended August 31, 2010, 2009, and 2008, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$67,994,970, \$60,224,861 and \$52,418,571 for fiscal years 2010, 2009 and 2008, respectively. The total payroll of employees covered by the Optional Retirement Program was \$13,144,505, \$12,564,360, and \$11,828,440 for fiscal years 2010, 2009 and 2008, respectively.

SOUTH TEXAS COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2010 and 2009

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, 2010, the college has 73 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 81 participated in 2009. A total of \$295,227 and \$287,692 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2010 and 2009, respectively.

As of August 31, 2010, the District has 60 employees participating in Section 457 Deferred Compensation Plan (DCP) and 60 participated in 2009. A total of \$168,129 and \$188,291 in payroll deductions have been invested in Section 457 Deferred Compensation Plan (DCP) during the fiscal years 2010 and 2009, respectively.

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

Note 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 2010 and 2009, for which monies have not been received nor funds expended totaled \$3,139,528 and \$6,276,713 respectively.

These amounts are comprised of the following:

	August 31, 2010	August 31, 2009
Federal contracts and grant awards	\$ 2,624,713	\$ 4,006,072
State contracts and grant awards	66,667	1,269,231
Private contracts and grant awards	448,148	1,001,410
Total	\$ 3,139,528	\$ 6,276,713

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 17 – Risk Management

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

The more significant included \$1,000,000 of general liability insurance for fiscal years 2010 and 2009, property insurance covering the District's buildings and properties including commercial inland marine coverage in an aggregate amount of approximately \$203,208,333 and \$203,474,081 for fiscal years 2010 and 2009 respectively, \$34,100,000 in business income with extra expense coverage for fiscal year 2010 and \$5,000,000 in education legal and employment practices liability for fiscal years 2010 and 2009. Employees were covered by a fully insured health insurance plan. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 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 \$385.38 per month for the year ended August 31, 2010 and \$360.54 per month for the year ended August 31, 2009, for the Blue Cross Blue Shield-Health Select Plan. The state's contribution totaled \$4,430,338 for fiscal year 2010 and \$4,112,622 for fiscal year 2009.

The cost of providing those benefits for twenty-two retirees in the year ended August 31, 2010, was \$105,778 and for sixteen retirees in the year ended August 31, 2009, was \$86,105. For 1,122 Blue Cross Blue Shield-Health Select Plan active employees, the cost of providing benefits was \$6,503,165 for the year ended August 31, 2010. Active employee benefits for 1,043 Blue Cross Blue Shield-Health Select Plan active employees cost \$5,645,225 for the year ended August 31, 2009.

Note 19 – On-Behalf Payments

For the fiscal years ended August 31, 2010, 2009 and 2008, the District recorded state on-behalf contributions for the Teacher Retirement System of \$2,682,526, \$2,373,801, and \$2,006,818, respectively, contributions for the Optional Retirement Programs of \$809,273, \$794,671 and \$749,297, respectively, and contributions for health insurance of \$4,430,338, \$4,112,622 and \$4,022,943, respectively. The state's total on-behalf contributions for the fiscal years ended August 31, 2010, 2009 and 2008 of \$7,922,137, \$7,281,094 and \$6,779,058, respectively, were recorded as revenues and expenses in the accompanying basic financial statements.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

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 2010.

Note 21 – Construction and Improvements Commitments

Construction and improvements commitment for August 31, 2010, were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 11,464,292	\$ 11,043,406	\$ 420,886
Mid Valley	2,525,052	2,515,252	9,800
Total	\$ 13,989,344	\$ 13,558,659	\$ 430,686

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

Construction and improvements commitment for August 31, 2009, were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Starr Campus	\$ 2,767,977	\$ 2,203,071	\$ 564,906
Mid Valley	2,055,607	2,050,741	4,866
Total	\$ 4,823,584	\$ 4,253,812	\$ 569,772

At August 31, 2009, the District had \$569,772 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, 2010 and 2009.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

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. The principal grant program is the Federal Pell Grant. 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, 2010, these programs are still subject to financial and compliance audits. 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 October 25, 2010, the Board of Trustees approved the issuance, sale, and delivery of South Texas College District Limited Tax Refunding Bonds, Series 2010, with a par amount of \$19,405,746. The proceeds from the sale of the bonds will be used to refund a portion of the District's outstanding debt. The refunded bonds are \$10,020,000 of the Limited Tax General Obligation Bonds Series 2002 and \$9,540,000 of the Limited Tax General Obligation Bonds, Series 2003. The net present value savings resulting from this refunding totaled \$1,033,562.

South Texas College District acquired for \$69,996 real estate property located at Buena Vista Subdivision Unit No.1 Lot 11, as approved on October 25, 2010 by the Board of Trustees.

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.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 25 – Postemployment Benefits Other than Pensions (Continued)

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

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

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

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

The District’s contributions to SRHP for the years ended August 31, FY10, FY09, and FY08, were \$105,778, \$86,105, and \$68,181, 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 \$2,166, \$4,856 and \$9,739, in fiscal years 2010, 2009 and 2008, respectively.

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

The fund balances of the endowments were as follows:

Endowment	August 31, 2010	August 31, 2009
Alfredo De Los Santos Endowment	\$ 15,128	\$ 15,128
Futuro Brillante Endowment	200,100	200,100
Glen & Rita K. Roney Endowment	117,894	117,893
Martin Harvey Endowment	6,438	6,431
Roberto Gutierrez Sr. Endowment	900	899
Edwynne G. Cooper Endowment	5,590	5,590
Total Endowments	\$ 346,050	\$ 346,041

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 27 – Deposits in Escrow

In fiscal year 2010, 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, 2010, pledges receivable totaled \$40,079, which consisted of non-cash gifts of \$31,569 and \$8,510 in cash gifts. At August 31, 2009, pledges receivable totaled \$40,110, which consisted of non-cash gifts of \$29,110 and \$11,000 in cash gifts. All the pledges are expected to be received within the next fiscal year.

Note 29 – Reclassifications

At August 31, 2010, the August 31, 2009 total net assets did not change and remained at \$202,489,991. However, the District determined that a reclassification of prior year presentation was required to conform to current year presentations.

A reclassification in the Statement of Net Assets was necessary in the net assets section. A bond premium amortization was reclassified from Unrestricted Net Assets to Invested in capital assets, net of related debt.

A reclassification in the Statements of Revenues, Expenses, and Changes in Net Assets was necessary to segregate other non-operating expenses into their properly titled category of non-capital construction costs and bond costs amortization.

A reclassification in the Statements of Cash Flows was necessary to exclude the state on-behalf benefits as cash flows from operating activities and non-capital financing activities and include a reconciling item as required by the Texas Higher Education Coordinating Board. A reclassification in the Statements of Cash Flows was necessary to segregate noncapital other payments to payments for non-operating transactions and payments for non-operating construction costs.

Note 30 – New Accounting Pronouncements

GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets” establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. This pronouncement did not impact the District.

SOUTH TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 30 – New Accounting Pronouncements (Continued)

GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments” establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009. This pronouncement did not impact the District.

GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies” establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. This pronouncement did not impact the District.

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2010 (With Totals for the Year Ended August 31, 2009)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2010 Total	FY 2009 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 33,472,964	\$ -	\$ 33,472,964	\$ -	\$ 33,472,964	\$ 25,457,851
Out-of-district resident tuition	885,866	-	885,866	-	885,866	620,454
Non-resident tuition	2,039,843	-	2,039,843	-	2,039,843	1,560,736
TPEG state (set aside) *	1,735,917	-	1,735,917	-	1,735,917	1,293,959
State funded continuing education						
TPEG non-credit (set aside) *	648,797	-	648,797	-	648,797	300,744
TPEG non-credit (set aside) *	41,412	-	41,412	-	41,412	19,196
State funded workforce development						
TPEG non-credit (set aside) *	709,615	-	709,615	-	709,615	843,240
TPEG non-credit (set aside) *	45,295	-	45,295	-	45,295	53,824
Non-state funded continuing education						
TPEG non-credit (set aside) *	849,696	-	849,696	-	849,696	596,464
TPEG non-credit (set aside) *	54,236	-	54,236	-	54,236	38,072
Non-state funded workforce development						
TPEG non-credit (set aside) *	183,327	-	183,327	-	183,327	146,421
TPEG non-credit (set aside) *	11,702	-	11,702	-	11,702	9,346
Total Tuition	40,678,670	-	40,678,670	-	40,678,670	30,940,307
Fees:						
Student registration fee	6,991,094	-	6,991,094	-	6,991,094	5,723,457
Laboratory fees	1,023,373	-	1,023,373	-	1,023,373	721,731
Incidental fees	12,185,541	-	12,185,541	-	12,185,541	7,799,056
Total Fees	20,200,008	-	20,200,008	-	20,200,008	14,244,244
Scholarship Allowances and Discounts:						
Remissions and exemptions	(10,775,214)	-	(10,775,214)	-	(10,775,214)	(7,913,241)
TPEG allowances	(1,283,513)	-	(1,283,513)	-	(1,283,513)	(1,760,908)
Local grants to students	(521,017)	-	(521,017)	-	(521,017)	(272,884)
Private grants to students	(255,776)	-	(255,776)	-	(255,776)	(121,316)
State grants to students	(2,619,447)	-	(2,619,447)	-	(2,619,447)	(2,189,634)
Federal grants to students	(28,270,096)	-	(28,270,096)	-	(28,270,096)	(16,365,257)
Total Scholarship Allowances	(43,725,063)	-	(43,725,063)	-	(43,725,063)	(28,623,240)
Total Net Tuition and Fees	17,153,615	-	17,153,615	-	17,153,615	16,561,311
Additional Operating Revenues:						
Federal grants and contracts	159,948	8,819,578	8,979,526	-	8,979,526	7,015,595
State grants and contracts	23,320	6,688,386	6,711,706	-	6,711,706	5,412,226
Local grants and contracts	37,572	1,218,372	1,255,944	-	1,255,944	1,129,509
Non-governmental grants and contracts	1,771,786	428,832	2,200,618	-	2,200,618	1,594,568
General operating revenues	741,222	1,247,010	1,988,232	-	1,988,232	2,280,483
Total Additional Operating Revenues	\$ 2,733,848	\$ 18,402,178	\$ 21,136,026	\$ -	\$ 21,136,026	\$ 17,432,381

South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2010 (With Totals for the Year Ended August 31, 2009)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2010 Total	FY 2009 Total
Auxiliary Enterprises:						
Bookstore	\$ -	\$ -	\$ -	\$ 411,532	\$ 411,532	\$ 400,000
Food service	-	-	-	710,716	710,716	573,772
Vending commissions	-	-	-	171,086	171,086	151,771
Copier commissions	-	-	-	36,769	36,769	30,822
Wellness center	-	-	-	73,005	73,005	34,604
Child care center	-	-	-	214,091	214,091	191,408
General conferences	-	-	-	49,539	49,539	20,668
Total Auxiliary Enterprises	-	-	-	1,666,738	1,666,738	1,403,045
Total Operating Revenues	\$ 19,887,463	\$ 18,402,178	\$ 38,289,641	\$ 1,666,738	\$ 39,956,379	\$ 35,396,737
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$1,888,562 and \$1,414,397 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2010 and 2009, respectively.

South Texas College District
Schedule of Operating Expenses by Object
Year Ended August 31, 2010 (With Totals for the Year Ended August 31, 2009)

Schedule B

	Operating Expenses			Other Expenses	FY 2010 Total	FY 2009 Total
	Salaries and Wages	Benefits				
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 40,558,541	\$ -	\$ 4,171,421	\$ 3,381,195	\$ 48,111,157	\$ 42,955,906
Public service	430,861	-	54,860	15,130	500,851	404,982
Academic support	4,596,108	-	538,195	1,579,427	6,713,730	6,146,353
Student services	6,566,074	-	747,311	1,329,218	8,642,603	7,480,944
Institutional support	8,382,579	-	1,141,794	7,470,465	16,994,838	15,850,387
Operation and maintenance of plant	2,431,402	-	786,685	7,207,731	10,425,818	10,351,553
Total Unrestricted Educational Activities	62,965,565	-	7,440,266	20,983,166	91,388,997	83,190,125
Restricted - Educational Activities						
Instruction	1,582,472	4,896,796	206,074	657,701	7,343,043	5,787,419
Public service	672,874	10,538	150,131	1,126,223	1,959,766	2,232,257
Academic support	1,170,942	743,110	243,033	694,693	2,851,778	3,124,819
Student services	520,549	977,846	75,983	225,866	1,800,244	1,763,154
Institutional support	799,480	1,293,847	127,231	245,228	2,465,786	1,842,920
Operation and maintenance of plant	11,259	-	-	-	11,259	4,549
Scholarships and fellowships	-	-	-	37,212,122	37,212,122	23,176,417
Total Restricted Educational Activities	4,757,576	7,922,137	802,452	40,161,833	53,643,998	37,931,535
Total Educational Activities	67,723,141	7,922,137	8,242,718	61,144,999	145,032,995	121,121,660
Auxiliary Enterprises	271,829	-	70,771	587,280	929,880	784,444
Depreciation Expense-Buildings and other real estate improvements	-	-	-	4,295,665	4,295,665	3,513,672
Depreciation Expense-Books	-	-	-	298,876	298,876	283,328
Depreciation Expense-Equipment and furniture	-	-	-	1,328,564	1,328,564	2,051,873
Total Operating Expenses	\$ 67,994,970	\$ 7,922,137	\$ 8,313,489	\$ 67,655,384	\$ 151,885,980 (Exhibit 2)	\$ 127,754,977 (Exhibit 2)

South Texas College District
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2010 (With Totals for the Year Ended August 31, 2009)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2010 Total	FY 2009 Total
NON-OPERATING REVENUES:					
State allocations:					
Education and general state support academic	\$ 18,223,866	\$ -	\$ -	\$ 18,223,866	\$ 17,689,750
Education and general state support vocational	10,012,398	-	-	10,012,398	7,581,322
Education and general state support BAT	331,297	-	-	331,297	101,768
State group insurance	-	4,430,338	-	4,430,338	4,112,622
State retirement matching	-	3,491,799	-	3,491,799	3,168,472
Enrollment growth	527,827	-	-	527,827	439,398
Professional nursing shortage reduction	-	497,413	-	497,413	79,943
Total State Allocations	29,095,388	8,419,550	-	37,514,938	33,173,275
Maintenance ad valorem taxes	34,314,946	-	-	34,314,946	33,731,408
Debt Service ad valorem taxes	-	12,197,541	-	12,197,541	12,212,764
Federal revenue, non operating	-	59,089,947	-	59,089,947	34,498,524
Gifts	-	663,193	-	663,193	775,113
Investment income	385,138	2,290	998	388,426	1,335,180
Total Non-Operating Revenues	63,795,472	80,372,521	998	144,168,991	115,726,264
NON-OPERATING EXPENSES:					
Interest on capital related debt	2,986,702	-	-	2,986,702	3,186,226
Loss on sale/disposal/return of capital assets	4,698	-	-	4,698	77,747
Non-capital construction costs	2,247,254	21,275	-	2,268,529	1,038,216
Bond costs amortization	353,037	-	-	353,037	353,037
Other non-operating expenses	-	673,262	-	673,262	706,561
Total Non-Operating Expenses	5,591,691	694,537	-	6,286,228	5,361,787
Net Non-Operating Revenues	\$ 58,203,781	\$ 79,677,984	\$ 998	\$ 137,882,763	\$ 110,364,477
				(Exhibit 2)	(Exhibit 2)



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South Texas College District
Schedule of Net Assets by Source and Availability
Year Ended August 31, 2010 (With Totals for the Year Ended August 31, 2009)

	Detail by Source				FY 2010 Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	
		Expendable	Non-Expendable		
Current:					
Unrestricted	\$ 53,722,303	\$ -	\$ -	\$ -	\$ 53,722,303
Board Designated	-	-	-	-	-
Restricted	-	4,533,032	-	-	4,533,032
Auxiliary enterprises	821,421	-	-	-	821,421
Loan	-	613,517	-	-	613,517
Endowment:					-
Quasi:					-
Unrestricted	-	-	-	-	-
Restricted	-	-	-	-	-
Endowment					-
True	-	-	346,050	-	346,050
Term (per instructions at maturity)	-	-	-	-	-
Life Income Contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					-
Unexpended	13,240,122	-	-	-	13,240,122
Renewals & Replacements	7,692,401	-	-	-	7,692,401
Debt Service	-	11,949,354	-	-	11,949,354
Investment in Plant	-	-	-	136,773,512	136,773,512
Total Net Assets, August 31, 2010	75,476,247	17,095,903	346,050	136,773,512	229,691,712
					(Exhibit 1)
Total Net Assets, August 31, 2009	74,119,953	14,027,153	346,041	113,996,844	202,489,991
					(Exhibit 1)
Net Increase (Decrease) in Net Assets	\$ 1,356,294	\$ 3,068,750	\$ 9	\$ 22,776,668	\$ 27,201,721
					(Exhibit 2)

Note: The Plant Unexpended Fund is earmarked in the fiscal year 2011 board approved budget for construction projects.
The Renewals & Replacements Fund is earmarked in the fiscal year 2011 board approved budget for deferred maintenance projects.

Schedule D

Available for Current Operations

Yes	No
\$ 53,722,303	\$ -
-	-
-	4,533,032
821,421	-
-	613,517
-	-
-	-
-	346,050
-	-
-	-
-	-
-	13,240,122
-	7,692,401
-	11,949,354
-	136,773,512
54,543,724	175,147,988
41,540,960	160,949,031
\$ 13,002,764	\$ 14,198,957

**South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
FSEOG	84.007		\$ 659,081
Federal Work-Study Program	84.033		647,874
Federal Pell Grant Program	84.063		57,093,211
TRIO Cluster			
TRIO Upward Bound Program	84.047		305,099
Higher Education Institutional Aid	84.031		582,969
Minority Science and Engineering Improvement	84.120		23,892
Childcare Access Means Parents In School	84.335		225,927
Academic Competitiveness Grants	84.375		526,748
National Science and Mathematics Access to Retain Talent (SMART)	84.376		87,390
Pass-Through From:			
University of Texas Pan-American Higher Education Institutional Aid	84.031		145,672
Texas Higher Education Coordinating Board Carl Perkins Vocational Education - Basic	84.048	104239	1,437,912
Leveraging Educational Assistance Partnership	84.069A		32,603
Special Leveraging Educational Assistance Partnership	84.069B		43,040
College Access Challenge Grant Program	84.378	1153-01	67,414
State Fiscal Stabilization Fund (SFSF)-Government Services, Recovery Act	84.397		497,575
University Texas Pan-American Foundation Migrant Education-High School Equivalency Program	84.141		718
Texas South Technical College Tech-Prep Education	84.243		6,000
Hidalgo Independent School District Twenty-First Century Community Learning Centers	84.287		13,679
Progresso Independent School District Twenty-First Century Community Learning Centers	84.287		5,721
Columbia University Education Research, Development and Dissemination	84.305	542379/#6	1,400
University Texas Pan-American Foundation Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		6,075
South Texas Academic Rising Scholars Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		4,050
Total Department of Education			\$ 62,414,051
U.S. Department of Agriculture			
Pass-Through From:			
Lower Rio Grande Valley Workforce State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	08-OPSP-001	\$ 127
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	09-OPSP-009	10
Total Department of Agriculture			\$ 138
U.S. Department of Defense			
Direct Programs:			
Military Spouse Career Advancement	12.000		\$ 12,400

Schedule E

Pass Through To Other Entities	Total Expenditures and Pass Through Disbursements
\$ -	\$ 659,081
-	647,874
-	57,093,211
-	305,099
-	582,969
-	23,892
-	225,927
-	526,748
-	87,390
-	145,672
-	1,437,912
-	32,603
-	43,040
-	67,414
-	497,575
-	718
-	6,000
-	13,679
-	5,721
-	1,400
-	6,075
-	4,050
\$ -	\$ 62,414,051

\$ -	\$ 127
-	10
\$ -	\$ 138

\$ - \$ 12,400

See Accompanying Notes to Schedule of Expenditures of Federal Awards

(Continued)

**South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Labor			
Direct Programs:			
Community Based Job Training Grants	17.269		\$ 185,292
Pass-Through From:			
Lower Rio Grande Valley Workforce			
Trade Adjustment Assistance	17.245	08-OPSP-001	122,544
Trade Adjustment Assistance	17.245	09-OPSP-001	27,825
Trade Adjustment Assistance	17.245	09-OPSP-002	10,013
Trade Adjustment Assistance	17.245	09-OPSP-009	9,773
Subtotal			170,155
Workforce Investment Act - Adult Program	17.258	08-OPSP-001	63,739
Workforce Investment Act - Adult Program	17.258	09-OPSP-001	102,364
Workforce Investment Act - Adult Program	17.258	09-OPSP-002	34,502
Workforce Investment Act - Adult Program	17.258	09-OPSP-009	5,083
Workforce Investment Act - Adult Program	17.258		89,350
ARRA-Workforce Investment Act - Adult Program	17.258		192,520
Subtotal			487,559
Workforce Investment Act - Youth Activities	17.259	08-OPSP-001	5,505
Workforce Investment Act - Youth Activities	17.259	09-OPSP-001	424,844
Workforce Investment Act - Youth Activities	17.259	09-OPSP-002	239,466
Workforce Investment Act - Youth Activities	17.259	09-OPSP-009	439
Workforce Investment Act - Youth Activities	17.259		17,895
ARRA-Workforce Investment Act - Youth Activities	17.259		143,531
Subtotal			831,679
Workforce Investment Act - Dislocated Workers	17.260	08-OPSP-001	8,885
Workforce Investment Act - Dislocated Workers	17.260	09-OPSP-001	29,974
Workforce Investment Act - Dislocated Workers	17.260	09-OPSP-002	19,786
Workforce Investment Act - Dislocated Workers	17.260	09-OPSP-009	709
Workforce Investment Act - Dislocated Workers	17.260		233,641
ARRA-Workforce Investment Act - Dislocated Workers	17.260		95,372
Subtotal			388,367
Motivation Education & Training, Inc.			
Workforce Investment Act - Adult Program	17.258		271,380
San Diego Workforce Partnership			
Workforce Investment Act - Dislocated Workers	17.260		1,188
State of Texas - Office of the Governor			
H-1B Job Training Grants	17.268		1,206,795
Total Department of Labor			\$ 3,542,416
National Science Foundation			
Pass-Through From:			
University of Texas Pan American Education and Human Resources	47.076		\$ 2,231
U.S. Department of Veterans' Affairs			
Direct Programs:			
Post 9/11 Veterans Educational Assistance, Recovery Act	64.027		\$ 420,018
Vocational and Educational Counseling for Servicemembers and Veterans	64.125		358,286
Total Department of Veterans' Affairs			\$ 778,304

(Continued)

Schedule E

<u>Pass Through To Other Entities</u>	<u>Total Expenditures and Pass Through Disbursements</u>
\$ -	\$ 185,292
-	122,544
-	27,825
-	10,013
-	9,773
-	<u>170,155</u>
-	63,739
-	102,364
-	34,502
-	5,083
-	89,350
-	<u>192,520</u>
-	<u>487,559</u>
-	5,505
-	424,844
-	239,466
-	439
-	17,895
-	<u>143,531</u>
-	<u>831,679</u>
-	8,885
-	29,974
-	19,786
-	709
-	233,641
-	<u>95,372</u>
-	<u>388,367</u>
-	271,380
-	1,188
942,474	2,149,269
<u>\$ 942,474</u>	<u>\$ 4,484,889</u>
<u>\$ -</u>	<u>\$ 2,231</u>
\$ -	\$ 420,018
-	358,286
<u>\$ -</u>	<u>\$ 778,304</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

(Continued)

**South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
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	\$ 593
Temporary Assistance for Needy Families	93.558	09-OPSP-001	13,212
Temporary Assistance for Needy Families	93.558	09-OPSP-002	1,586
Temporary Assistance for Needy Families	93.558	09-OPSP-009	47
Subtotal			<u>15,439</u>
Community Action Council of South Texas			
Head Start Program	93.600		9,594
Hidalgo County Headstart			
Head Start Program	93.600		52,822
Texas Migrant Council			
Head Start Program	93.600		3,693
Hidalgo County			
ARRA-Community Services Block Grant	93.710		62,935
South Texas Development Council			
ARRA-Community Services Block Grant	93.710		147,857
Lower Rio Grande Valley Workforce			
ARRA-Child Care and Development	93.713		17,058
Baylor College of Medicine			
Geriatric Education Center	93.969		8,000
Total Department of Health & Human Services			<u><u>\$ 317,398</u></u>
Corporation for National and Community Service			
Direct Programs:			
AmeriCorps - National Service Award	94.006		\$ 60,063
Total Federal Financial Assistance			<u><u>\$ 67,126,999</u></u>

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A
Add: Indirect/Administrative Cost Recoveries - per Schedule A
Add: Non Operating Federal Revenue from Schedule C
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets

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: Amounts passed through by the district

The following amounts were passed-through to the listed subrecipients by the District. These amounts were from the H-1B Job Training Program CFDA 17.268 from U.S. Department of Labor passed through the State of Texas-Office of the Governor.

Laredo Community College	\$ 152,595
Texas State Technical College	255,417
University of Texas Pan American	534,462
Total amount passed-through	<u><u>\$ 942,474</u></u>

Note 4: Inkind Match

The Department of Labor Community Based Job Training grant received an inkind match in the amount of \$872,545. This amount was not included in the Schedule of Expenditures of Federal Awards but was included in the basic financial statements of the District.

(Continued)

Schedule E

<u>Pass Through To Other Entities</u>	<u>Total Expenditures and Pass Through Disbursements</u>
\$ -	\$ 593
-	13,212
-	1,586
-	47
<u>-</u>	<u>15,439</u>
-	9,594
-	52,822
-	3,693
-	62,935
-	147,857
-	17,058
-	8,000
<u>\$ -</u>	<u>\$ 317,398</u>
<u>\$ -</u>	<u>\$ 60,063</u>
<u>\$ 942,474</u>	<u>\$ 68,069,473</u>
	\$ 8,819,578
	159,948
	<u>59,089,947</u>
	<u>\$ 68,069,473</u>

**South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2010**

Schedule F

Grantor Agency/Program Title	Grant Contract Number	Total Expenditures
Texas Higher Education Coordinating Board		
AFDC/TANF		\$ 5,568
Certified Educational Aides		276,295
Nursing Shortage Reduction		6,298
Nursing Shortage Reduction > 70%		103,143
P-16 College Readiness		13,474
Early High School Graduate		229,441
Texas College Workstudy Program		88,636
TEXAS Grant I - Initial Year		1,865,440
TEXAS Grant I - Renewal Year		1,249,560
Texas Educational Opportunity Grant - Initial Year		545,595
Texas Educational Opportunity Grant - Renewal Year		284,800
Texas Professional Nursing Scholarship		9,783
Vocational Nursing Scholarship		1,521
Texas Be On Time Loan		73,904
Top 10% Scholarship		82,000
Combat Exemption Reimbursement for Children of Deployed Military		4,429
Work-Study Mentorship Program		31,547
Pass-Through From:		
The University of Texas San Antonio		
Texas Prefreshman Engineering Program (TexPREP)		7,200
El Paso Community College		
Community College Developmental Education Initiative Program		12,310
Total Texas Higher Education Coordinating Board		\$ 4,890,944
Texas Comptroller of Public Accounts		
Jobs and Education for Texans-Welding		\$ 97,067
Jobs and Education for Texans-Technology Student Support Services		4,319
Pass-Through From:		
Texas Higher Education Coordinating Board		
Jobs and Education for Texans Grant Program		78,253
Total Texas Comptroller of Public Accounts		\$ 179,639
Texas Workforce Commission		
Skills Development Fund #14	2308SDF000	\$ 1,073,764
Skills Development Fund #15	2309SDF001	211,207
Total Texas Workforce Commission		\$ 1,284,971
Texas Department of Agriculture		
Parallel Pathways to Success		\$ 28,958
Hidalgo County		
Substance Abuse Treatment Facility		\$ 490
McAllen Independent School District		
21st Century Project		\$ 87,598
College Career Transition Initiative		140,831
Total McAllen Independent School District		\$ 228,429

See Accompanying Notes to Schedule of Expenditures of State Awards

South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2010

Schedule F

Grantor Agency/Program Title	Grant Contract Number	Total Expenditures
Department of Assistive and Rehabilitative Services		\$ 217,011
Office of Rural Community Affairs	RTC801	\$ 1,169,544
Total State Financial Assistance		<u>\$ 7,999,986</u>
Note 1: State Assistance Reconciliation		
State Revenues - per Schedule A		\$ 6,711,706
Add: Non Operating Revenue from Schedule C		118,736
Add: State award reported in Unexpended Plant Fund		1,169,544
Total State Revenues per Statement of Revenues, Expenses and Changes in Net Assets		<u>\$ 7,999,986</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 \$1,239,464 from South Texas College District, City of McAllen Phase 12 grant, 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.



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“Get a Life...A Student Life!”

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>	102-111, 138-141
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>	112-121, 143-147
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>	122-127, 148-149
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>	128-130
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>	131-137

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 2004-2010
(unaudited)

Net Assets	For the Fiscal Year Ended August 31,		
	2010	2009	2008
Invested in capital, net of related debt	\$ 136,773,512	\$ 113,996,844	\$ 99,425,786
Restricted expendable	17,095,903	14,027,153	12,741,856
Restricted non-expendable	346,050	346,041	332,230
Unrestricted	75,476,247	74,119,953	69,192,197
Total Net Assets	\$ 229,691,712	\$ 202,489,991	\$ 181,692,069

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only information for fiscal years 2004-2010 is available.

For the Fiscal Year Ended August 31,

2007		2006		2005		2004	
\$	81,439,837	\$	77,875,115	\$	65,488,899	\$	53,401,242
	10,581,497		9,842,298		8,001,688		8,695,028
	330,880		215,228		215,228		215,228
	67,223,004		52,703,700		47,788,784		42,783,441
\$	159,575,218	\$	140,636,341	\$	121,494,599	\$	105,094,939

Statistical Supplement 2
Revenues by Source
Fiscal Years 2004-2010
(unaudited)

	For the Year Ended August 31,		
	2010	2009	2008
Operating Revenues			
Tuition and fees (net of discounts)	\$ 17,153,615	\$ 16,561,311	\$ 15,075,608
Federal grants and contracts	8,979,526	7,015,595	6,508,073
State grants and contracts	6,711,706	5,412,226	4,292,294
Local grants and contracts	1,255,944	1,129,509	741,390
Non-governmental grants and contracts	2,200,618	1,594,568	1,555,367
Auxiliary enterprises	1,666,738	1,403,045	1,300,682
General operating revenues	1,988,232	2,280,483	1,129,049
Total Operating Revenues	39,956,379	35,396,737	30,602,463
Non-Operating Revenues			
State allocations	37,514,938	33,173,275	32,857,808
Maintenance ad valorem taxes	34,314,946	33,731,408	30,822,108
Debt service ad valorem taxes	12,197,541	12,212,764	12,319,291
Federal revenue, non operating	59,089,947	34,498,524	28,470,310
Gifts	663,193	775,113	519,842
Investment income	388,426	1,335,180	2,627,475
Other non-operating revenues	-	-	-
Total Non-Operating Revenues	144,168,991	115,726,264	107,616,834
Total Revenues	\$ 184,125,370	\$ 151,123,001	\$ 138,219,297

For the Year Ended August 31,

	2007	2006	2005	2004
\$	12,657,625	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388
	5,057,914	6,653,576	8,591,817	7,416,615
	3,068,738	3,094,018	3,553,359	2,948,994
	922,667	756,312	757,398	801,324
	1,192,509	1,017,893	1,525,659	998,230
	874,962	906,335	838,057	733,900
	1,493,987	1,680,707	872,885	1,518,171
	25,268,402	28,276,377	27,592,663	22,848,622
	30,311,961	29,972,196	24,945,029	24,128,754
	27,439,614	24,854,665	22,405,071	19,805,773
	11,151,789	11,017,119	11,258,100	11,592,841
	25,966,042	26,726,564	28,314,872	26,605,135
	351,586	215,177	190,148	3,265,398
	4,653,487	3,684,413	2,352,936	2,585,128
	-	1,844	-	-
	99,874,479	96,471,978	89,466,156	87,983,029
\$	125,142,881	\$ 124,748,355	\$ 117,058,819	\$ 110,831,651

(Continued)

Statistical Supplement 2
Revenues by Source
Fiscal Years 2004-2010
(unaudited)

	For the Year Ended August 31,		
	2010	2009	2008
Operating Revenue			
Tuition and fees (net of discounts)	9.31%	10.96%	10.90%
Federal grants and contracts	4.88%	4.64%	4.71%
State grants and contracts	3.64%	3.58%	3.10%
Local grants and contracts	0.68%	0.75%	0.54%
Non-governmental grants and contracts	1.20%	1.06%	1.13%
Auxiliary enterprises	0.91%	0.93%	0.94%
General operating revenues	1.08%	1.51%	0.82%
Total Operating Revenues	21.70%	23.43%	22.14%
Non-Operating Revenues			
State allocations	20.37%	21.95%	23.77%
Maintenance ad valorem taxes	18.65%	22.32%	22.30%
Debt service ad valorem taxes	6.62%	8.08%	8.91%
Federal revenue, non operating	32.09%	22.83%	20.60%
Gifts	0.36%	0.51%	0.38%
Investment income	0.21%	0.88%	1.90%
Other non-operating revenues	-	-	-
Total Non-Operating Revenues	78.30%	76.57%	77.86%
Total Revenues	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2010 are available. Change in Net Assets reflected on Statistical Supplement 19.

(Continued)

For the Year Ended August 31,			
2007	2006	2005	2004
10.11%	11.36%	9.78%	7.61%
4.05%	5.33%	7.33%	6.70%
2.45%	2.48%	3.04%	2.66%
0.74%	0.61%	0.65%	0.72%
0.95%	0.82%	1.30%	0.90%
0.70%	0.73%	0.72%	0.66%
1.19%	1.35%	0.75%	1.37%
20.19%	22.68%	23.57%	20.62%
24.22%	24.03%	21.31%	21.77%
21.93%	19.92%	19.14%	17.87%
8.91%	8.83%	9.62%	10.46%
20.75%	21.42%	24.19%	24.00%
0.28%	0.17%	0.16%	2.95%
3.72%	2.95%	2.01%	2.33%
-	-	-	-
79.81%	77.32%	76.43%	79.38%
100.00%	100.00%	100.00%	100.00%

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004-2010
(unaudited)

	For the Year Ended August 31,		
	2010	2009	2008
Operating Expenses			
Instruction	\$ 55,454,200	\$ 48,743,325	\$ 42,291,067
Research	-	-	-
Public service	2,460,617	2,637,239	2,924,649
Academic support	9,565,508	9,271,172	8,241,265
Student services	10,442,847	9,244,098	8,057,220
Institutional support	19,460,624	17,693,307	15,303,315
Operations and maintenance of plant	10,437,077	10,356,102	9,336,528
Scholarships and fellowships	37,212,122	23,176,417	19,424,919
Auxiliary enterprises	929,880	784,444	655,258
Depreciation	5,923,105	5,848,873	5,391,971
Total Operating Expenses	151,885,980	127,754,977	111,626,192
Non-Operating Expenses			
Interest on capital related debt	2,986,702	3,186,226	3,046,995
Loss on sale/disposal/return of capital assets	4,698	77,747	-
Non-capital construction costs	2,268,529	1,038,216	735,663
Bond costs amortization	353,037	353,037	353,211
Other non-operating expenses	673,262	706,561	426,718
Total Non-Operating Expenses	6,286,228	5,361,787	4,562,587
Total Expenses	\$ 158,172,208	\$ 133,116,764	\$ 116,188,779

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

For the Year Ended August 31,

2007	2006	2005	2004
\$ 37,853,111	\$ 36,144,166	\$ 32,107,169	\$ 29,670,904
-	19,663	11,768	-
1,795,019	2,847,813	2,106,665	2,354,241
8,089,561	7,542,624	6,707,548	4,175,859
7,727,628	6,476,443	6,021,112	5,334,153
14,169,127	13,255,074	11,765,777	10,611,400
8,712,299	8,473,871	7,137,221	4,746,623
15,819,630	19,681,397	22,958,306	22,956,070
422,150	438,747	411,684	346,671
5,285,190	5,165,342	4,215,249	2,647,695
99,873,715	100,045,140	93,442,499	82,843,616
4,926,778	4,662,868	3,704,377	4,606,271
-	-	-	-
-	-	-	-
-	-	-	-
1,712,405	1,093,561	5,949,680	2,017,952
6,639,183	5,756,429	9,654,057	6,624,223
\$ 106,512,898	\$ 105,801,569	\$ 103,096,556	\$ 89,467,839

(Continued)

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004-2010
(unaudited)

	For the Year Ended August 31,		
	2010	2009	2008
Operating Expenses			
Instruction	35.06%	36.62%	36.40%
Research	-	-	-
Public service	1.56%	1.98%	2.52%
Academic support	6.05%	6.96%	7.09%
Student services	6.60%	6.95%	6.93%
Institutional support	12.30%	13.29%	13.17%
Operations and maintenance of plant	6.60%	7.78%	8.04%
Scholarships and fellowships	23.53%	17.41%	16.72%
Auxiliary enterprises	0.59%	0.59%	0.56%
Depreciation	3.74%	4.39%	4.64%
Total Operating Expenses	96.03%	95.97%	96.07%
Non-Operating Expenses			
Interest on capital related debt	1.89%	2.39%	2.63%
Loss on sale/disposal/return of capital assets	-	0.06%	-
Non-capital construction costs	1.43%	0.78%	0.63%
Bond costs amortization	0.22%	0.27%	0.30%
Other non-operating expenses	0.43%	0.53%	0.37%
Total Non-Operating Expenses	3.97%	4.03%	3.93%
Total Expenses	100.00%	100.00%	100.00%

Notes: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2010 are available. Change in Net Assets reflected on Statistical Supplement 19.

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

(Continued)

For the Year Ended August 31,

2007	2006	2005	2004
35.54%	34.16%	31.14%	33.16%
-	0.02%	0.01%	-
1.69%	2.69%	2.04%	2.63%
7.59%	7.13%	6.51%	4.67%
7.26%	6.12%	5.84%	5.96%
13.30%	12.53%	11.41%	11.86%
8.18%	8.01%	6.92%	5.31%
14.85%	18.60%	22.27%	25.66%
0.40%	0.41%	0.41%	0.39%
4.96%	4.89%	4.09%	2.96%
93.77%	94.56%	90.64%	92.60%
4.63%	4.41%	3.59%	5.15%
-	-	-	-
-	-	-	-
-	-	-	-
1.60%	1.03%	5.77%	2.25%
6.23%	5.44%	9.36%	7.40%
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	Support Services Fee	Building Use 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
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%
2000	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	Support Services Fee	Building Use 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
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%
2000	65	110	110	-	-	-	-	1,385	1,385	-49.25%	-49.25%

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)
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
2000-01	13,762,817,630	101,864,445	13,660,953,185	99.26%	0.0800	0.0122	0.0922

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	
2009-10	\$ 28,567,561	20,442	\$ 1,397	8,023,712	3,255,509	11,279,221	\$ 2.53
2008-09	25,372,840	15,956	1,590	6,359,856	2,647,016	9,006,872	2.82
2007-08	25,372,841	14,762	1,719	5,854,928	2,326,264	8,181,192	3.10
2006-07	23,228,528	11,921	1,949	5,434,000	1,752,080	7,186,080	3.23
2005-06	23,228,528	11,323	2,051	5,365,184	1,653,216	7,018,400	3.31
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	3.01
2002-03	18,188,234	10,260	1,773	4,944,970	1,488,006	6,432,976	2.82
2001-02	19,615,495	9,339	2,100	4,267,200	1,518,082	5,785,282	3.39
2000-01	17,275,116	8,403	2,056	3,906,816	1,253,216	5,160,032	3.35

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 2000-01 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			
		2010	2009	2008	2007
Shell Western E & P Inc.	Oil & Gas	\$ 697,953,120	\$ 598,628,940	\$ 572,030,780	\$ -
El Paso Production Oil & Gas	Oil & Gas	233,251,590	310,057,070	358,107,640	252,759,270
Chevron USA Inc.	Oil & Gas	194,500,240	456,481,610	219,565,590	66,770,720
AEP Texas Central Co.	Electric Utility	174,591,370	173,471,710	159,251,780	181,625,710
Smith Production Inc.	Oil & Gas	153,359,110	166,694,640	-	-
H E Butt Grocery Company	Grocery Chain	114,289,734	117,156,504	95,953,669	89,443,353
Kerr-McGee Oil & Gas Onshore	Oil & Gas	107,433,880	-	-	-
Wal Mart Property Tax Department	Retail Store	104,810,618	107,262,492	-	-
Southwestern Bell Telephone	Telephone Utility	93,005,380	98,438,720	110,118,990	104,595,695
Calpine Construction Finance Co. LP	Electric Utility	87,490,000	97,713,920	113,654,620	119,471,740
Universal Health Services	Hospital	83,905,804	86,464,634	88,442,154	93,134,843
Frontera Generation LTD	Land & Improvements	82,100,300	82,417,210	99,208,230	98,233,700
Rio Grande Regional Hospital	Hospital	66,677,559	67,737,830	61,468,351	74,762,587
CPG Mercedes LP	Real Estate	60,625,220	-	-	-
Simon Property Group-McAllen #2	Real Estate	50,944,799	-	51,557,233	43,530,337
Chesapeake Operating	Oil & Gas	-	91,207,190	-	-
Trenton Street Corporation	Real Estate	-	58,908,315	72,528,462	60,688,959
Shell Western E&P (Total E&P)	Oil & Gas	-	56,191,760	62,130,020	70,971,140
Total E & P USA Inc.	Oil & Gas	-	-	-	-
Wal Mart Stores East, Inc. #452	Retail Store	-	-	95,159,294	74,757,151
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	-	-	-	377,813,720
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	47,858,470
	Totals	2,304,938,724	2,568,832,545	2,210,972,983	1,756,417,395
	Total Taxable Assessed Value	\$ 30,304,183,226	\$ 28,933,493,707	\$ 26,529,232,568	\$ 23,658,082,495

Sources:
First Southwest Company
Table 5 – Assessed Value and Taxable Assessed Value of Property

Taxable Assessed Value (TAV) by Tax Year

2006	2005	2004	2003	2002	2001
\$ 399,792,820	\$ 375,232,590	\$ 312,676,610	\$ 277,608,730	\$ 307,573,600	\$ 170,864,100
380,027,260	411,146,130	257,945,570	238,620,500	-	-
68,596,763	69,683,810	83,464,440	-	-	-
191,443,144	178,031,920	159,061,790	-	-	-
-	-	-	-	-	-
88,271,957	95,690,999	79,382,262	77,991,184	75,647,356	69,686,810
-	-	-	-	-	-
-	-	-	-	-	-
107,809,102	100,410,407	111,549,586	117,854,247	124,018,998	120,809,509
144,390,920	153,265,270	201,236,130	220,009,590	149,995,060	-
98,840,598	66,846,041	66,780,559	65,385,683	-	62,298,479
102,345,890	90,009,600	125,587,000	149,900,000	183,140,600	110,000,000
81,410,943	53,269,350	39,034,063	-	-	-
-	-	-	-	-	-
44,653,815	44,669,232	-	-	-	44,920,636
-	-	-	-	-	-
55,670,370	-	-	-	-	-
-	-	-	-	-	-
154,675,460	131,093,560	101,373,240	56,880,200	-	-
74,538,560	62,685,769	82,036,294	69,701,600	70,246,857	48,712,258
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	52,730,254
-	-	-	91,599,890	-	-
-	-	-	78,002,000	-	-
-	-	-	44,926,205	83,152,890	-
-	-	-	-	291,208,027	170,060,499
-	-	-	-	-	43,298,339
-	-	-	-	-	-
2,036,575,856	1,896,147,181	1,723,874,407	1,746,298,317	1,494,835,716	893,380,884
\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873	\$ 16,533,570,305	\$ 15,495,002,077	\$ 13,660,953,185

(Continued)

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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2010	2009	2008	2007
Shell Western E & P Inc.	Oil & Gas	2.31%	2.06%	-	-
El Paso Production Oil & Gas	Oil & Gas	0.77%	1.07%	1.45%	1.07%
Chevron USA Inc.	Oil & Gas	0.64%	1.57%	0.89%	0.28%
AEP Texas Central Co.	Electric Utility	0.58%	0.60%	0.64%	0.77%
Smith Production Inc.	Oil & Gas	0.51%	0.57%	-	-
H E Butt Grocery Company	Grocery Chain	0.38%	0.40%	0.39%	0.38%
Kerr-McGee Oil & Gas Onshore	Oil & Gas	0.36%	-	-	-
Wal Mart Property Tax Department	Retail Store	0.35%	0.37%	-	-
Southwestern Bell Telephone	Telephone Utility	0.31%	0.34%	0.44%	0.44%
Calpine Construction Finance Co. LP	Electric Utility	0.29%	0.34%	0.46%	0.50%
Universal Health Services	Hospital	0.28%	0.30%	0.36%	0.39%
Frontera Generation LTD	Land & Improvements	0.27%	0.28%	0.40%	0.42%
Rio Grande Regional Hospital	Hospital	0.22%	0.23%	0.25%	0.32%
CPG Mercedes LP	Real Estate	0.20%	-	-	-
Simon Property Group-McAllen #2	Real Estate	0.17%	-	0.21%	0.18%
Chesapeake Operating	Oil & Gas	-	0.31%	-	-
Trenton Street Corporation	Real Estate	-	0.20%	0.29%	0.26%
Shell Western E&P (Total E&P)	Oil & Gas	-	0.19%	0.25%	0.30%
Total E & P USA Inc.	Oil & Gas	-	-	-	-
Wal Mart Stores East, Inc. #452	Retail Store	-	-	0.38%	0.32%
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%	1.60%
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%	0.20%
Totals		7.64%	8.83%	8.93%	7.43%

Sources:
First Southwest Company
Table 5 – Assessed Value and Taxable Assessed Value of Property

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year

2006	2005	2004	2003	2002	2001
1.96%	1.99%	1.84%	1.69%	2.16%	1.38%
1.86%	2.18%	1.52%	1.45%	-	-
0.34%	0.37%	0.49%	-	-	-
0.94%	0.95%	0.94%	-	-	-
-	-	-	-	-	-
0.43%	0.51%	0.47%	0.47%	0.53%	0.56%
-	-	-	-	-	-
-	-	-	-	-	-
0.53%	0.53%	0.66%	0.72%	0.87%	0.98%
0.71%	0.81%	1.18%	1.34%	1.05%	-
0.48%	0.36%	0.39%	0.40%	-	0.50%
0.50%	0.48%	0.74%	0.91%	1.28%	0.89%
0.40%	0.28%	0.23%	-	-	-
-	-	-	-	-	-
0.22%	0.24%	-	-	-	0.36%
-	-	-	-	-	-
0.27%	-	-	-	-	-
-	-	-	-	-	-
0.76%	0.70%	0.60%	0.35%	-	-
0.36%	0.33%	0.48%	0.42%	0.49%	0.39%
0.22%	-	-	-	-	-
-	0.23%	0.22%	-	-	-
-	0.11%	0.12%	-	-	-
-	-	0.27%	0.32%	-	-
-	-	-	0.78%	0.83%	-
-	-	-	0.46%	0.64%	0.43%
-	-	-	0.56%	-	-
-	-	-	0.47%	-	-
-	-	-	0.27%	0.58%	-
-	-	-	-	2.04%	1.37%
-	-	-	-	-	0.35%
-	-	-	-	-	-
9.98%	10.07%	10.15%	10.61%	10.47%	7.21%

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)
2010	2009	\$ 44,968,114	\$ 325,056	\$ 45,293,170	\$ 41,700,948
2009	2008	43,218,654	1,552,116	44,770,771	41,017,803
2008	2007	40,856,871	803,002	41,659,873	38,370,024
2007	2006	36,625,083	326,052	36,951,135	34,032,590
2006	2005	34,208,247	253,922	34,462,169	31,237,216
2005	2004	32,727,562	193,831	32,921,393	29,774,669
2004	2003	30,593,312	(13,885)	30,579,427	27,811,364
2003	2002	29,365,081	(50,201)	29,314,880	26,476,977
2002	2001	13,899,515	(14,581)	13,884,934	12,438,824
2001	2000	12,596,365	(68,295)	12,528,070	11,324,283

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)
92.73%	\$ -	\$ -	\$ 41,700,948	92.07%	\$ 3,592,222	7.93%
94.91%	-	1,811,194 *	42,828,998	95.66%	1,941,774	4.34%
93.91%	1,619,727 *	490,334	40,480,085	97.17%	1,179,788	2.83%
92.92%	1,915,648	214,887	36,163,124	97.87%	788,011	2.13%
91.31%	2,298,032	147,111	33,682,358	97.74%	779,811	2.26%
90.98%	2,424,102	90,594	32,289,365	98.08%	632,029	1.92%
90.91%	2,158,055	55,975	30,025,394	98.19%	554,032	1.81%
90.16%	2,351,622	43,239	28,871,838	98.49%	443,041	1.51%
89.49%	1,235,250	16,692	13,690,766	98.60%	194,169	1.40%
89.90%	1,014,436	13,654	12,352,373	98.60%	175,697	1.40%

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

For the Year Ended August 31,

	2010	2009	2008	2007
General Bonded Debt				
South Texas College District Tax Bonds, Series 1996	\$ -	\$ -	\$ -	\$ -
Public Property Finance Contractual Obligation Bond, Series 1999	-	260,000	510,000	750,000
South Texas College District Tax Bonds, Series 2002	19,060,000	23,445,000	27,605,000	31,580,000
South Texas College District Tax Bonds, Series 2003	14,140,000	15,560,000	16,920,000	18,240,000
South Texas College District Tax Bonds, Series 2004	11,005,000	12,160,000	13,315,000	14,450,000
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	2,935,000	2,945,000	2,955,000	2,965,000
South Texas College District Tax Bonds, Series 2007	22,639,991	22,884,991	23,119,991	23,344,991
Notes	-	-	-	-
Less: Funds restricted for debt service	(11,946,974)	10,475,704)	(8,974,272)	(7,125,560)
Net general bonded debt	\$ 57,833,017	66,779,287	75,450,719	84,204,431
Other Debt				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Outstanding Debt	\$ 57,833,017	\$ 66,779,287	\$ 75,450,719	\$ 84,204,431
General Bonded Debt Ratios				
Per Capita (a)	\$ 65.58	\$ 78.06	\$ 92.84	\$ 111.24
Per FTSE (b)	2,829	4,185	5,111	7,064
As a percentage of Taxable Assessed Value (c)	0.19%	0.23%	0.28%	0.36%
As a percentage of personal income (d)	0.65%	0.78%	0.92%	0.69%
Total Outstanding Debt Ratios				
Per Capita (a)	\$ 65.59	\$ 78.06	\$ 92.84	\$ 111.24
Per FTSE (b)	2,829	4,185	5,111	7,064
As a percentage of Taxable Assessed Value (c)	0.19%	0.23%	0.28%	0.36%
As a percentage of personal income (d)	0.65%	0.75%	0.92%	0.69%

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,

2006	2005	2004	2003	2002	2001
\$ -	\$ 800,000	\$ 1,550,000	\$ 17,745,000	\$ 18,270,000	\$ 18,770,000
3,920,000	4,140,000	4,355,000	4,560,000	4,755,000	4,945,000
58,925,000	62,270,000	65,250,000	67,935,000	71,230,000	-
19,525,000	20,770,000	21,990,000	22,845,000	-	-
14,689,996	14,979,996	15,264,996	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(6,233,133)	(5,479,373)	(4,414,505)	(2,485,235)	(248,724)	(1,074,711)
90,826,863	97,480,623	103,995,492	110,599,765	94,006,276	22,640,289
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ 90,826,863	\$ 97,480,623	\$ 103,995,492	\$ 110,599,765	\$ 94,006,276	\$ 22,640,289
\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40	\$ 140.21	\$ 38.28
8,021	8,493	9,754	10,780	10,066	2,694
0.42%	0.49%	0.59%	0.67%	0.61%	0.17%
0.78%	0.94%	1.15%	1.29%	1.12%	0.31%
\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40	\$ 140.21	\$ 38.28
8,021	8,493	9,754	10,780	10,066	2,694
0.42%	0.49%	0.59%	0.67%	0.61%	0.17%
0.78%	0.94%	1.15%	1.29%	1.12%	0.31%

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

For the Year Ended August 31,

	2010	2009	2008	2007
Taxable Assessed Value	\$ 30,304,183,226	\$ 28,933,493,707	\$ 26,529,232,568	\$ 23,658,082,495
General Obligation Bonds				
Statutory Tax Levy Limit for Debt Service	\$ 151,520,916	\$ 144,667,494	\$ 132,646,163	\$ 118,290,412
Less: Funds Restricted for Repayment of General Obligation Bonds	(11,946,974)	(10,475,704)	(8,974,272)	(7,125,560)
Total Net General Obligation Debt	139,573,942	134,191,790	123,671,891	111,164,852
Current Year Debt Service Requirements	(11,150,535)	(11,146,701)	(11,147,686)	(11,135,516)
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 128,423,407	\$ 123,045,089	\$ 112,524,205	\$ 100,029,336
Net Current Requirements as a % of Statutory Limit	-0.53%	0.46%	1.64%	3.39%

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,

2006	2005	2004	2003	2002	2001
\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873	\$ 16,533,570,305	\$ 15,495,002,077	\$ 13,660,953,185
\$ 107,638,523	\$ 99,349,818	\$ 88,008,894	\$ 82,667,852	\$ 77,475,010	\$ 68,304,766
(6,233,133)	(5,479,373)	(4,414,505)	(2,485,235)	(248,724)	(1,074,711)
101,405,390	93,870,445	83,594,389	80,182,617	77,226,286	67,230,055
(10,947,644)	(10,743,226)	(10,521,954)	(10,246,291)	(2,069,960)	(2,070,718)
\$ 90,457,746	\$ 83,127,219	\$ 73,072,435	\$ 69,936,326	\$ 75,156,326	\$ 65,159,337
4.38%	5.30%	6.94%	9.39%	2.35%	1.46%



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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)
2010	881,735	\$ 31,457 (6)	\$ 19,580 (6)	\$ 25,518 (6)	\$ 12,119 (7)
2009	855,503	30,863 (4)	19,493 (4)	25,178 (4)	12,009 (4)
2008	812,734	30,932 (4)	19,430 (4)	25,181 (4)	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)
2001	591,478	24,115 (3)	17,324 (3)	20,720	14,430 (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 prior year amount plus projected amount increase from 2014

(7) (e), (f) Represents County Personal Income Per Capita prior year amount plus projected amount increase from 2014

(8) Represents District Wide Personal Income = ((a x g)/1000)

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) (i)	Starr County Unemployment Rate (1) (j)	District Unemployment Rate (k)	State Unemployment Rate (1) (l)	National Unemployment Rate (1) (m)			
\$	8,072	(7)	\$	10,096	(7)	\$	8,901,997	(8)	12.10%	17.90%	15.00%	8.50%	9.50%
	7,980	(4)		9,995	(4)		8,550,752	(8)	11.60%	17.80%	14.70%	8.30%	9.80%
	7,986	(4)		10,131	(4)		8,233,808	(8)	7.90%	10.90%	9.40%	5.10%	6.10%
	13,854	(1)		16,085	(1)		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			10,331,412		7.30%	9.80%	8.55%	5.20%	4.90%
	11,373			13,540			9,109,430		11.50%	14.10%	12.80%	5.80%	5.40%
	11,079			13,071			8,635,758		13.10%	12.60%	12.85%	6.80%	6.00%
	10,405			12,571			8,387,629		13.30%	19.30%	16.30%	6.30%	5.80%
	10,076			12,253			7,228,452		13.10%	19.60%	16.35%	4.80%	4.70%

Statistical Supplement 13
Principal Employers
(unaudited)

<u>Employer</u>	<u>2010</u>		<u>2001 (1)</u>	
	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
P.S.J.A.	3,987	1.81%	-	-
Edinburg Consolidated I.S.D.	3,684	1.67%	-	-
H-E-B	3,658	1.66%	-	-
McAllen Independent School District	3,627	1.64%	-	-
University of Texas - Pan American	3,429	1.55%	-	-
La Joya I.S.D.	3,198	1.45%	-	-
Hidalgo County	3,090	1.40%	-	-
South Texas Health System	2,642	1.20%	-	-
Weslaco Independent School District	2,587	1.17%	-	-
Mission Consolidated I.S.D.	2,451	1.11%	-	-
Totals	32,353	14.66%	-	-

Sources:

County of Hidalgo
Real Estate Overview 2010 McAllen-Edinburg-Mission
Texas Workforce Commission
McAllen Economic Development Corporation

Note: 2010 Principal Employer's information was estimated from September 2010 Texas Employment Rates provided by the Texas Workforce Commission obtained from the Latest Economic Indicators.

(1) Five years prior period data (2001) not available. The institution will present this data prospectively.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Faculty										
Full-Time	552	446	437	428	409	396	379	355	349	283
Part-Time	194	170	252	229	244	227	210	186	219	227
Total	746	616	689	657	653	623	589	541	568	510
Percent										
Full-Time	74.0%	72.4%	63.4%	65.1%	62.6%	63.6%	64.3%	65.6%	61.4%	55.5%
Part-Time	26.0%	27.6%	36.6%	34.9%	37.4%	36.4%	35.7%	34.4%	38.6%	44.5%
Staff and Administrators										
Full-Time	718	675	596	574	541	523	479	450	438	410
Part-Time	428	428	404	475	470	455	232	188	201	314
Total	1,146	1,103	1,000	1,049	1,011	978	711	638	639	724
Percent										
Full-Time	62.7%	61.2%	59.6%	54.7%	53.5%	53.5%	67.4%	70.5%	68.5%	56.6%
Part-Time	37.3%	38.8%	40.4%	45.3%	46.5%	46.5%	32.6%	29.5%	31.5%	43.4%
FTSE per Full-time Faculty	37.0	35.8	33.8	27.9	27.7	29.0	28.1	28.9	26.8	29.7
FTSE per Full-Time Staff Member	28.5	23.6	24.8	20.8	20.9	21.9	22.3	22.8	21.3	20.5
FTSE*	20,442	15,956	14,762	11,921	11,323	11,478	10,662	10,260	9,339	8,403
Average Annual Faculty Salary**	\$ 48,798	\$ 52,058	\$ 43,811	\$ 38,540	\$ 37,064	\$ 36,187	\$ 34,733	\$ 34,766	\$33,114	\$ 30,376

Source: South Texas College District Office of Human Resources

Notes:

* FTSE was obtained from Statistical Supplement 6

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

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

Academic

Student Classification	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	16,690	63.30%	11,123	51.34%	12,295	62.07%	11,254	60.96%	10,585	65.21%
31-60 hours	5,532	20.98%	5,537	25.56%	4,144	20.92%	4,154	22.50%	5,221	32.16%
> 60 hours	4,146	15.72%	5,006	23.10%	3,369	17.01%	3,052	16.54%	427	2.63%
Total	26,368	100.00%	21,666	100.00%	19,808	100.00%	18,460	100.00%	16,233	100.00%

Semester Hour Load	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	158	0.60%	82	0.38%	179	0.90%	140	0.76%	92	0.57%
3-5 semester hours	6,297	23.88%	5,486	25.32%	4,314	21.78%	4,072	22.06%	3,513	21.64%
6-8 semester hours	6,328	24.00%	5,507	25.42%	4,897	24.72%	4,297	23.28%	3,698	22.78%
9-11 semester hours	4,966	18.83%	4,051	18.70%	3,484	17.59%	3,343	18.11%	3,089	19.03%
12-14 semester hours	7,683	29.14%	5,827	26.89%	6,173	31.16%	5,949	32.23%	5,386	33.18%
15-17 semester hours	810	3.07%	643	2.97%	696	3.51%	587	3.18%	411	2.53%
18 & over	126	0.48%	70	0.32%	65	0.34%	72	0.38%	44	0.27%
Total	26,368	100.00%	21,666	100.00%	19,808	100.00%	18,460	100.00%	16,233	100.00%

Average course load	8.46	8.26	8.57	9.00	8.61
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Tuition Status	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	25,564	96.95%	20,859	96.28%	19,006	95.95%	17,806	94.46%	15,844	97.60%
Texas Resident (out-of-District)	502	1.90%	374	1.73%	352	1.78%	301	1.63%	235	1.45%
Non-Resident Tuition	302	1.15%	433	2.00%	450	2.27%	353	1.91%	154	0.95%
Total	23,368	100.00%	21,666	100.00%	19,808	100.00%	18,460	100.00%	16,233	100.00%

Source: CBM001

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

Continuing Education

Student Classification (Contact Hours)	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Continuing Education (CE)	1,175	1.43%	921	98.93%	778	98.98%	574	98.60%	836	100.00%
CE Not State Funded	17	98.57%	15	1.60%	8	1.02%	8	1.40%	-	0.00%
Total	1,192	100.00%	936	100.00%	786	100.00%	582	100.00%	836	100.00%

Contact Hour Load	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	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	86	7.21%	105	11.22%	10	1.27%	9	1.55%	20	2.39%
9-11 semester hours	-	0.00%	6	0.64%	6	0.76%	-	0.00%	11	1.32%
12-14 semester hours	481	40.35%	345	36.85%	274	34.86%	227	39.00%	333	39.83%
15-17 semester hours	22	1.85%	30	3.21%	-	0.00%	26	4.47%	23	2.75%
18 & over	603	50.59%	450	48.08%	496	63.11%	320	54.98%	449	53.71%
Total	1,192	100.00%	936	100.00%	786	100.00%	582	100.00%	836	100.00%

Average course load 49.59 43.36 49.76 44.28 54.00

Tuition Status	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	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	1,192	100.00%	936	100.00%	786	100.00%	582	100.0%	836	100.00%
Total	1,192	100.00%	936	100.00%	786	100.00%	582	100.00%	836	100.00%

Source: CBM00A Item #21 Tuition Status of CE Students

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

Academic										
	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	15,233	57.77%	12,714	58.68%	11,553	58.32%	10,920	59.15%	9,623	59.28%
Male	11,135	42.23%	8,952	41.32%	8,255	41.68%	7,540	40.85%	6,610	40.72%
Total	26,368	100.00%	21,666	100.00%	19,808	100.00%	18,460	100.00%	16,233	100.00%
Ethnic Origin										
White	786	2.98%	671	3.10%	628	3.17%	614	3.33%	568	3.50%
Hispanic	24,567	93.17%	20,387	94.10%	18,542	93.61%	17,333	93.89%	15,409	94.92%
African American	91	0.35%	73	0.34%	56	0.28%	44	0.24%	26	0.16%
Asian	259	0.98%	273	1.26%	232	1.17%	209	1.13%	162	1.00%
Foreign	170	0.64%	146	0.67%	132	0.67%	81	0.44%	-	0.00%
Native American	13	0.05%	16	0.07%	15	0.08%	11	0.06%	6	0.04%
Unknown	482	1.83%	100	0.46%	203	1.02%	168	0.91%	62	0.38%
Total	26,368	100.00%	21,666	100.00%	19,808	100.00%	18,460	100.00%	16,233	100.00%
Age										
Under 18	6,639	25.18%	5,584	25.77%	1,829	9.23%	3,814	20.66%	2,654	16.35%
18 - 21	9,630	36.52%	7,913	36.52%	8,643	43.63%	6,785	36.76%	6,168	38.00%
22 - 24	3,289	12.47%	2,713	12.52%	3,315	16.74%	2,530	13.71%	2,437	15.01%
25 - 35	4,909	18.62%	3,953	18.25%	4,329	21.85%	3,829	20.74%	3,566	21.97%
36 - 50	1,712	6.49%	1,334	6.16%	1,499	7.57%	1,330	7.20%	1,261	7.77%
51 & over	189	0.72%	169	0.78%	189	0.95%	172	0.93%	147	0.91%
Unknown	-	-	-	-	4	0.03%	-	-	-	-
Total	26,368	100.00%	21,666	100.00%	19,808	100.00%	18,460	100.00%	16,233	100.00%
Average Age	22.0		22.0		24.0		23.0		23.6	

Source: CBM001

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

Continuing Education

	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	638	53.52%	436	46.58%	422	53.69%	330	56.70%	463	55.38%
Male	554	46.48%	500	53.42%	364	46.31%	252	43.30%	373	44.62%
Total	1,192	100.00%	936	100.00%	786	100.00%	582	100.00%	836	100.00%
Ethnic Origin										
White	549	46.07%	226	24.14%	137	17.43%	24	4.12%	32	3.83%
Hispanic	640	53.69%	705	75.32%	647	82.32%	552	94.85%	800	95.69%
African American	1	0.08%	1	0.11%	-	0.00%	1	0.17%	2	0.24%
Asian	1	0.08%	3	0.32%	2	0.25%	4	0.69%	2	0.24%
Foreign	-	0.00%	-	0.00%	-	0.00%	1	0.17%	-	0.00%
Native American	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Unknown	1	0.08%	1	0.11%	-	0.00%	-	0.00%	-	0.00%
Total	1,192	100.00%	936	100.00%	786	100.00%	582	100.00%	836	100.00%
Age										
Under 18	12	1.01%	3	0.32%	7	0.89%	11	1.89%	4	0.48%
18 -21	263	22.06%	158	16.88%	176	22.39%	112	19.24%	191	22.85%
22 - 24	92	7.72%	68	7.27%	72	9.16%	63	10.83%	96	11.48%
25 - 35	336	28.19%	280	29.91%	244	31.04%	172	29.55%	238	28.47%
36 - 50	384	32.21%	332	35.47%	227	28.88%	174	29.90%	231	27.63%
51 & over	105	8.81%	95	10.15%	60	7.64%	50	8.59%	76	9.09%
Unknown	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	1,192	100.00%	936	100.00%	786	100.00%	582	100.00%	836	100.00%
Average Age	33.35		34.71		32.18		32.82		32.23	

Source: CBM00A

Statistical Supplement 17
Transfers to Senior Institutions
Students as of Fall 2009
(includes only public senior colleges in Texas)
(unaudited)

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 University of Texas – Pan American	3,130	215	115	3,460	72.86%
2 Texas A&M University	241	8	8	257	5.41%
3 University of Texas – Austin	225	9	3	237	4.99%
4 Texas State University	154	9	11	174	3.66%
5 University of Texas – San Antonio	153	9	4	166	3.50%
6 Texas A&M University – Kingsville	144	7	3	154	3.24%
7 Texas A&M University – Corpus Christi	58	5	-	63	1.33%
8 Texas A&M International University	46	7	1	54	1.14%
9 University of Texas – Brownsville	29	11	-	40	0.84%
10 University of Houston	18	-	2	20	0.42%
11 Texas Tech University	16	2	1	19	0.40%
12 University of North Texas	17	-	-	17	0.36%
13 Sam Houston State University	15	-	1	16	0.34%
14 Texas Women’s University	12	2	-	14	0.29%
15 University of Texas – Dallas	10	-	-	10	0.21%
16 Sul Ross State University	6	-	-	6	0.13%
17 University of Texas – Arlington	5	-	-	5	0.11%
18 Texas Southern University	5	-	-	5	0.11%
19 Stephen F. Austin State University	4	-	1	5	0.11%
20 Lamar University	4	-	-	4	0.08%
21 West Texas A&M University	3	-	1	4	0.08%
22 Angelo State University	3	-	-	3	0.06%
23 Midwestern State University	3	-	-	3	0.06%
24 Tarleton State University	2	1	-	3	0.06%
25 Texas A&M University – Galveston	2	-	-	2	0.04%
26 University of Houston Down Town	2	-	-	2	0.04%
27 University of Texas of the Permian Basin	1	-	-	1	0.02%
28 Texas Tech University Health Science Center	1	-	-	1	0.02%
29 Texas A&M University System Health Science Center	1	-	-	1	0.02%
30 University of Texas Health Science Center – San Antonio	1	-	-	1	0.02%
31 University of Texas – El Paso	-	1	-	1	0.02%
32 Prairie View A&M University	-	1	-	1	0.02%
Total	4,311	287	151	4,749	100.00%

Source:
Automated Student & Adult Learner Follow-up Report from the Coordinating Board
<http://www.txhighereddata.org/reports/performance/ctcasalf/ctcadd/>

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

	Fiscal Year				
	2010	2009	2008	2007	2006
Academic Buildings	22	22	15	15	14
Square footage	897,023	898,166	495,797	495,797	447,744
Libraries	3	3	3	3	3
Square footage	105,507	105,507	54,958	54,958	63,877
Number of volumes	139,625	136,217	130,167	132,064	123,318
Administrative and Support Buildings	12	11	10	10	9
Square footage	232,309	234,664	196,009	196,009	136,141
Dining Facilities	5	3	3	3	3
Square footage	15,343	11,845	11,845	11,845	11,845
Average daily customers	1,257	516	702	624	579
Fitness Facilities	2	2	2	2	1
Square footage	37,432	37,432	14,697	14,697	7,413
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	4
Light trucks/vans	28	35	22	25	20

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 2004-2010
(unaudited)

	For the Fiscal Year Ended		
	2010	2009	2008
Operating Revenues			
Tuition and fees (net of discounts)	\$ 17,153,615	\$ 16,561,311	\$ 15,075,608
Federal grants and contracts	8,979,526	7,015,595	6,508,073
State grants and contracts	6,711,706	5,412,226	4,292,294
Local grants and contracts	1,255,944	1,129,509	741,390
Non-governmental grants and contracts	2,200,618	1,594,568	1,555,367
Auxiliary enterprises	1,666,738	1,403,045	1,300,682
General operating revenues	1,988,232	2,280,483	1,129,049
Total Operating Revenues	39,956,379	35,396,737	30,602,463
Operating Expenses			
Instruction	55,454,200	48,743,325	42,291,067
Research	-	-	-
Public service	2,460,617	2,637,239	2,924,649
Academic support	9,565,508	9,271,172	8,241,265
Student services	10,442,847	9,244,098	8,057,220
Institutional support	19,460,624	17,693,307	15,303,315
Operations and maintenance of plant	10,437,077	10,356,102	9,336,528
Scholarships and fellowships	37,212,122	23,176,417	19,424,919
Auxiliary enterprises	929,880	784,444	655,258
Depreciation	5,923,105	5,848,873	5,391,971
Total Operating Expenses	151,885,980	127,754,977	111,626,192
Operating Loss	\$ (111,929,601)	\$ (92,358,240)	\$ (81,023,729)

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

For the Fiscal Year Ended

	2007	2006	2005	2004
\$	12,657,625	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388
	5,057,914	6,653,576	8,591,817	7,416,615
	3,068,738	3,094,018	3,553,359	2,948,994
	922,667	756,312	757,398	801,324
	1,192,509	1,017,893	1,525,659	998,230
	874,962	906,335	838,057	733,900
	1,493,987	1,680,707	872,885	1,518,171
	25,268,402	28,276,377	27,592,663	22,848,622
	37,853,111	36,144,166	32,107,169	29,670,904
	-	19,663	11,768	-
	1,795,019	2,847,813	2,106,665	2,354,241
	8,089,561	7,542,624	6,707,548	4,175,859
	7,727,628	6,476,443	6,021,112	5,334,153
	14,169,127	13,255,074	11,765,777	10,611,400
	8,712,299	8,473,871	7,137,221	4,746,623
	15,819,630	19,681,397	22,958,306	22,956,070
	422,150	438,747	411,684	346,671
	5,285,190	5,165,342	4,215,249	2,647,695
	99,873,715	100,045,140	93,442,499	82,843,616
\$	(74,605,313)	(71,768,763)	(65,849,836)	(59,994,994)

(Continued)

Statistical Supplement 19
Changes in Net Assets
Fiscal Years 2004 - 2010
(unaudited)

	For the Fiscal Year Ended		
	2010	2009	2008
Non-Operating Revenues (Expenses)			
State allocations	\$ 37,514,938	\$ 33,173,275	\$ 32,857,808
Ad-valorem taxes			
Taxes for maintenance & operations	34,314,946	33,731,408	30,822,108
Taxes for debt service	12,197,541	12,212,764	12,319,291
Federal revenue, non operating	59,089,947	34,498,524	28,470,310
Gifts	663,193	775,113	519,842
Investment income (net of investment expenses)	388,426	1,335,180	2,627,475
Interest on capital related debt	(2,986,702)	(3,186,226)	(3,046,995)
Loss on sale/disposal/return of capital assets	(4,698)	(77,747)	-
Non-capital construction costs	(2,268,529)	(1,038,216)	(735,663)
Bond costs amortization	(353,037)	(353,037)	(353,211)
Other non-operating revenues (expenses)	(673,262)	(706,561)	(426,718)
Net Non-Operating Revenues (Expenses)	137,882,763	110,364,477	103,054,247
Income before capital contributions	25,953,162	18,006,237	22,030,518
Capital contributions	1,248,559	2,407,855	86,333
Addition to permanent and term endowment	-	9,690	-
Special item	-	374,140	-
Increase in net assets	27,201,721	20,797,922	22,116,851
Net assets-beginning of year	202,489,991	181,692,069	159,575,218
Net assets-end of year	\$ 229,691,712	\$ 202,489,991	\$ 181,692,069

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2010 are available.

(Continued)

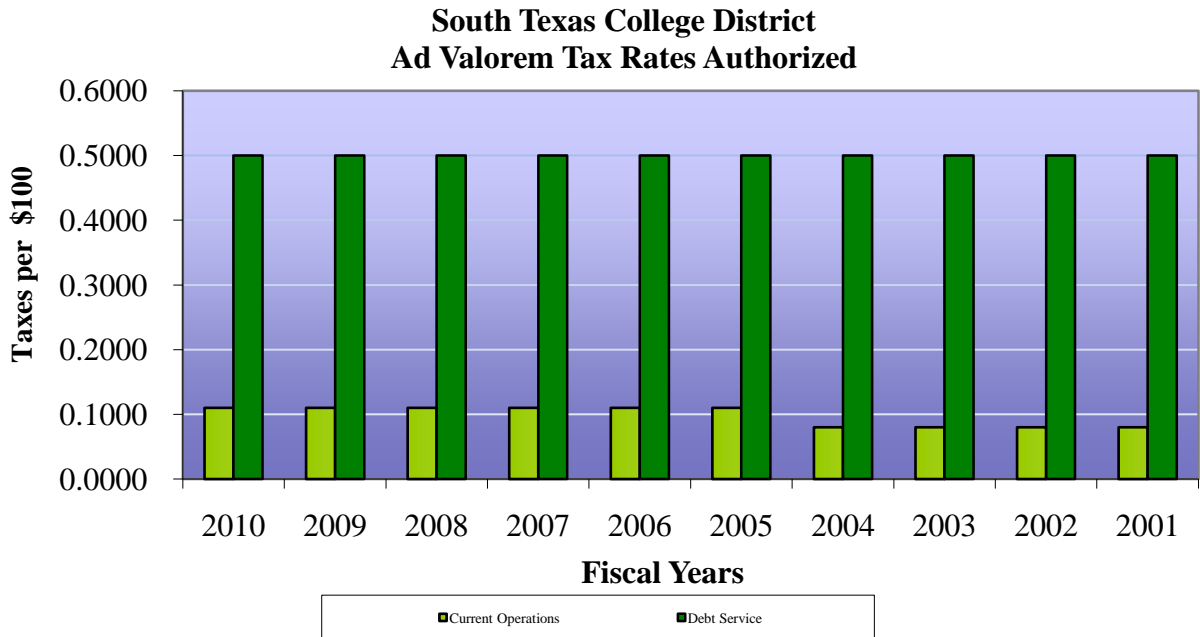
For the Fiscal Year Ended			
2007	2006	2005	2004
\$ 30,311,961	\$ 29,972,196	\$ 24,945,029	\$ 24,128,754
27,439,614	24,854,665	22,405,071	19,805,773
11,151,789	11,017,119	11,258,100	11,592,841
25,966,042	26,726,564	28,314,872	26,605,135
351,586	215,177	190,148	3,265,398
4,653,487	3,684,413	2,352,936	2,585,128
(4,926,778)	(4,662,868)	(3,704,377)	(4,606,271)
-	-	-	-
-	-	-	-
-	-	-	-
(1,712,405)	(1,091,717)	(5,949,680)	(2,017,952)
93,235,296	90,715,549	79,812,099	81,358,806
18,629,983	18,946,786	13,962,263	21,363,812
308,894	194,956	2,437,397	103,920
-	-	-	-
-	-	-	-
18,938,877	19,141,742	16,399,660	21,467,732
140,636,341	121,494,599	105,094,939	83,627,207
\$ 159,575,218	\$ 140,636,341	\$ 121,494,599	\$ 105,094,939



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

Fiscal Year	Current Operations	Debt Service	Total
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
2001	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 2009	Tax Year 2008	Tax Year 2007	Tax Year 2006
South Texas College District	100.00%	\$0.149100	\$0.149800	\$0.154000	\$0.154800
HIDALGO COUNTY					
Cities:					
Alamo	100.00%	0.591910	0.591910	0.592850	0.592850
Alton	100.00%	0.049500	0.497400	0.499900	0.426600
Donna	100.00%	1.038320	0.989999	0.989999	0.989999
Edcouch	100.00%	0.854200	0.901200	0.899000	0.899000
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	100.00%	0.904200	0.904220	0.741851	0.792720
Granjeno	100.00%	0.037200	0.311100	0.281000	0.304900
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.517600	0.567800	0.560100	0.586200
La Villa	100.00%	0.623400	0.839600	0.772400	0.851600
McAllen	100.00%	0.421300	0.421300	0.421300	0.421300
Mercedes	100.00%	0.790000	0.805000	0.850000	0.870000
Mission	100.00%	0.556600	0.566600	0.556600	0.556600
Palmview	100.00%	0.443800	0.467964	0.352146	0.337009
Penitas	100.00%	0.308500	0.338900	0.275000	0.300000
Pharr	100.00%	0.680000	0.683120	0.683120	0.683120
Progreso	100.00%	0.455300	0.414700	0.422200	0.413900
San Juan	100.00%	0.738600	0.699300	0.699300	0.699300
Sullivan City	100.00%	0.323200	0.326000	0.326000	0.300000
Weslaco	100.00%	0.696700	0.696700	0.696700	0.699500
School Districts:					
Donna ISD	100.00%	1.177900	1.200000	1.200000	1.530000
Edcouch-Elsa ISD	100.00%	1.258000	1.258000	1.258000	1.543400
Edinburg ISD	100.00%	1.219800	1.189800	1.115200	1.445200
Hidalgo ISD	100.00%	1.436400	1.350000	1.320000	1.540000
La Joya ISD	100.00%	1.311000	1.321600	1.252000	1.582000
La Villa ISD	100.00%	1.224800	1.224800	1.224800	1.517800
McAllen ISD	100.00%	1.165000	1.145000	1.145000	1.478000
Mercedes ISD	100.00%	1.290000	1.290000	1.290000	1.570000
Mission ISD	100.00%	1.280000	1.240000	1.180000	1.457400
Monte Alto ISD	100.00%	1.220000	1.240000	1.186000	1.427300
PSJA ISD	100.00%	1.301300	1.271000	1.211300	1.519400
Progreso ISD	100.00%	1.310000	1.340000	1.239000	1.604600
Sharyland ISD	100.00%	1.200000	1.185000	1.185000	1.545100
South Texas ISD	100.00%	0.049200	0.049200	0.049200	0.039200
Valley View ISD	100.00%	1.317000	1.317000	1.255200	1.548800
Weslaco ISD	100.00%	1.139700	1.139700	1.104700	1.341800

Tax Year 2005	Tax Year 2004	Tax Year 2003	Tax Year 2002	Tax Year 2001	Tax Year 2000
\$0.158900	\$0.164700	\$0.173800	\$0.177600	\$0.089700	\$0.092200
0.553800	0.553800	0.522337	0.536390	0.536390	0.536390
0.426600	0.409600	0.429600	0.399000	0.405600	0.405600
0.989138	0.991648	1.039828	1.037270	1.037270	1.034660
0.773400	0.776100	0.797200	0.784860	0.784860	0.790000
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.810000	0.691735	0.751050	0.753399	0.753399	0.753399
0.275478	0.283700	0.275500	0.253431	0.253100	0.259006
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.565200	0.597900	0.646500	0.660400	0.670800	0.676700
0.785800	0.781000	0.761000	0.817500	0.778700	0.778700
0.421300	0.421300	0.421300	0.421300	0.421300	0.421300
0.870000	0.870000	0.870000	0.840000	0.850000	0.860000
0.558900	0.539800	0.550000	0.550000	0.620000	0.620000
0.334301	0.307025	0.310717	0.308097	0.311902	0.307066
0.300000	0.300000	0.300000	0.293400	0.293400	0.300000
0.683120	0.683120	0.683120	0.690000	0.662310	0.642310
0.389600	0.373600	0.387300	0.365400	0.365400	0.365400
0.699368	0.681369	0.683102	0.687546	0.687546	0.687546
0.300000	0.300000	0.300000	0.000000	0.000000	0.000000
0.699500	0.699500	0.699500	0.735900	0.779100	0.785000
1.660000	1.660000	1.660000	1.560000	1.490000	1.600000
1.600000	1.600000	1.600000	1.600000	1.600000	1.600000
1.575100	1.595100	1.599300	1.551600	1.411100	1.552000
1.610000	1.590000	1.590000	1.570000	1.570000	1.570000
1.642000	1.642000	1.569900	1.569900	1.528000	1.455800
1.626700	1.606700	1.586700	1.566700	1.427600	1.576300
1.615500	1.540000	1.540000	1.542500	1.542500	1.580000
1.660000	1.660000	1.620000	1.620000	1.590000	1.590000
1.663200	1.569100	1.584100	1.584100	1.534100	1.534100
1.546000	1.566400	1.577600	1.580600	1.545900	1.540000
1.613534	1.613534	1.611538	1.622068	1.621665	1.630000
1.654000	1.654000	1.654000	1.688000	1.590000	1.580000
1.565000	1.565000	1.555000	1.540000	1.540000	1.540000
0.039200	0.039200	0.039200	0.039200	0.039200	0.037200
1.548900	1.548900	1.480000	1.480000	1.470000	1.440000
1.430000	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 2009	Tax Year 2008	Tax Year 2007	Tax Year 2006
HIDALGO COUNTY					
Special Districts:					
Hidalgo County	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage Dist. #1	100.00%	0.072500	0.070000	0.049200	0.043100
EMS District #1	100.00%	0.013200	0.013200	0.014700	0.015700
EMS District #2	100.00%	0.028400	0.029000	0.028000	0.027400
EMS District #3	100.00%	0.008000	0.007500	0.008600	0.010300
EMS District #4	100.00%	0.024000	0.021800	0.022800	0.024100
Donna Irrigation #1	100.00%	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	59.73%	0.000000	0.480000	0.000000	0.540000
Engleman Water District #6	100.00%	0.210000	0.280000	0.270000	0.274600
Kennedy Co GCD	100.00%	0.015000	0.020000	0.000000	0.000000
STARR COUNTY					
Cities:					
Roma	100.00%	0.446330	0.444620	0.453780	0.394940
Rio Grande City	100.00%	0.350000	0.292292	0.292292	0.292292
Escobares City	100.00%	0.300000	0.300000	0.000000	0.000000
School Districts:					
Rio Grande City ISD	100.00%	1.413000	1.418900	1.418900	1.599800
Roma ISD	100.00%	1.416680	1.437683	1.234090	1.521000
San Isidro ISD	100.00%	1.040000	1.040000	1.040000	1.370000
Special Districts:					
Starr County Memorial Hospital District	100.00%	0.193676	0.200178	0.196300	0.133400
Starr County	100.00%	0.520400	0.514200	0.514200	0.441000
F&M & FC	100.00%	0.178800	0.185000	0.185000	0.168200

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

(Continued)

<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	<u>Tax Year</u> 2000
0.590000	0.590000	0.590000	0.590000	0.519500	0.500700
0.043500	0.043500	0.043500	0.045600	0.045600	0.037600
0.016700	0.017500	0.018300	0.018300	0.018900	0.019100
0.026200	0.024700	0.027500	0.027500	0.027500	0.027500
0.011500	0.011500	0.012500	0.012500	0.012500	0.015000
0.024100	0.024100	0.024100	0.025700	0.025300	0.025400
0.210000	0.210000	0.210000	0.200000	0.200000	0.000000
0.550000	0.550000	0.560000	0.000000	0.000000	0.000000
0.290000	0.290000	0.335700	0.335700	0.335700	0.335700
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.394940	0.394940	0.377500	0.380000	0.363770	0.317430
0.290000	0.000000	0.000000	0.000000	0.000000	0.000000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
1.594600	1.566000	1.566000	1.513900	1.513900	1.544600
1.594900	1.619700	1.594100	1.595900	1.570000	1.591700
1.500000	1.500000	1.500000	1.478900	1.500000	1.500000
0.115300	0.111400	0.124200	0.115100	0.122800	0.156800
0.446000	0.446000	0.468300	0.436800	0.420300	0.476700
0.168400	0.168400	0.161100	0.148900	0.147200	0.175300

Statistical Supplement 22
Computation of Direct and Overlapping Debt
August 31, 2010
(unaudited)

Overlapping Agencies	Outstanding Bonds	As of	Applicable to Direct	
			Percent	Amount
Alamo, City of	\$ 8,690,000 *	06/30/10	100.00%	\$ 8,690,000
Donna ISD	62,640,000 *	06/30/10	100.00%	62,640,000
Donna, City of	5,708,332	09/30/08	100.00%	5,708,332
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	452,147 *	06/30/10	100.00%	452,147
Hidalgo Co.	178,616,912	09/08/09	100.00%	178,616,912
Hidalgo Co. DD #1	99,034,038	12/31/08	100.00%	99,034,038
Hidalgo ISD	48,155,000 *	06/30/10	100.00%	48,155,000
Hidalgo, City of	4,410,000 *	06/30/10	100.00%	4,410,000
La Grulla, City of	3,000 *	06/30/10	100.00%	3,000
La Joya ISD	319,866,529	08/31/09	100.00%	319,866,529
La Joya, City of	190,000 *	06/30/10	100.00%	190,000
La Villa ISD	6,140,500 *	06/30/10	100.00%	6,140,500
Lyford CISD	9,809,997 *	06/30/10	100.00%	9,809,997
McAllen ISD	114,960,991 *	06/30/10	100.00%	114,960,991
McAllen, City of	31,935,448	03/01/10	100.00%	31,935,448
Mercedes ISD	56,958,505	08/31/09	100.00%	56,958,505
Mercedes, City of	23,315,130	09/30/09	100.00%	23,315,130
Mission CISD	159,240,000 *	06/30/10	100.00%	159,240,000
Mission, City of	29,546,000 *	06/30/10	100.00%	29,546,000
Monte Alto ISD	4,780,000 *	06/30/10	100.00%	4,780,000
Pharr, City of	16,088,772	01/31/08	100.00%	16,088,772
Pharr-San Juan-Alamo ISD	286,121,446	08/31/09	100.00%	286,121,446
Progreso ISD	24,065,000 *	06/30/10	100.00%	24,065,000
Rio Grande City CISD	98,005,486	08/31/09	100.00%	98,005,486
Rio Grande City, City of	23,785,000 *	06/30/10	100.00%	23,785,000
Roma ISD	61,314,989 *	06/30/10	100.00%	61,314,989

<u>Overlapping Agencies</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Applicable to Direct</u>	
			<u>Percent</u>	<u>Amount</u>
Roma, City of	-	09/30/08	100.00%	-
San Juan, City of	17,865,000 *	06/30/10	100.00%	17,865,000
Sharyland ISD	73,118,994 *	06/30/10	100.00%	73,118,994
Starr Co.	4,506,053 *	06/30/10	100.00%	4,506,053
Valley View ISD	56,452,869 *	06/30/10	100.00%	56,452,869
Weslaco ISD	81,743,999 *	06/30/10	100.00%	81,743,999
Weslaco, City of	48,475,000 *	06/30/10	100.00%	48,475,000
Total Net Overlapping Debt:				2,278,197,367
South Texas College District		11/30/09		68,384,774
Total Direct and Overlapping Debt:				\$ 2,346,582,141

Source: Municipal Advisory Council of Texas

Note:
* Gross Debt



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“Get a Life...A Student Life!”

Special Reports



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 District

Members of the Board:

We have audited the financial statements of South Texas College District as of and for the years ended August 31, 2010 and 2009 and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District in a separate letter dated December 9, 2010.

Texas Public Funds Investment Act

We also performed tests of the District'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 9, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 District

Members of the Board:

Compliance

We have audited South Texas College District'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 District's major federal programs for the year ended August 31, 2010. South Texas College District'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 District's management. Our responsibility is to express an opinion on the District'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 District'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 District's compliance with those requirements.

In our opinion, South Texas College District 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, 2010.

Internal Control Over Compliance

Management of South Texas College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District'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 District'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 9, 2010

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 District

Members of the Board:

Compliance

We have audited South Texas College District'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 District's major state programs for the year ended August 31, 2010. South Texas College District'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 District's management. Our responsibility is to express an opinion on the District'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 District'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 District's compliance with those requirements.

In our opinion, South Texas College District 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, 2010.

Internal Control Over Compliance

Management of South Texas College District 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 District'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 District'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 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 9, 2010

SOUTH TEXAS COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2010

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 DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 For the Year Ended August 31, 2010

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
17.268	H-1B Job Training Grants

State major programs:

Texas Grant I- Initial Year
 Texas Grant I- Renewal Year

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

Federal	\$ 2,042,085
State	\$ 300,000

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

SOUTH TEXAS COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For the Year Ended August 31, 2010

Section II – Financial Statement Findings

None.

Section III – Federal/State Award Findings and Questioned Costs

Federal

None.

State

None.

SOUTH TEXAS COLLEGE DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS FEDERAL AND STATE
For the Year Ended August 31, 2010

Schedule of Status of Prior Year Findings - Federal

No prior year findings.

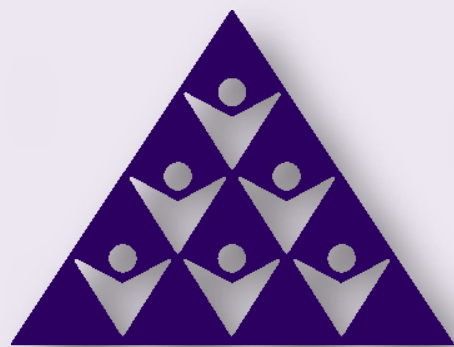
SOUTH TEXAS COLLEGE
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2010

FEDERAL

Not Applicable.

STATE

Not Applicable.



STC

South Texas College