



SOUTH TEXAS COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEARS ENDED
AUGUST 31, 2007 AND 2006**

HIDALGO COUNTY AND STARR COUNTY, TEXAS

SOUTH TEXAS COLLEGE

Hidalgo County and Starr County, Texas

The background features a large, light green watermark of the South Texas College logo. The logo consists of a stylized triangle on the left containing three smaller triangles, and the letters 'STC' on the right. Below this, the words 'South Texas College' are written in a light green, sans-serif font.

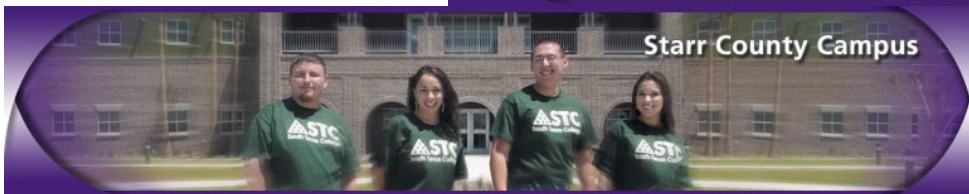
Comprehensive Annual Financial Report

Fiscal Years Ended
August 31, 2007 and 2006

Prepared by: Business Office



...A better quality of life for our communities



INTRODUCTORY SECTION

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

South Texas College
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December 13, 2007

To President Dr. Shirley A. Reed
Board Chair Mrs. Irene Garcia,
Members of the Board of Trustees and
Citizens of the South Texas College District:

The Comprehensive Annual Financial Report (CAFR) of South Texas College, Counties of Hidalgo and Starr, State of Texas, for the years ended August 31, 2007 and 2006, 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 College. 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 College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities, in relation to its mission, have been included.

Management of the College is responsible for establishing and maintaining an internal control structure designed to protect the assets of the College, 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.

Long Chilton, LLP, Certified Public Accountants, have issued an unqualified opinion on South Texas College's financial statements for the year ended August 31, 2007. 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.

The College'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 College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows and replaces the fund-group perspective previously required.

The College maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted 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 College are maintained on the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when incurred.

The College'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.

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.

PROFILE OF THE COLLEGE

South Texas College District is a political subdivision of the State of Texas located in Hidalgo and Starr Counties. The College offers academic, general occupational, developmental and continuing adult education programs through a network of locations in Hidalgo and Starr Counties. South Texas College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award Bachelor of Applied Technology, Associate of Applied Science, Associate of Arts and Associate of Science degrees and Certificates. South Texas College'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 for the College. 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, as required by State law, and all members were elected by the year 2000. The Board of Trustees serve staggered six-year terms with elections held in May of each even-numbered year. Policy making functions are the responsibility of, and

are vested in, the Board. The Board delegates administrative responsibilities to the President, who is the Chief Executive Officer of the District.

The College was established from the McAllen Branch of Texas State Technical College. During fiscal year 1993-1994, the College's first year of operation, the financial activities were reported on Texas State Technical College's Comprehensive Annual Financial Report. The financial activities for the College were separately maintained and a Comprehensive Annual Financial Report was prepared for the first time in fiscal year 1994-1995.

The College'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 to reflect the expanded scope and mission of the College.

The College's vision, mission, core values, guiding principles, and institutional statement of purpose are as follows:

Vision - A better quality of life for our communities

Mission - South Texas College is a world-class comprehensive institution of higher learning providing premier educational and workforce programs 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

To foster continuous improvement, the College recently developed Strategic Direction Statements accompanied by specific outcomes that it plans to achieve. The Strategic Directions include:

1. 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.
2. South Texas College proudly provides opportunities to all students with high expectations for their success.
3. South Texas College leads the transformation of the region to a "College-going" culture whereby attending and completing higher education is expected for all.
4. South Texas College serves as the catalyst for regional economic prosperity and social mobility.

5. South Texas College models professionalism through integrity, mutual respect, civility, trust, and collaboration.
6. South Texas College champions a culture of excellence based on evidence.

Student enrollment at public two-year institutions in Texas has outnumbered enrollment in public four-year universities for the past ten years. South Texas College has experienced continuous growth. The following tables illustrate the College's enrollment data over the last five years:

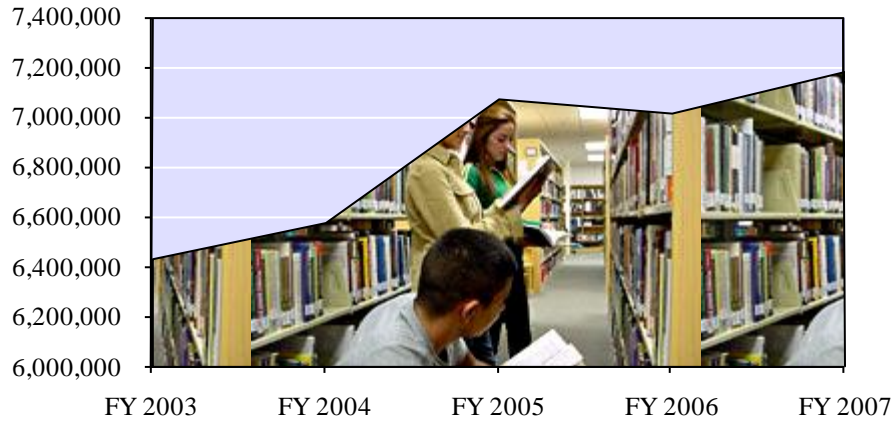
- Fall semester enrollment and FTE
- Annual credit hours, contact hours and FTE

FALL SEMESTER ENROLLMENT					
	Fall 2003	Fall 2004	Fall 2005	Fall 2006	Fall 2007
Academic					
Headcount	15,334	17,138	16,609	18,536	19,973
Full-Time Equivalent	11,245	12,452	12,049	13,035	14,353
Continuing Education					
Headcount	603	985	1,108	1,416	1,221
Full-Time Equivalent	443	461	564	744	750

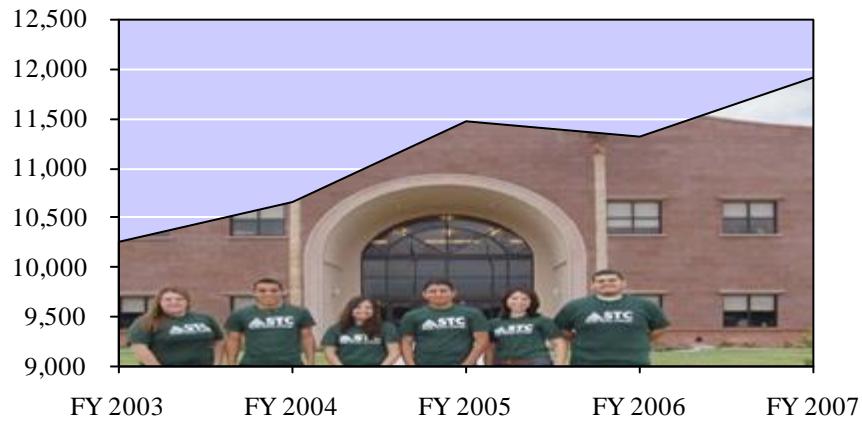


	ANNUAL				
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Unduplicated Credit Hours	305,442	319,876	344,538	339,703	357,644
Unduplicated Contact Hours	6,432,976	6,578,557	7,075,776	7,018,400	7,186,080
Unduplicated Full-Time Equivalent	10,260	10,662	11,478	11,323	11,921
Unduplicated Annual Headcount	20,447	21,926	23,844	23,743	25,422

Annual Unduplicated Contact Hours



Annual Unduplicated Full-Time Equivalent



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 College 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 College's Board of Trustees.

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

ECONOMIC CONDITIONS

Local Economy Overview

Located near the Texas-Mexico border, South Texas College serves Hidalgo and Starr Counties and covers approximately 2,793 square miles with a 2007 estimated population of 756,956. Hidalgo County was formed in 1852 from portions of Cameron and Starr Counties. Starr County was formed in 1848 out of Nueces County. Both counties are located in South Texas and border the Republic of Mexico, served by 7 international bridges.

Data related to some of the major cities in the District include the following:

- The United States and Mexico have reached agreement on the timeline for building and opening an international bridge that will connect Mission with the western outskirts of Reynosa. Anzalduas International Crossing at Granjeno, to be located three miles up the Rio Grande from the Hidalgo-Reynosa International Bridge, will offer an additional avenue for people from Mexico and Central and South America to come into our country so that they can do business and enjoy trade with our community. Bridge Operations are scheduled to open in June 2009.

- The 2006 Milken Institute Best Performing Cities Index, released in 2007, listed the McAllen, Edinburg-Mission area No. 7 in its roundup of the nation's 200 largest metro areas. The index ranks the areas based on their ability to create and sustain jobs. The 2006 winners have similar characteristics: strong and growing service sectors, a robust recovery in tourism, growing populations, and an increase in the number of retirees. The institute noted the area's burgeoning cross border trade with Mexico.
- A report issued by Forbes ranked job growth during the last five years in the McAllen metro area the fifth best in the country. During the past five years, the area added more than 50,000 jobs, which was a 25% increase according to the Texas Workforce Commission. These rankings are based on the nation's 200 largest metro areas. A growing population along with a low average age has made the McAllen area attractive to potential employers. Companies start up daily, drawn by what the region has to offer, such as low utility costs, no state income tax, and one of the largest pools of available labor in the country. According to the Small Business Administration, factors like the area's community Colleges and universities are a reason entrepreneurs do well.
- Money Magazine's Best Places to Live study ranked Hidalgo County number 14 on its Top 25 List of best places to live. It cited 41.4% job growth over the seven year span from 2000 to 2006 in substantiating its ranking. Money Magazine also stated that this area of Texas is home to some of the fastest-growing real estate hotspots in the country, making the region prime ground for construction and building trade growth.
- Reynosa, Tamaulipas, Mexico, McAllen's twin city, and a principal city along the United States - Mexico border is a dynamic and business-oriented city located at the north of the Mexican Republic. These two interdependent communities are joined by two 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.
- The new Convention Center, one of the biggest and most important construction projects the city has ever seen, opened in March 2007. The 175,000 square foot center hosts state, regional, national and international conventions, bringing in thousands of attendees. Both the Convention Center and the adjoining retail and restaurant strip are located in close proximity to the College's Pecan Campus.
- Travel and tourism are an ever-growing element of the area's economy. People from all over the globe travel to the area to view 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. Airline boarding's at the McAllen International Airport have increased 46% since 2002, with a total of 407,143 boarding's occurring in 2006.

The state is committed to getting South Texas College students ready for the demands of jobs at all levels of design, manufacturing, and management. The College plays a vital role in providing opportunities for its citizens to meet the challenge of change.

After obtaining degrees, many South Texas College graduates find work in the Rio Grande Valley, helping to stimulate the economy. Hidalgo County's property value has shown a steady increase, growing from \$21 billion in 2006 to over \$23 billion in 2007 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.

Future Economic Outlook

The local economy's future outlook continues to be positive. Economic indicators and trends, enumerated below, all indicate favorable conditions.

- The unemployment rate for Hidalgo County decreased from 18.2% in 1997 to 6.2% in 2007.
- The unemployment rate for Starr County decreased from 28.2% in 1997 to 8.1% in 2007.
- Bank deposits in the major cities of the district increased 20% from 2006 to 2007.
- Building permits in the major cities of the district increased 21% from 2006 to 2007.
- Per capita income in Hidalgo County increased from \$12,056 in 1997 to \$16,920 in 2007.
- Per capita income in Starr County increased from \$8,244 in 1997 to \$12,700 in 2007.

Hidalgo and Starr Counties are poised for continued growth and for a continued increase in residents' and investors' prosperity.

The area's rising number of College-educated residents has contributed to its economic boom. The College held three separate graduation ceremonies in May 2007 where more than 1,800 students walked away from one of three ceremonies with degrees, smiles and the knowledge that their future is just beginning. Among those who celebrated this milestone were the College's first Bachelor of Applied Technology (BAT) Program students. South Texas College's BAT Program was initially offered in August 2005 and the first cohort of students graduated in May 2007. Additionally the College graduated 16 students from its Dual Enrollment Medical Science Academy (DEMSA). The students walked away with College diplomas weeks before earning their high school diplomas from Rio Grande City and Roma High Schools. To complete the program, students were required to complete their high school curriculum, and 61 hours of College credit to earn their associate's degrees in biology.

The continuing growth in student enrollment demonstrates that the College is meeting the community's need. The College has the resources required to serve the student enrollment growth anticipated in both counties.

The McAllen-Mission-Edinburg metropolitan area is expected to grow 132% during the next 35 years – one of the fastest rates in Texas, and second only to Laredo, according to the latest population projections from the state demographer's office. This pace should make the tri-city metropolitan region the fifth largest in Texas by 2040, with 1.4 million people. Hidalgo County is slated to pass El Paso and Travis counties by that same year to become the fifth largest county in the state, according to the report's most likely demographic scenario.

The City of McAllen MSA (metropolitan statistical area) is outpacing the rest of the nation in population and job growth. McAllen has become the primary site for companies to set up operation on the United States/Mexico border because of the fact that the area has a very young and trainable labor force, as well as the abundance of opportunities that the city's growth offers. Data from the U.S. Census Bureau indicates that 35.3% of the population in the City of McAllen MSA is younger than 18 years of age, compared to a statewide average of 28.2%.

Long-Term Financial Planning

The College has no short term or long term loans at August 31, 2007.

At August 31, 2007, the College has outstanding bonds payable for Bond Series 1999, Bond Series 2002, Bond Series 2003 and Bond Series 2004 in the amounts of \$750,000, \$31,580,000, \$18,240,000, and \$14,450,000 respectively. Bonds to refund portions of the College's outstanding debt and lower the overall debt service requirements were issued in March 2007. The outstanding amounts at year end on these two bonds were \$2,965,000 and \$23,344,991. Total bonds payable at August 31, 2007 was \$91,329,991. All debt service requirements are to be paid with ad-valorem taxes levied.

The College has levied taxes since fiscal year 1997. The following table illustrates the College'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
1997-98	0.08000	0.01490	10,010,895
1998-99	0.08000	0.01180	10,397,958
1999-00	0.08000	0.01200	11,019,406
2000-01	0.08000	0.01220	12,106,414
2001-02	0.07900	0.01070	13,526,015
2002-03	0.11000	0.06760	27,727,098
2003-04	0.11000	0.06380	29,691,941
2004-05	0.11000	0.05470	32,077,466
2005-06	0.11000	0.04890	33,785,446
2006-07	0.11000	0.04480	36,997,639

The College's average collection rate over the past ten years, including collection of delinquent taxes, has been 96.80%.

In fiscal years 1998 through 2002, the College set aside \$2,500,000 per year to be used for construction of facilities required due to the dramatic enrollment increases. In fiscal years 2003 and 2004, the College set aside \$5,000,000. In fiscal years 2005, 2006 and 2007, the College set

aside \$7,500,000, \$11,250,000, and \$7,500,000 for this purpose. A total of \$48,750,000 has been set aside during the period of fiscal year 1998 through fiscal year 2007.

Due to future unknown circumstances, the College's practice is to maintain an unrestricted fund balance sufficient to cover approximately three to four months of budgeted expenditures.

Major Initiatives

The College continues to expand its program options, facilities and course offerings to meet the needs of its business community. In 1999, the College began a District Wide Campus Development Master Plan for construction of new facilities. The Facilities Master Plan was developed to coincide with the projected student enrollment through the year 2006 at all campuses. In an election held on September 29, 2001, the residents of Hidalgo and Starr Counties authorized the issuance of \$98,700,000 in bonds to construct, renovate and furnish instructional facilities, acquire necessary sites and pay issuance costs. The passage of the \$98,700,000 bond construction program in 2001 provided for approximately 736,136 square feet of construction projects designed to accommodate the facilities requirements through 2006.

During the year, the College completed construction of the Information Technology Building and the Institutional Support Services Building, and the renovation of the Mid Valley Child Development Center. Construction of the Communication Arts Building was underway, with completion anticipated in 2008. During the year the College also purchased office buildings and land located at Pecan Plaza and the Weslaco Boy's and Girls Club.

South Texas College has successfully met the educational needs of the community through the development of new degree and certificate programs. In June of 2003, the 78th Texas State Legislature approved Senate Bill 286, Section 50. This bill granted approval for the Texas Higher Education Coordinating Board to conduct a pilot project with three community colleges to grant baccalaureate degrees in applied science and applied technology. Specifically, the Texas Legislature amended Subchapter A, Chapter 130, Texas Education Code, adding Section 130.0012 permitting three state community Colleges to offer bachelor's degrees after acquiring Texas Higher Education Coordinating Board approval and appropriate regional accreditation. At their regular meeting on July 17, 2003, the Texas Higher Education Coordinating Board approved South Texas College as one of the three pilot Colleges.

South Texas College subsequently submitted a program application for the Bachelor of Applied Technology in Technology Management to the Texas Higher Education Coordinating Board and the application was approved on April 22, 2004. On September 22, 2004 South Texas College submitted the Application for Member Institutions Seeking Accreditation at a More Advanced Degree Level to the Commission on Colleges of the Southern Association of Colleges and Schools. By December 7, 2004, South Texas College was approved as a Level II degree granting institution and began offering the Bachelor of Applied Technology in Technology Management in fall of 2005.

South Texas College has also received approval from the Texas Higher Education Coordinating Board to offer a second Bachelor of Applied Technology (BAT). A BAT degree in Computer and Information Technologies will begin with classes offered in spring 2008. The Bureau of

Labor Statistics projects that computer and information technology related vacancies throughout Hidalgo and Starr counties are expected to grow by 58 % by 2015. Students who graduate under this program will be trained to enter the workforce as computer and information system managers, computer system analysts, database administrators, and network system and data communication analysts.

South Texas College, along with University of Texas-Pan American and the members of the North American Advanced Manufacturing Research and Education Initiative were recently awarded more than \$5 million by the U.S. Department of Labor to support the Department's Workforce Innovation in Regional Economic Development (WIRED) Project. It is a plan to develop a rapid response manufacturing facility and sustainable manufacturing infrastructure in the local area.

The College's financial outlook for the future continues to be positive. In just fifteen years South Texas College has grown from 1,058 headcount in fall 1993 to 18,237 headcount in spring 2007. The College's adult continuing education programs, which provide opportunities for lifelong learners to update their skills, have also shown enrollment gains in the past fifteen years. The College's operating budget has increased from \$3,900,000 in 1993 to \$96,029,692 in 2007.

The tax base is increasing by an average of 8.65% annually. The tax base has increased from \$10,231,504,713 during fiscal year 1997 to \$23,658,082,495 during fiscal year 2007.

AWARDS AND ACKNOWLEDGMENTS

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

- Community College Week recently ranked South Texas College as the third fastest growing community college in the nation among community Colleges with 10,000 or more students.
- The College continued to be one of the select institutions participating in Achieving the Dream, a multiyear national initiative to help more community college students succeed. The initiative is particularly concerned about student groups that traditionally have faced significant barriers to success, including students of color and low-income students. Achieving the Dream aims to help more students reach their individual goals, which may include obtaining a better job, earning a certificate or degree, or attaining a bachelor's degree.
- The College's Beacon Mentoring Program was selected as a semi-finalist for the Excelencia! In Education's Examples of Excelencia annual awards program. This program is focused on translating college access into success for Latino students.

- The Developmental Reading Program earned the Distinguished Certification for Developmental Reading from the National Association for Developmental Education. The certification rewards the program for implementing research based best practices, quality of service to students, achievement of objective criteria and action plans.
- Thirty South Texas College faculty and staff members earned National Institute for Staff and Organizational Development (NISOD) Excellence Awards for 2007. The NISOD Excellence Award recognizes individuals who exemplify excellence in teaching and leadership at their institution of higher education
- The US Department of Education ranked South Texas College number one in Associate degrees awarded in Education, number three in Associate degrees awarded to Hispanics (all disciplines), and number seventy-three among the nation's 1,195 community colleges in awarding Associate degrees.
- South Texas College was ranked twenty-first among the nation's community colleges by Washington Monthly.
- South Texas College is the first institution in the state of Texas to be accredited by the National Institute of Metalworking Skills. The certification process required South Texas College to meet and exceed national metalworking industry standards for quality of instruction, incorporation of important, high-level industry skills and overall safety.
- South Texas College is the only community college in Texas to offer a complete Associate degree on-line. Three degrees are offered in the areas of Business Administration, Criminal Justice, and Social Sciences.

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 for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2006. This was the fourth 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.

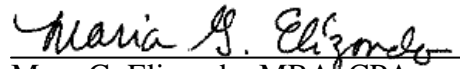
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The timely preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of the entire staff of the College'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 College's Board of Trustees and President for their continued support for maintaining the highest standards of professionalism in the management of South Texas College's finances and operations.

Respectfully submitted,



Diana A. Peña
Vice President for Finance and
Administrative Services



Mary G. Elizondo, MBA, CPA
Comptroller

South Texas College

OFFICIALS AND STAFF

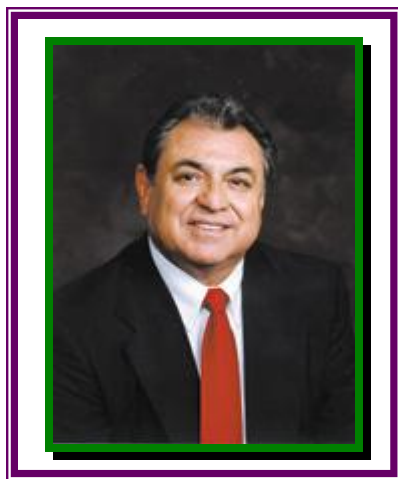
ELECTED OFFICIALS

<u>Board of Trustees</u>	<u>City</u>	<u>District</u>	<u>Term Expires</u>
Manuel Benavidez, Jr.	Rio Grande City, TX	District 1	May 2012
Irene Garza, Chair	Mission, TX	District 2	May 2012
Mike Allen, Secretary	McAllen, TX	District 3	May 2010
Gary Gurwitz	McAllen, TX	District 4	May 2010
Dr. Alejo Salinas, Jr.	Edinburg, TX	District 5	May 2008
Jesse Villarreal, Vice-Chair	Weslaco, TX	District 6	May 2012
Roy De Leon	Mercedes, TX	District 7	May 2008

PRINCIPAL ADMINISTRATIVE OFFICERS

<u>Name</u>	<u>Position</u>
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 Mejia	Vice President for Instructional Services
William Serrata	Vice President for Student Services and Development
Wanda Garza	Executive Director for Workforce and Resource Development
Mary G. Elizondo, M.B.A., C.P.A.	Comptroller

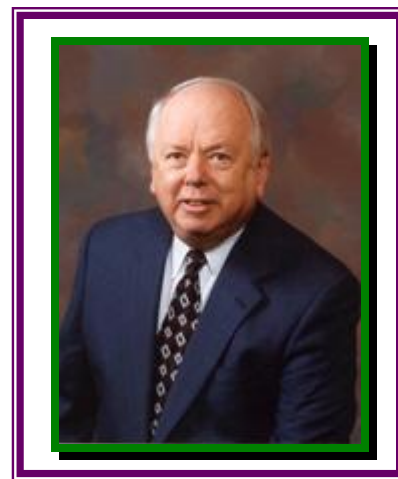
South Texas College BOARD OF TRUSTEES



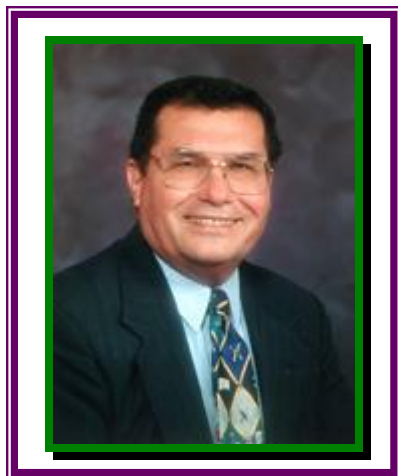
Jesse Villarreal
Vice Chair



Irene Garcia
Chair



Mike Allen
Secretary

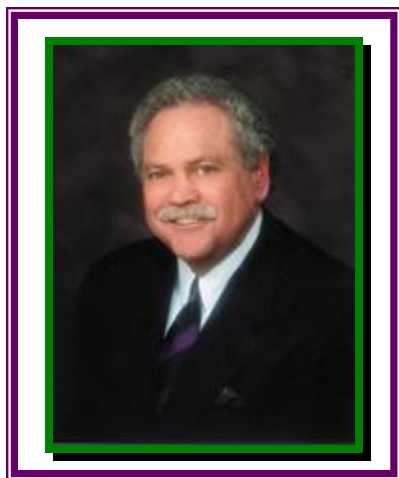


Dr. Alejo Salinas Jr.
Member

The governing body of the college is a Board of Trustees composed of 7 members who serve staggered terms with elections held in May of each even-numbered year. Policymaking functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the President, who is the Chief Administrative Officer of the District. The Board, within the limits imposed by law, has complete and full control of the College. The Board has final authority to formulate and interpret the policies that govern the College. Regular Board meetings are held the third Thursday of each month and are open to the public.



Manuel Benavidez, Jr.
Member



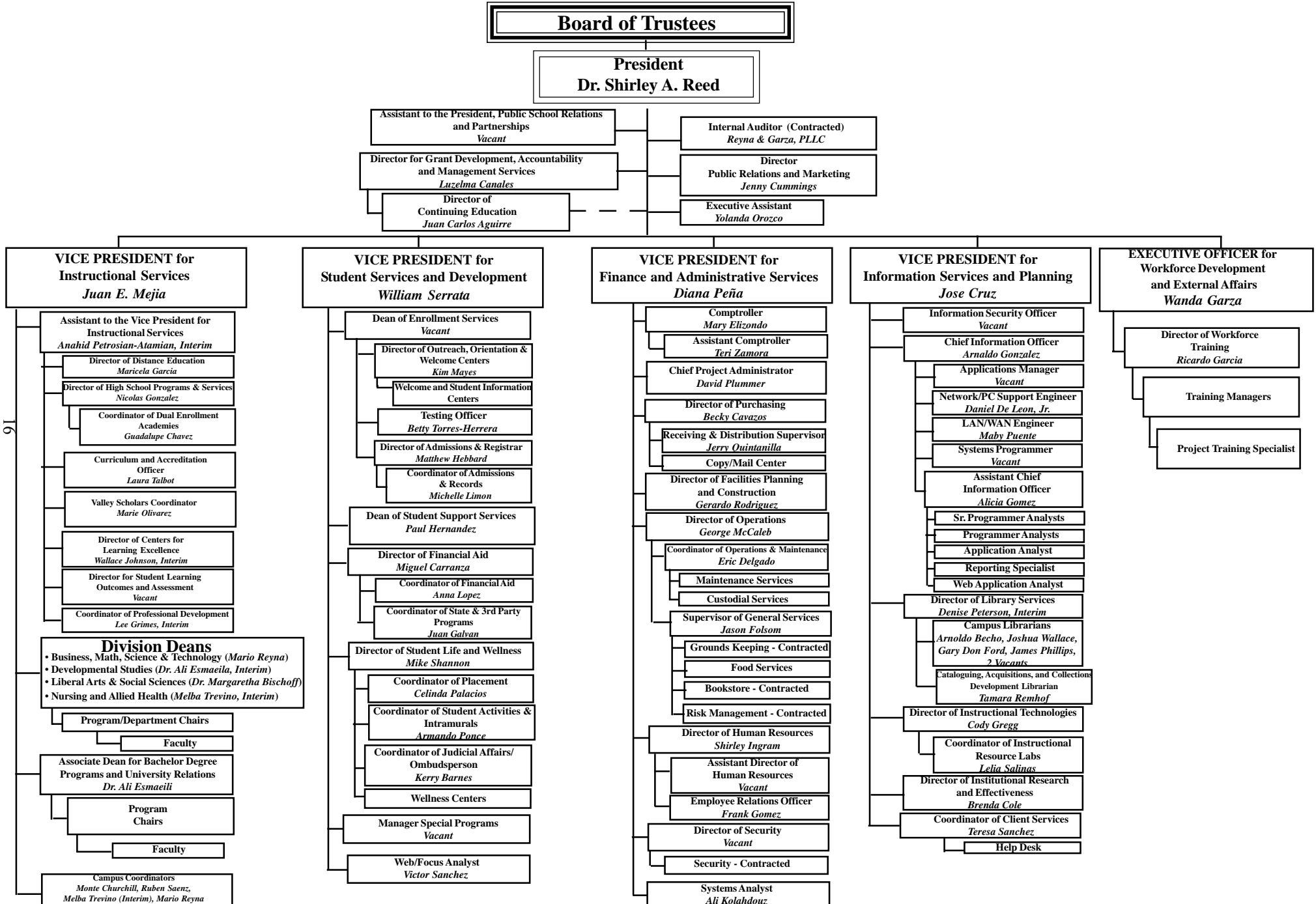
Gary Gurwitz
Member



Roy De Leon
Member

South Texas College

Proposed 2007 - 2008 Organizational Chart by Position



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, 2006

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

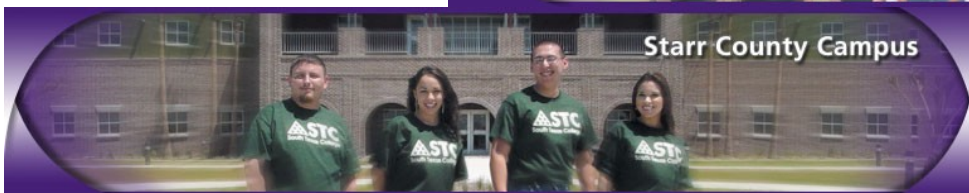
Executive Director



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...A better quality of life for our communities



FINANCIAL SECTION

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

Independent Auditor's Report

To the Board of Trustees
South Texas College

Members of the Board:

We have audited the accompanying basic financial statements of the South Texas College, as of and for the years ended August 31, 2007 and August 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of South Texas College as of August 31, 2007 and August 31, 2006 and the changes in financial position and cash flows 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 11, 2007 on our consideration of the college's internal control over financial reporting and 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 21 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Texas College's basic financial statements. The introductory section, the supplementary information section, which includes the accompanying schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the schedule of expenditures of state awards required by the Texas Governor's Office of Budget and Planning, State of Texas Single Audit Circular presented in accordance with the requirements of the Texas Higher Educations Coordinating Board, and the statistical section are not a required part of the basic financial statements of South Texas College. The supplementary information section which includes the schedule of expenditures of federal awards and the schedule of expenditures of state awards, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical supplement 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

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 11, 2007

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

INTRODUCTION

This section of South Texas College's Comprehensive Annual Financial Report presents Management's Discussion and Analysis of the College's financial position and activities for the year ended August 31, 2007, and comparative information for the year ended August 31, 2006. Since this Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, it must be read in conjunction with the transmittal letter, the College's Basic Financial Statements and the footnotes. Responsibility for the completeness and fairness of this information rests with the College.

FINANCIAL HIGHLIGHTS

- ◆ The College's total combined net assets were \$159,575,218 at August 31, 2007. Of this amount, \$66,054,328 may be used to meet the College's ongoing obligations.
- ◆ During the fiscal year, the College's combined net assets increased by \$18,938,877 or 13%.
- ◆ During fiscal year 2007, the balance of cash and cash equivalents and short-term and other investments increased by \$2,094,063 or 3%.
- ◆ Capital assets, net of accumulated depreciation, increased by \$11,696,925 due mainly to an increase of \$11,512,958 in buildings, an increase of \$1,713,154 in land, an increase of \$693,421 in land improvements, offset by a decrease of \$1,578,686 in construction in progress. Other changes included an addition of library books of \$67,787 and decreases in furniture and equipment of \$192,652 and in telecommunication equipment of \$519,057.

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 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 College, as a whole, is performing financially better this year as compared to last year. These statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

The Statements of Net Assets include all assets and liabilities. The College's net assets (which is the difference between assets and liabilities) are one indicator of the College's financial health.

Over time, increases or decreases in net assets indicate the improvement or erosion of the College'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 during the year. Activities are reported as either operating or non-operating. The College's dependency on state allocations and ad-valorem taxes will result in operating deficits, because GASB 35 classifies state allocations and ad-valorem taxes as non-operating revenues.

Another important factor to consider when evaluating financial viability is the College'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 College's financial statements provides an overview of its financial activities for the year.

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

Statements of Net Assets

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

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

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reflects the equity in property, plant and equipment owned by the College.

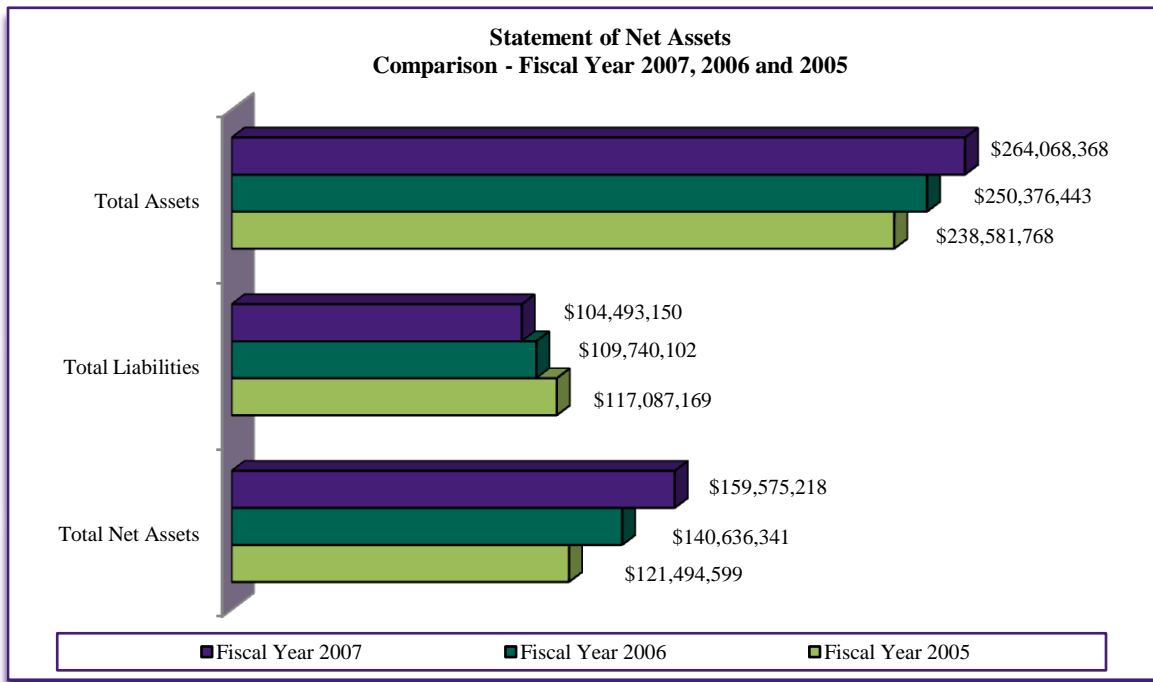
The next asset category is restricted net assets, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/or entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted net assets. Unrestricted net assets are available for any lawful purpose of the College.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

Condensed financial information from the Statements of Net Assets is as follows:

Statements of Net Assets			
	2007	2006	2005
Assets			
Current assets	\$ 92,032,619	\$ 90,088,584	\$ 89,912,523
Capital assets, net	170,795,122	159,098,197	147,377,962
Non-current assets	1,240,627	1,189,662	1,291,283
Total Assets	264,068,368	250,376,443	238,581,768
Liabilities			
Current liabilities	16,537,794	14,436,551	15,966,998
Non-current liabilities	87,955,356	95,303,551	101,120,171
Total Liabilities	104,493,150	109,740,102	117,087,169
Net Assets			
Invested in capital assets, net of related debt	82,608,513	77,875,115	65,488,899
Restricted-expendable	10,912,377	10,057,526	8,216,916
Unrestricted	66,054,328	52,703,700	47,788,784
Total Net Assets	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599



SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

The total assets of the College increased by \$13,691,925 from fiscal year 2006 to fiscal year 2007. A review of the Statements of Net Assets will reveal that the increase was primarily due to an increase of \$11,696,925 in capital assets. A net decrease in accounts receivables of \$363,032 was due primarily to the collection of \$1,353,611 from a bequeath receivable and \$204,348 from a receivable from contractor, which were offset by an increase of \$1,481,417 in federal receivables during fiscal year 2007. Short-term and other investments increased by \$7,873,000 and cash and cash equivalents decreased by \$5,778,937 due to cash requirements primarily for construction projects and investment strategies.

The total liabilities from 2006 to 2007 decreased by \$5,246,952. The primary cause was a decrease in total bonds payable of \$5,953,191, due to principal payments and associated amortization of bond discount, premium and deferred loss. This was partially offset by an increase in accounts payable of \$954,214, mainly consisting of an increase in payables to students of \$1,855,525 and a decrease in payables to vendors of \$548,839.

The combination of the increase in total assets from 2006 to 2007 of \$13,691,925 and the decrease in total liabilities of \$5,246,952, yields an increase in total net assets of \$18,938,877.

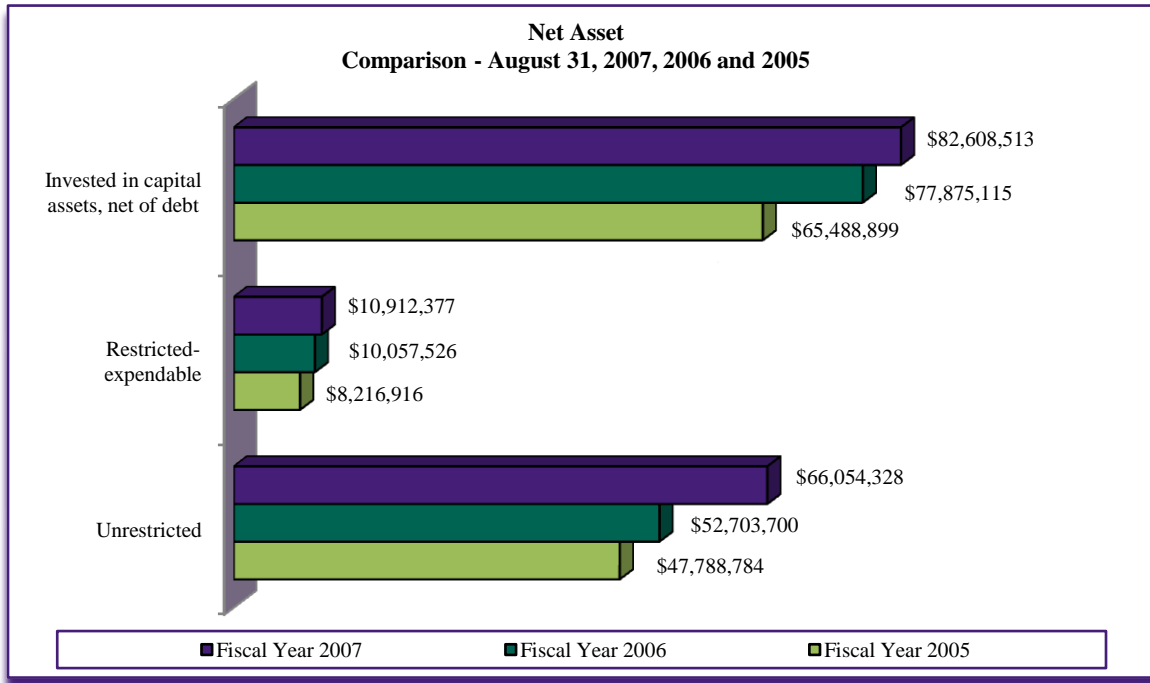
The total assets of the College increased by \$11,794,675 from fiscal year 2005 to fiscal year 2006. A review of the Statements of Net Assets will reveal that the increase was primarily due to an increase of \$11,720,235 in capital assets. A net decrease in accounts receivables of \$1,076,116 was due primarily to a decrease of \$1,828,191 in the Federal receivable, which was offset by an increase of \$870,031 in taxes receivable during fiscal year 2006. Short-term investments increased by \$4,983,214 and cash and cash equivalents decreased by \$3,826,746 due to cash requirements primarily for construction projects and investment strategies.

The total liabilities from 2005 to 2006 decreased by \$7,347,067. The primary cause for the decrease was due to principal payments of \$6,206,624 made in fiscal year 2006 and associated amortization of bond discount, premium and deferred loss. In addition, there was a decrease in accounts payable of \$1,494,723, mainly consisting of a net construction and construction retainage payable decrease of \$1,779,914.

The combination of the increase in total assets from 2005 to 2006 of \$11,794,675 and the decrease in total liabilities of \$7,347,067 yields an increase in total net assets of \$19,141,742.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

The following is a graphic illustration of net assets at August 31, 2007, 2006 and 2005:



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 College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

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

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

Condensed financial information from the Statements of Revenues, Expenses and Changes in Net Assets is as follows:

Statements of Revenues, Expenses and Changes in Net Assets

	2007	2006	2005
Operating revenues	\$ 54,535,540	\$ 55,002,941	\$ 55,907,535
Operating expenses	103,172,108	100,045,140	93,442,499
Operating loss	(48,636,568)	(45,042,199)	(37,534,964)
 Non-operating revenues and expenses	 67,266,551	 63,988,985	 51,497,227
Capital contributions	308,894	194,956	2,437,397
 Increase in net assets	 18,938,877	 19,141,742	 16,399,660
Net assets at beginning of year	140,636,341	121,494,599	105,094,939
 Net assets at end of year	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599

An operating loss of \$48,636,568 resulted in fiscal year 2007. Because state allocations, ad-valorem taxes and investment income are not included within operating revenue per GASB 35, the College will usually show a significant operating loss.

The operating loss increased by \$3,594,369 fiscal year 2006 to fiscal year 2007 or 8%, from \$45,042,199, to \$48,636,568. Operating revenues decreased by \$467,401, and total operating expenses increased by \$3,126,968.

Operating revenues decreased by \$467,401 which primarily consisted of a decrease of \$2,356,184 in federal grants and contracts offset by an increase of \$1,844,942 in tuition and fees. The Federal Pell grant program revenue decreased by \$724,236 and funding from the Department of Labor decreased by \$1,369,120 from 2006 to 2007. Increased student enrollment coupled with a new tiered enrollment fee based on date of enrollment accounted for the increase in tuition and fee revenue.

In fiscal year 2007 operating expenses were funded to a greater extent, by ad-valorem taxes and state allocations, than in fiscal year 2006.

In fiscal year 2007, the increase in operating expenses of \$3,126,968 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.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

An operating loss of \$45,042,199 resulted in fiscal year 2006. Because state allocations, ad-valorem taxes and investment income are not included within operating revenue per GASB 35, the College will usually show a significant operating loss.

The operating loss increased by \$7,507,235 from fiscal year 2005 to fiscal year 2006 or 20%, from \$37,534,964 to \$45,042,199. Operating revenues decreased by \$904,594 and total operating expenses increased by \$6,602,641.

Operating revenue decreased by \$904,594 which primarily consisted of a decrease of \$3,526,549 in federal grants and contracts and an increase of \$2,714,048 in tuition and fees. The Federal Pell grant program revenue decreased by \$1,446,288 and a major federal grant with the Department of Commerce was concluded in fiscal year 2005. Tuition rates were increased in fiscal year 2006 by \$2.00 for each credit hour and a tuition differential for specific programs was implemented. In addition, an information technology fee of \$6.00 per credit hour was also implemented in fiscal year 2006.

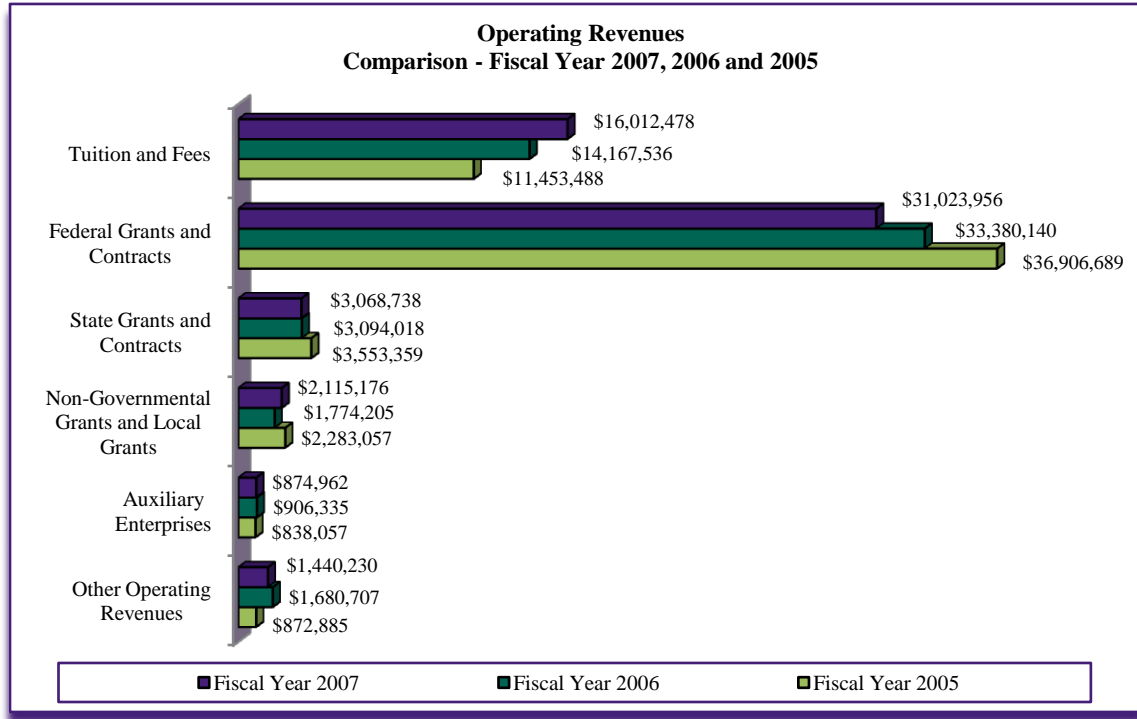
In fiscal year 2006 operating expenses were funded to a greater extent, by ad-valorem taxes and state allocations, than in fiscal year 2005.

In fiscal year 2006, the increase in operating expense of \$6,602,641 was due to the budgeted level of spending associated with increased personnel costs and increased operating costs associated with newly expanded facilities. In addition, depreciation expense increased by \$950,093 due mainly to an increase of \$873,772 for building depreciation.

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

Operating Revenues	2007		2006		2005	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$17,567,308, \$16,392,294, and \$15,589,496)	\$ 16,012,478	29.37%	\$ 14,167,536	25.76%	\$ 11,453,488	20.49%
Federal grants and contracts	31,023,956	56.89%	33,380,140	60.69%	36,906,689	66.02%
State grants and contracts	3,068,738	5.63%	3,094,018	5.63%	3,553,359	6.36%
Non-governmental grants and local grants	2,115,176	3.87%	1,774,205	3.23%	2,283,057	4.08%
Auxiliary enterprises	874,962	1.60%	906,335	1.64%	838,057	1.49%
Other operating revenues	1,440,230	2.64%	1,680,707	3.05%	872,885	1.56%
Total	\$ 54,535,540	100.00%	\$ 55,002,941	100.00%	\$ 55,907,535	100.00%

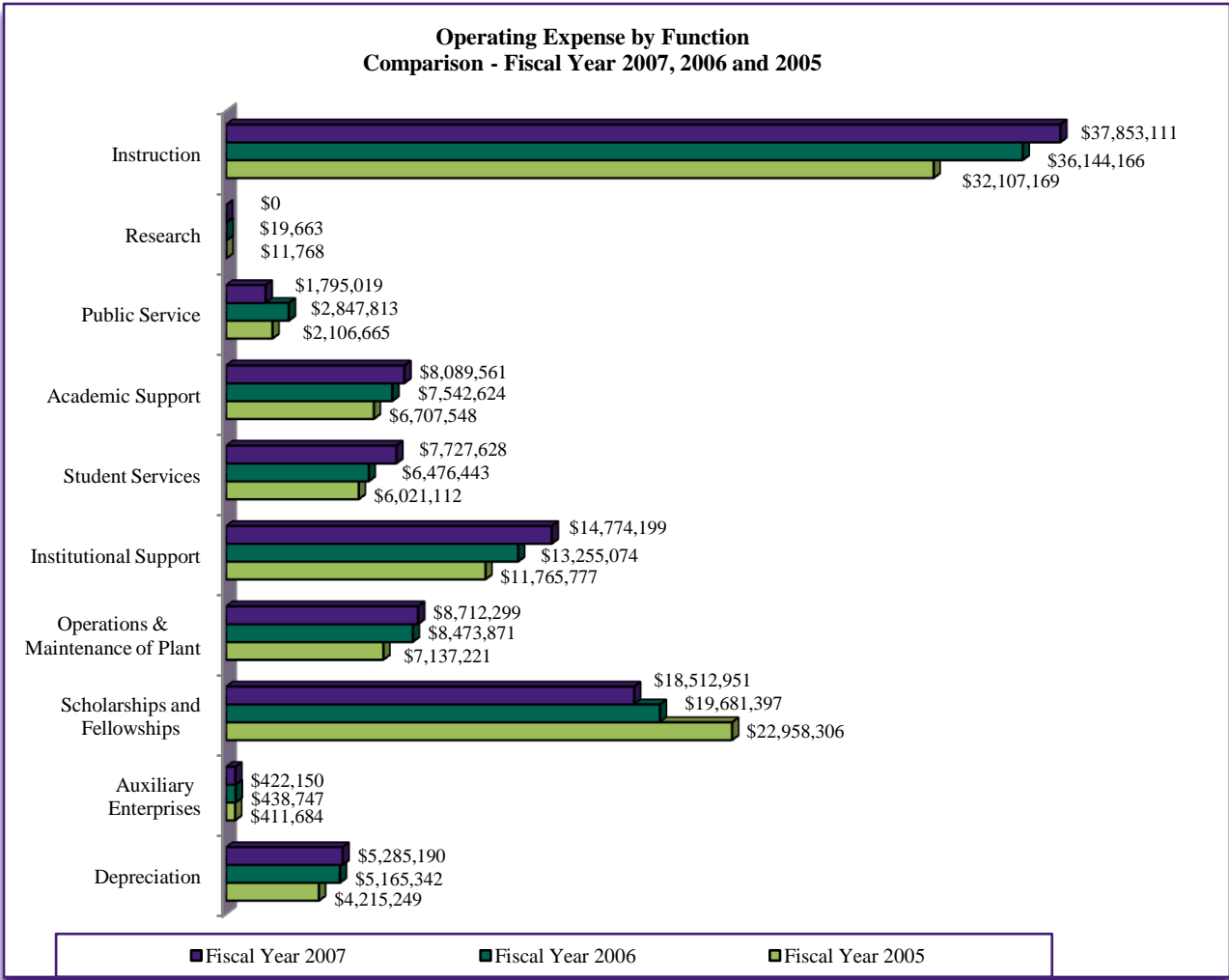
**SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006**



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

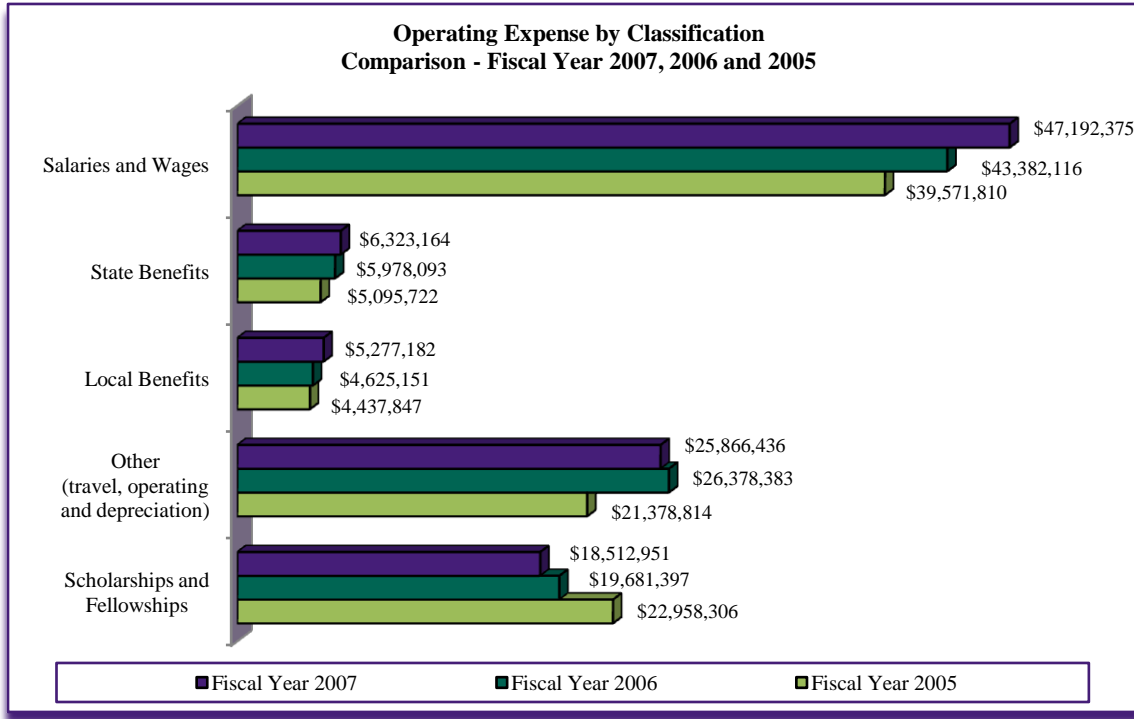
Operating Expenses by Function	2007		2006		2005	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 37,853,111	36.69%	\$ 36,144,166	36.13%	\$ 32,107,169	34.37%
Research	-	0.00%	19,663	0.02%	11,768	0.01%
Public service	1,795,019	1.73%	2,847,813	2.85%	2,106,665	2.25%
Academic support	8,089,561	7.85%	7,542,624	7.54%	6,707,548	7.18%
Student services	7,727,628	7.50%	6,476,443	6.47%	6,021,112	6.44%
Institutional support	14,774,199	14.32%	13,255,074	13.25%	11,765,777	12.59%
Operations and maintenance of plant	8,712,299	8.44%	8,473,871	8.47%	7,137,221	7.64%
Scholarships and fellowships	18,512,951	17.95%	19,681,397	19.67%	22,958,306	24.57%
Auxiliary enterprises	422,150	0.40%	438,747	0.44%	411,684	0.44%
Depreciation	5,285,190	5.12%	5,165,342	5.16%	4,215,249	4.51%
Total	\$ 103,172,108	100.00%	\$ 100,045,140	100.00%	\$ 93,442,499	100.00%

**SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006**



Operating Expenses by Classification	2007		2006		2005	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and Wages	\$ 47,192,375	45.74%	\$ 43,382,116	43.36%	\$ 39,571,810	42.35%
State Benefits	6,323,164	6.13%	5,978,093	5.98%	5,095,722	5.45%
Local Benefits	5,277,182	5.12%	4,625,151	4.62%	4,437,847	4.75%
Other (travel, operating and depreciation)	25,866,436	25.07%	26,378,383	26.37%	21,378,814	22.88%
Scholarships and fellowships	18,512,951	17.94%	19,681,397	19.67%	22,958,306	24.57%
Total	\$103,172,108	100.00%	\$100,045,140	100.00%	\$ 93,442,499	100.00%

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006



Non-operating revenues and expenses consisted of the following:

Non-operating revenues	2007		2006		2005	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Allocations	\$ 30,311,961	40.91%	\$ 29,972,196	42.98%	\$ 24,945,029	40.79%
Ad-Valorem taxes – Maintenance and Operations	27,564,774	37.20%	24,854,665	35.64%	22,405,071	36.64%
Ad-Valorem taxes – Debt service	11,218,464	15.14%	11,017,119	15.79%	11,258,100	18.41%
Gifts	351,586	0.47%	215,177	0.30%	190,148	0.31%
Investment income (debt related)	4,653,487	6.28%	3,684,413	5.28%	2,352,936	3.85%
Other Non-operating revenues	-	-	1,844	0.01%	-	-
Total	\$ 74,100,272	100.00%	\$ 69,745,414	100.00%	\$ 61,151,284	100.00%

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

	2007		2006		2005	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Other non-operating expenses						
Interest on capital related debt	\$ 4,926,778	72.10%	\$ 4,662,868	81.00%	\$ 3,704,377	38.37%
Other non-operating expenses	1,906,943	27.90%	1,093,561	19.00%	5,949,680	61.63%
	6,833,721	100.00%	5,756,429	100.00%	9,654,057	100.00%
Net non-operating revenues:	<u>\$ 67,266,551</u>		<u>\$ 63,988,985</u>		<u>\$ 51,497,227</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 \$17,567,308, \$16,392,294, \$15,589,496, in fiscal year 2007, 2006 and 2005, respectively, which consisted of federal and state grants that were provided as financial aid to students and other remissions and exemptions.
- ◆ In fiscal year 2007, State allocations received increased by \$339,765 due to an increase in state funding for group insurance of \$168,202 and an increase in state funding for state retirement matching of \$176,869. State allocations totaling \$30,311,961 consisted of: \$23,228,528 contact hour funding, \$6,323,165 of state on-behalf benefits consisting of state group insurance of \$4,098,330, and state retirement matching of \$2,224,835. In addition, \$760,268 was received for the Baccalaureate Degree Program, the Hidalgo Technology Center, and Professional Nursing Reduction Shortage Funding. The contact hour allocations are received in ten monthly payments, September through December and March through August.
- ◆ The College's state allocation for contact hour funding remained the same at \$23,228,528 in fiscal years 2006 and 2007.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties increased 10% from fiscal year 2006, in the amount of \$21,527,704,669, to fiscal year 2007, in the amount of \$23,658,085,495. Tax collections, net of penalties and interest increased 10% from fiscal year 2006, in the amount of \$33,785,446, to fiscal year 2007, in the amount of \$36,997,639.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

- ◆ In fiscal year 2006, State allocations received increased by \$5,027,167 due to an increase in state funding for group insurance of \$680,809, an increase in state funding for state retirement matching of \$201,563, an increase in State contact hour funding of \$3,379,221 and an increase in other state revenues of \$765,574. State allocations totaling \$29,972,196 consisted of: \$23,228,528 contact hour funding and \$5,978,094 of state on-behalf benefits consisting of state group insurance of \$3,930,128 and state retirement matching of \$2,047,966. In addition, \$765,574 was received for implementation of the Baccalaureate Degree Program and the Hidalgo Technology Center. The contact hour allocations are received in ten monthly payments, September through December and March through August.
- ◆ The College's state allocation consisting of state contact hour funding was increased by \$3,379,221, from \$19,849,307 in fiscal year 2005 to \$23,228,528 in 2006.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties increased 8% from fiscal year 2005, in the amount of \$19,869,963,507, to fiscal year 2006, in the amount of \$21,527,704,669. Tax collections increased 5% from fiscal year 2005, in the amount of \$32,077,466, to fiscal year 2006, in the amount of \$33,785,446.
- ◆ The tax rates assessed in fiscal year 2005, 2006 and 2007 were \$.1647, \$.1589, and \$.1548 respectively.

Statements of Cash Flows

The final statement presented by the College is the Statements of Cash Flows, which details information about the cash activity of the College 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 College. 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 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

Condensed financial information from the Statements of Cash Flows is as follows:

Statement of Cash Flows			
	2007	2006	2005
Cash provided (used) by:			
Operating activities	\$ (43,038,799)	\$ (39,800,710)	\$ (39,188,303)
Non-capital financing activities	57,196,725	53,031,133	43,132,796
Capital and related financing activities	(16,881,811)	(15,736,479)	(17,906,922)
Investing activities	(3,055,052)	(1,320,690)	23,279,933
Net change in cash and cash equivalents	(5,778,937)	(3,826,746)	9,317,504
Cash and cash equivalents - September 1	19,467,628	23,294,374	13,976,870
Cash and cash equivalents - August 31	\$ 13,688,691	\$ 19,467,628	\$ 23,294,374

Major sources of funds included in operating activities during fiscal year 2007 are student tuition and fees, \$18,698,234 and grants and contracts of \$35,043,881.

The largest payments in operating activities were compensation to employees, \$58,888,376, payments to suppliers, \$20,682,321 and payments of scholarships, \$17,925,737.

The largest inflows of cash in the non-capital financing activities were the state allocations of \$30,311,961 and ad-valorem taxes of \$27,433,017.

The outflows in capital and related financing activities represent the purchases of capital assets in the amount of \$17,079,664 and payments of capital debts, \$11,283,832. Inflows of ad-valorem taxes for debt services were \$11,242,336.

In cash flows from investing activities, the cash inflows constitute proceeds from sales and maturities of investments of \$18,437,562, investment income of \$4,702,598, and cash outflows of \$26,195,212 constituting the purchases of investments.

The cash and cash equivalents balance as of August 31, 2007, decreased by \$5,778,937 from fiscal year 2006.

Major sources of funds included in operating activities during fiscal year 2006 are student tuition and fees, \$15,222,379 and grants and contracts \$40,581,781.

The largest payments in operating activities were compensation to employees \$53,927,275, payments to suppliers, \$23,537,679 and payments of scholarships \$18,496,443.

The largest inflows of cash in the non-capital financing activities were the state allocations of \$29,972,195 and ad-valorem taxes of \$24,240,886.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

The outflows in capital and related financing activities represent the purchases of capital assets in the amount of \$15,683,016 and payments of capital debts, \$10,884,029. Inflows of ad-valorem taxes for debt services were \$10,751,860.

In cash flow from investing activities, the cash inflows constitute proceeds from sales and maturities of investments of \$16,906,559, investment income of \$3,662,524 and cash outflows of \$21,889,773, constituting the purchase of investments.

The cash and cash equivalents balance as of August 31, 2006, decreased by \$3,826,746 from fiscal year 2005 to make scheduled facilities construction payments subsequent to year-end.

All funds are invested in accordance with the College's investment policies.

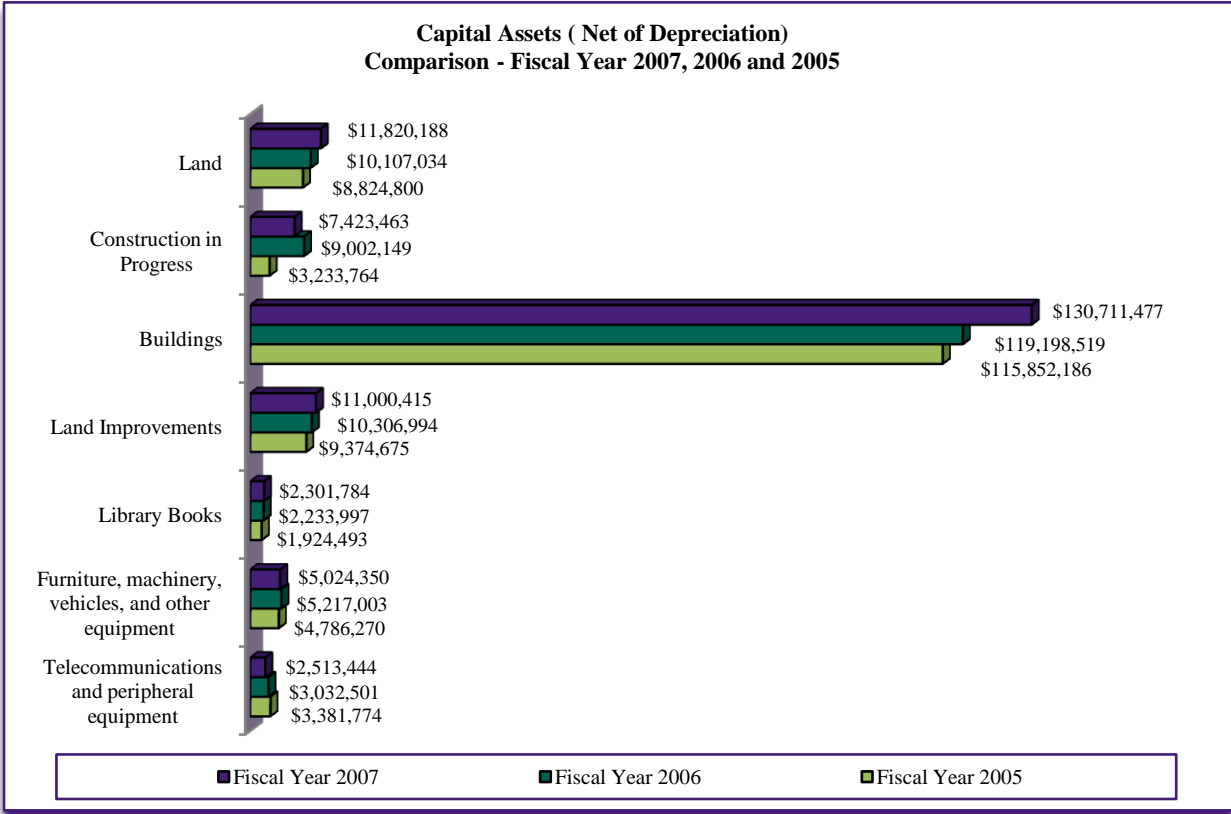
CAPITAL ASSET AND LONG - TERM DEBT ADMINISTRATION

The College had \$197,527,682 in capital assets, and \$26,732,560 in accumulated depreciation at August 31, 2007.

	South Texas College Capital Assets (Net of Depreciation)		
	2007	2006	2005
Land	\$ 11,820,188	\$ 10,107,034	\$ 8,824,800
Construction in Progress	7,423,463	9,002,149	3,233,764
Buildings	130,711,477	119,198,519	115,852,186
Land improvements	11,000,415	10,306,994	9,374,675
Library books	2,301,784	2,233,997	1,924,493
Furniture, machinery, vehicles, and other equipment	5,024,351	5,217,003	4,786,270
Telecommunications and peripheral equipment	2,513,444	3,032,501	3,381,774
Net capital assets	<u>\$ 170,795,122</u>	<u>\$ 159,098,197</u>	<u>\$ 147,377,962</u>

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

The following is a graphic illustration of capital assets, net of depreciation at August 31, 2007, 2006 and 2005.



From fiscal year 2006 to fiscal year 2007, buildings increased by \$11,512,958, land improvements increased by \$693,421 and construction in progress decreased by \$1,578,686 due to the completion and continued construction of the new facilities planned for the College.

From fiscal year 2005 to fiscal year 2006, buildings increased by \$3,346,333, land improvements increased by \$932,319 and construction in progress increased by \$5,768,385 due to the completion and continued construction of the new facilities planned for the College.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

The bond payable liability balances at August 31, 2005, August 31, 2006, and August 31, 2007, are as follows:

South Texas College Outstanding Debt – Bonds			
	2007	2006	2005
South Texas College District Tax Bond Series 1996	\$ -	\$ -	\$ 800,000
Public Property Finance Contractual Obligation Bond, Series 1999	750,000	3,920,000	4,140,000
South Texas College District Tax Bonds Series 2002	31,580,000	58,925,000	62,270,000
South Texas College District Tax Bonds Series 2003	18,240,000	19,525,000	20,770,000
South Texas College District Tax Bonds Series 2004	14,450,000	14,689,996	14,979,996
South Texas College District Tax Bond Series 2007 MTR	2,965,000	-	-
South Texas College District Tax Bond Series 2007 LTR	23,344,991	-	-
Total Bond Payable	\$ 91,329,991	\$ 97,059,996	\$ 102,959,996

The bonds issued in 2007 are rated “A1” by Moody’s Investors Service and “A+” by Standard and Poor’s Rating Service. The bonds issued in fiscal year 2004 are rated “Aaa” by Moody’s Investors Service and “AAA” by Standard and Poor’s Rating Service. The College’s other outstanding bonds underlying rating is “A2” by Moody’s Investors Service and “A” by Standard and Poor’s Rating Service.

The bonds were issued to address the facility requirements of the College. The enrollment has substantially increased over the years since the College’s inception. The unduplicated annual headcount enrollment has increased by 777%, from 2,900 in fiscal year 1994 to 25,422 in fiscal year 2007. The unduplicated contact hour generation has increased 697%, from 901,954 contact hours in 1994 to 7,186,080 contact hours in 2007.

SOUTH TEXAS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2007 and 2006

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

See Note No. 20 in the notes to financial statements for contractual commitments for capital expenditures at August 31, 2007. The College has used the bond proceeds to construct new facilities and purchase land required due to the dramatic enrollment increases. In addition, in fiscal years 1998 through 2002, the College set aside \$2,500,000 per year to be used for construction of facilities. In fiscal years 2003 and 2004, the College set aside \$5,000,000 and in fiscal years 2005, 2006 and 2007, the college set aside \$7,500,000, \$11,250,000 and \$7,500,000 respectively for this purpose.

The College is authorized to issue, per Education Code Section 130.122, \$.50 per \$100 valuation of taxable property for bonded debt. The College's debt tax rate in fiscal year 2007 was \$.0448 per \$100 valuation of taxable property.

ECONOMIC OUTLOOK

The College 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 College'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 increased operating costs associated with newly expanded facilities, and the College 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's finances. Requests for additional financial information may be addressed to South Texas College Business Office, P.O. Box 9701, McAllen, Texas 78502-9701



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South Texas College
Exhibit 1
Statements of Net Assets
August 31, 2007 and 2006

	FY 2007	FY 2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,688,691	\$ 19,467,628
Short-term investments	64,469,862	56,712,212
Other investments	115,350	-
Accounts receivable (net of allowance for doubtful accounts of \$330,003 and \$382,507, respectively)	13,255,906	13,618,938
Notes receivable	-	35,505
Prepaid expenses	502,810	254,301
Total current assets	92,032,619	90,088,584
Noncurrent Assets		
Deferred charges	1,240,627	1,189,662
Capital assets, net of accumulated depreciation	170,795,122	159,098,197
Total noncurrent assets	172,035,749	160,287,859
TOTAL ASSETS	264,068,368	250,376,443
LIABILITIES		
Current Liabilities		
Accounts payable	4,845,934	3,891,720
Accrued liabilities	413,768	525,508
Accrued compensable absences	400,793	401,083
Funds held for others	97,148	72,162
Unearned revenue	3,875,151	4,036,082
Bonds payable - current portion	6,905,000	5,509,996
Total current liabilities	16,537,794	14,436,551
Noncurrent Liabilities		
Bonds payable, net	87,955,356	95,303,551
Total noncurrent liabilities	87,955,356	95,303,551
TOTAL LIABILITIES	104,493,150	109,740,102
NET ASSETS		
Invested in capital assets, net of related debt	82,608,513	77,875,115
Restricted for:		
Expendable		
Loans	351,018	360,300
Debt service	7,125,560	6,233,133
Other purposes	3,435,799	3,464,093
Unrestricted	66,054,328	52,703,700
TOTAL NET ASSETS (Schedule D)	159,575,218	140,636,341
TOTAL LIABILITIES & NET ASSETS	\$ 264,068,368	\$ 250,376,443

The Notes to Financial Statements are an integral part of this statement

South Texas College
Exhibit 2
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended August 31, 2007 and 2006

	FY 2007	FY 2006
Operating revenues		
Tuition and fees (net of discounts of \$17,567,308 and \$16,392,294, respectively)	\$ 16,012,478	\$ 14,167,536
Federal grants and contracts	31,023,956	33,380,140
State grants and contracts	3,068,738	3,094,018
Local grants and contracts	922,667	756,312
Non-governmental grants and contracts	1,192,509	1,017,893
Auxiliary enterprises	874,962	906,335
General operating revenues	1,440,230	1,680,707
Total operating revenues (Schedule A)	54,535,540	55,002,941
Operating expenses		
Instruction	37,853,111	36,144,166
Research	-	19,663
Public service	1,795,019	2,847,813
Academic support	8,089,561	7,542,624
Student services	7,727,628	6,476,443
Institutional support	14,774,199	13,255,074
Operations and maintenance of plant	8,712,299	8,473,871
Scholarships and fellowships	18,512,951	19,681,397
Auxiliary enterprises	422,150	438,747
Depreciation	5,285,190	5,165,342
Total operating expenses (Schedule B)	103,172,108	100,045,140
Operating loss	(48,636,568)	(45,042,199)
Non-operating revenues (expenses)		
State allocations	30,311,961	29,972,196
Ad-valorem taxes		
Taxes for maintenance & operations	27,564,774	24,854,665
Taxes for debt service	11,218,464	11,017,119
Gifts	351,586	215,177
Investment income (net of investment expenses)	4,653,487	3,684,413
Interest on capital related debt	(4,926,778)	(4,662,868)
Other non-operating revenues (expenses)	(1,906,943)	(1,091,717)
Net non-operating revenues (Schedule C)	67,266,551	63,988,985
Income before capital contributions	18,629,983	18,946,786
Capital contributions	308,894	194,956
Increase in net assets	18,938,877	19,141,742
Net assets		
Net assets - beginning of year	140,636,341	121,494,599
Net assets - end of year	\$ 159,575,218	\$ 140,636,341

The Notes to Financial Statements are an integral part of this statement

South Texas College
Exhibit 3
Statements of Cash Flows
For the Years Ended August 31, 2007 and 2006

	FY 2007	FY 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 18,698,234	\$ 15,222,379
Receipts from grants and contracts	35,043,881	40,581,781
Payments to suppliers for goods or services	(20,682,321)	(23,537,679)
Payments to or on behalf of employees	(58,888,376)	(53,927,275)
Payments for scholarships and fellowships	(17,925,737)	(18,496,443)
Payments for loans issued to students	(534,893)	(562,486)
Receipts from collection of loans to students	427,479	430,619
Other receipts (payments)	822,934	488,394
Net cash provided (used) by operating activities	(43,038,799)	(39,800,710)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	30,311,961	29,972,195
Receipts from ad-valorem taxes-maintenance and operation	27,433,017	24,240,886
Payments for collection of taxes	(551,583)	(490,942)
Receipts/(payments) from gifts or grants for other than capital purposes	(21,790)	(709,040)
Receipts from student organizations and other agency transactions	553,746	276,656
Payments to student organizations and other agency transactions	(528,625)	(258,622)
Net cash provided (used) by non-capital financing activities	57,196,726	53,031,133
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad-valorem taxes-debt services	11,242,336	10,751,860
Contribution received in aid of construction	239,348	74,526
Proceeds from sale of capital assets	-	4,180
Purchases of capital assets	(17,079,664)	(15,683,016)
Payments on capital debt-principal	(5,774,997)	(5,900,000)
Payments on capital debt-interest and fees	(5,508,835)	(4,984,029)
Net cash provided (used) by capital and related financing activities	(16,881,812)	(15,736,479)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	18,437,562	16,906,559
Receipts from interest on investments	4,702,598	3,662,524
Purchase of investments	(26,195,212)	(21,889,773)
Net cash provided (used) by investing activities	(3,055,052)	(1,320,690)
Increase (decrease) in cash and cash equivalents	(5,778,937)	(3,826,746)
Cash and cash equivalents - September 1	19,467,628	23,294,374
Cash and cash equivalents - August 31	\$ 13,688,691	\$ 19,467,628

The Notes to Financial Statements are an integral part of this statement

South Texas College
Exhibit 3
Statements of Cash Flows
For the Years Ended August 31, 2007 and 2006

	FY 2007	FY 2006
Reconciliation of net operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ (48,636,568)	\$ (45,042,199)
Adjustments to reconcile net operating loss to net cash provided (used)		
by operating activities:		
Depreciation expense	5,285,189	5,165,341
Emergency loan write-off	-	(131,867)
Changes in Assets and Liabilities		
Receivables, net	(767,535)	2,719,226
Notes receivable	(107,414)	-
Prepaid expenses	(248,510)	(98,708)
Other assets		
Accounts payable	1,392,911	(2,513,951)
Compensated absences	(290)	15,977
Deferred revenues	43,418	85,471
Net cash provided (used) by operating activities:	\$ (43,038,799)	\$ (39,800,710)
 Noncash investing, capital, and financing activities:		
Increase in taxes receivable	\$ 107,885	\$ 879,038
Increase (decrease) in interest receivable on investment	164,462	21,889
Increase in receivable - agency	635	
Increase in vendor payable - agency	500	482
Increase in vendor payable - capital assets	5,279,980	1,060,789
Increase (decrease) in accrued interest	21,634	(13,340)
Increase in taxes collections fees payable	306	(2,228)
Donations of capital assets	69,546	120,430
Donations of operating items	30,081	7,359
Bond premium / discount / issuance cost amortization	396,596	323,081
Unearned revenue	-	204,348
Defeasement	737,583	-
Deferred loss	1,198,253	-
Deferred loss amortization	162,325	118,078
Bequest	-	103,611
Total	\$ 8,169,786	\$ 2,823,537

The Notes to Financial Statements are an integral part of this statement

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 1 - Reporting Entity

South Texas College 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 College 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 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 College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by GASB. The College 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 College adheres to the financial statement presentation required by the THECB.

B. Nature of Operations

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

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Tuition Discounting (Continued)

Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as restricted 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 College 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 disbursed 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 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 College'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 College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College'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 College 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 College. 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, such as investment income. The major non-operating revenues are allocations from the state, including restricted revenues such as state insurance and

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

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

benefit allocations and property tax collections. 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 district 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 College'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 College 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 College'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
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

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 capitalization policy includes real and personal property with a value equal to or greater than \$5,000 and an estimated life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are changed to operating expenses in the year in which the expense is incurred. Library books and materials purchases, in total for the year, are subject to the \$5,000 capitalization threshold.

The College 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 land improvements and buildings.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are charged to operating expense in the year in which the expense is incurred.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Collections/Works of Art

The College did not own collections and or works of art during the fiscal years ended August 31, 2007, or August 31, 2006, or as of either year end.

O. Unearned Revenues

Tuition and fees of \$3,677,291 and \$3,630,508 and federal, state, and local grants of \$197,860 and \$405,574 have been reported as unearned revenues at August 31, 2007 and August 31, 2006, respectively.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principle 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 College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College'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 College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted 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 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 College, 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

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources.

R. Funds Held in Trust for Others

At August 31, 2007, and at August 31, 2006, the College held, in trust funds, amounts of \$97,148 and \$72,162 respectively, that pertain primarily to student organizations. These funds are not available to support the College'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 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.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 3 - Capital Assets

Capital assets activity for the year ended August 31, 2007, was as follows:

	Balance September 31, 2006	Increases	Decreases	Balance August 31, 2007
Capital Assets Not Depreciated:				
Land	\$ 10,107,034	\$ 1,713,154	\$ -	\$ 11,820,188
Construction In Process	9,002,149	10,905,379	12,484,065	7,423,463
Total Capital Assets Not Being Depreciated	19,109,183	12,618,533	12,484,065	19,243,651
Capital Assets Being Depreciated:				
Buildings	126,948,412	13,862,284	1,210	140,809,486
Land Improvements	11,092,485	1,207,796	-	12,300,281
Total Buildings and Other Other Land Improvements	138,040,897	15,070,080	1,210	153,109,767
Library Books	3,575,217	317,205	-	3,892,422
Furniture, Machinery, Vehicles, and Other Equipment	9,329,271	723,811	22,795	10,030,287
Telecommunications and Peripheral Equipment	10,492,519	759,036	-	11,251,555
Total Capital Assets Being Depreciated	161,437,904	16,870,132	24,005	178,284,031
Accumulated Depreciation:				
Buildings	7,749,893	2,348,116	-	10,098,009
Land Improvements	785,491	514,375	-	1,299,866
Library Books	1,341,220	249,418	-	1,590,638
Furniture, Machinery, Vehicles, and Other Equipment	4,112,268	895,188	1,520	5,005,936
Telecommunications and Peripheral Equipment	7,460,018	1,278,093	-	8,738,111
Total Accumulated Depreciation	21,448,890	5,285,190	1,520	26,732,560
Total Capital Assets Being Depreciated, Net	139,989,014	11,584,942	22,485	151,551,471
Total Capital Assets, Net	\$ 159,098,197	\$ 24,203,475	\$ 12,506,550	\$ 170,795,122

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

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 3 - Capital Assets (Continued)

Capital assets activity for the year ended August 31, 2006, was as follows:

	Balance September 1, 2005	Increases	Decreases	Balance August 31, 2006
Capital Assets Not Depreciated:				
Land	\$ 8,824,800	\$ 1,282,234	\$ -	\$ 10,107,034
Construction in Progress	3,233,764	12,396,834	6,628,449	9,002,149
Total Capital Assets Not Being Depreciated	<u>12,058,564</u>	<u>13,679,068</u>	<u>6,628,449</u>	<u>19,109,183</u>
Capital Assets Being Depreciated:				
Buildings	120,859,343	6,089,069	-	126,948,412
Land Improvements	9,705,298	1,387,187	-	11,092,485
Total Buildings and Other Land Improvements	<u>130,564,641</u>	<u>7,476,256</u>	<u>-</u>	<u>138,040,897</u>
Library Books	3,219,663	355,554	-	3,575,217
Furniture, Machinery, Vehicles and Equipment	8,128,742	1,212,029	11,500	9,329,271
Telecommunications and Peripheral Equipment	9,716,583	795,340	19,404	10,492,519
Total Capital Assets Being Depreciated	<u>151,629,629</u>	<u>9,839,179</u>	<u>30,904</u>	<u>161,437,904</u>
Accumulated Depreciation:				
Buildings	5,007,157	2,742,736	-	7,749,893
Land Improvements	330,623	454,868	-	785,491
Library Books	1,295,170	46,050	-	1,341,220
Furniture, Machinery, Vehicles and Other Equipment	3,342,472	777,075	7,279	4,112,268
Telecommunications and Peripheral Equipment	6,334,809	1,144,613	19,404	7,460,018
Total Accumulated Depreciation	<u>16,310,231</u>	<u>5,165,342</u>	<u>26,683</u>	<u>21,448,890</u>
Total Capital Assets Being Depreciated, Net	<u>135,319,398</u>	<u>4,673,837</u>	<u>4,221</u>	<u>139,989,014</u>
Total Capital Assets, Net	<u>\$ 147,377,962</u>	<u>\$ 18,352,905</u>	<u>\$ 6,632,670</u>	<u>\$ 159,098,197</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 3 - Capital Assets (Continued)

Construction in progress as of August 31, 2007, including capitalized interest of \$413,440 consists of the following:

<u>Project</u>	<u>Balance September 31, 2006</u>	<u>Additions / Deductions</u>	<u>Completed / Reclassification</u>	<u>Balance August 31, 2007</u>
Mid Valley Renovation SSC	\$ -	\$ 253	\$ 253	\$ -
Mid Valley Parking	58,812	410,703	469,515	-
Mid Valley Child Development	228,472	272,681	501,153	-
Mid Valley Student Activity Bldg Renovation	-	11,219	-	11,219
Mid Valley Bldg H and Art Lab Renovation	-	14,401	14,401	-
Nursing Allied Health Renovation SSC	-	99	99	-
Nursing Allied Health Respiratory Lab	4,278	236,512	240,790	-
Pecan Renovation Bldg "D"	-	30,462	30,462	-
Pecan South Parking	-	3,630	3,630	-
Pecan Phase II Site Dev	1,727,750	3,975,218	1,371,503	4,331,465
Pecan Phase II City Improvements	84,990	263,310	348,300	-
Pecan Replacement HVAC Units	-	(12,717)	(12,717)	-
Pecan Storm Water	83,584	126,000	209,584	-
Pecan Conference Center	92,054	-	-	92,054
Pecan Library & Modification Canopy	4,067	61,678	65,745	-
Pecan Art Lab HVAC	68,026	66,937	134,963	-
Pecan Library Expansion Phase II	-	3,091	3,091	-
Pecan Bldg A Restroom Renovation	-	7,710	-	7,710
Pecan Bldg B and Art Lab Renovation	-	235,162	-	235,162
Pecan Fire Sprinkler /Bookstore	-	7,659	-	7,659
Tech Renovation	19,939	248,376	268,315	-
Tech Chiller	95,666	493,302	588,968	-
Starr Renovation SSC	-	144	144	-
District Wide Land	2,432	(2,432)	-	-
District Wide Renovation	-	15,652	15,652	-
Pecan 2501 Re Roofing	-	172,207	172,207	-
Pecan	7,684,668	4,505,180	8,009,067	4,180,781
Technology Center	-	8,559	8,559	-
Starr	-	11,595	11,595	-
Mid Valley	-	11,082	11,082	-
Nursing Allied Health	-	17,704	17,704	-
Satellite Center	13,724	(13,724)	-	-
Bond Amortization 2002	(992,146)	(223,736)	-	(1,215,882)
Bond Amortization 2003	(174,167)	(52,538)	-	(226,705)
Total	<u>\$ 9,002,149</u>	<u>\$ 10,905,379</u>	<u>\$ 12,484,065</u>	<u>\$ 7,423,463</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 3 - Capital Assets (Continued)

Construction in progress as of August 31, 2006, including capitalized interest of \$375,522 consists of the following:

<u>Project</u>	Balance August 31, 2005	Additions / Deductions	Completed / Reclassification	Balance August 31, 2006
Mid Valley Remediation	\$ -	\$ 51,973	\$ 51,973	\$ -
Mid Valley Renovation	-	64	64	-
Mid Valley Renovation SSC	2,296	139,595	141,891	-
Mid Valley Parking	-	58,812	-	58,812
Mid Valley Child Development	-	228,472	-	228,472
Mid Valley Monuments	-	24,320	24,320	-
Nursing Allied Health Temp Parking	9,276	-	9,276	-
Nursing Allied Health Student Activities	-	44,710	44,710	-
Nursing Allied Health Renovation SSC	-	53,368	53,368	-
Nursing Allied Health Respiratory Lab	-	4,278	-	4,278
Pecan Renovation Bldg "D"	17,283	573,738	591,021	-
Pecan Parking	534,080	227,011	761,091	-
Pecan South Parking	-	150,322	150,322	-
Pecan Fence	64,380	-	64,380	-
Pecan Phase II Site Dev	17,891	1,709,859	-	1,727,750
Pecan Phase II City Improvements	-	84,990	-	84,990
Pecan Replacement HVAC Units	1,682,940	1,435,547	3,118,487	-
Pecan Storm Water	-	83,584	-	83,584
Pecan Conference Center	-	92,054	-	92,054
Pecan Student Activity	-	45,703	45,703	-
Pecan Library & Modification Canopy	-	4,067	-	4,067
Pecan Art Lab HVAC	-	68,026	-	68,026
Library Expansion Phase II	-	34,846	34,846	-
Tech Parking	-	1,708	1,708	-
Tech Student Activity	-	47,632	47,632	-
Tech Renovation	-	19,939	-	19,939
Tech Chiller	-	95,666	-	95,666
Starr Renovation SSC	2,296	85,545	87,841	-
Starr Student Activity	-	46,324	46,324	-
District Wide Land	1,857	575	-	2,432
District Wide Renovation	-	191,064	191,064	-
Pecan	764,902	7,022,703	102,937	7,684,668
Technology Center	10,089	8,609	18,698	-
Starr	-	11,269	11,269	-
Mid Valley	992,690	19,307	1,011,997	-
Nursing Allied Health	-	15,208	15,208	-
Satellite Center	13,752	(28)	-	13,724
Bond Amortization 2002	(760,658)	(231,488)	-	(992,146)
Bond Amortization 2003	(121,629)	(52,538)	-	(174,167)
Total	<u>\$ 3,231,445</u>	<u>\$ 12,396,834</u>	<u>\$ 6,626,130</u>	<u>\$ 9,002,149</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 4 - Long Term Liabilities

Long-term liabilities activity for the year ended August 31, 2007, was as follows:

	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Less Current Portion	Less Discount / Deferred Loss Plus Premium	Amount Net of Current Portion, Discount & Premium
Leases Bonds and Notes:							
Public Property Finance							
Contractual Obligation Bonds, Series 1999	\$ 3,920,000	\$ -	\$ 3,170,000	\$ 750,000	\$ (240,000)	\$ (4,442)	\$ 505,558
South Texas College District Tax Bonds, Series 2002	58,925,000	-	27,345,000	31,580,000	(3,975,000)	1,495,858	29,100,858
South Texas College District Tax Bonds, Series 2003	19,525,000	-	1,285,000	18,240,000	(1,320,000)	631,513	17,551,513
South Texas College District Tax Bonds, Series 2004	14,689,996	-	239,996	14,450,000	(1,135,000)	292,407	13,607,407
South Texas College District Tax Bonds, Series 2007 MTR	-	2,985,000	20,000	2,965,000	(10,000)	(74,547)	2,880,453
South Texas College District Tax Bonds, Series 2007 LTR	-	23,589,991	245,000	23,344,991	(225,000)	1,189,576	24,309,567
Total long-term liabilities	<u>\$ 97,059,996</u>	<u>\$ 26,574,991</u>	<u>\$ 32,304,996</u>	<u>\$ 91,329,991</u>	<u>\$ (6,905,000)</u>	<u>\$ 3,530,365</u>	<u>\$ 87,955,356</u>

Compensated absences consist of accrued vacations. Such liabilities are considered to be current liabilities and are not included in long-term liabilities.

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2007, on the above bond issues are as follows:

	Bond Issue Cost	Bond Discount	Bond Premium	Deferred Loss
Public Property Finance Contractual Obligation Bonds, Series 1999	\$ 14,260	\$ 4,442	\$ -	\$ -
South Texas College District Tax Bonds, Series 2002	335,778	-	1,495,858	-
South Texas College District Tax Bonds, Series 2003	241,060	-	631,513	-
South Texas College District Tax Bonds, Series 2004	200,689	-	1,418,194	1,125,787
South Texas College District Tax Bonds, Series 2007 MTR	49,719	-	19,992	94,539
South Texas College District Tax Bonds, Series 2007 LTR	399,122	-	2,249,044	1,059,468
Total	<u>\$ 1,240,627</u>	<u>\$ 4,442</u>	<u>\$ 5,814,601</u>	<u>\$ 2,279,794</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 4 – Long Term Liabilities (Continued)

Long-term liabilities activity for the year ended August 31, 2006, was as follows:

	Balance September 1, 2005	Additions	Reductions	Balance August 31, 2006	Less Current Portion	Less Discount / Deferred Loss Plus Premium	Amount Net of Current Portion, Discount & Premium
Leases Bonds and Notes:							
South Texas College District Tax Bonds, Series 1996	\$ 800,000	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ -
Public Property Finance Contractual Obligation Bonds, Series 1999	4,140,000	-	220,000	3,920,000	(230,000)	(26,149)	3,663,851
South Texas College District Tax Bonds, Series 2002	62,270,000	-	3,345,000	58,925,000	(3,755,000)	2,778,606	57,948,606
South Texas College District Tax Bonds, Series 2003	20,770,000	-	1,245,000	19,525,000	(1,285,000)	684,320	18,924,320
South Texas College District Tax Bonds, Series 2004	14,979,996	-	290,000	14,689,996	(239,996)	316,773	14,766,773
Total long-term liabilities	<u>\$ 102,959,996</u>	<u>\$ -</u>	<u>\$ 5,900,000</u>	<u>\$ 97,059,996</u>	<u>\$ (5,509,996)</u>	<u>\$ 3,753,550</u>	<u>\$ 95,303,550</u>

Compensated absences consist of accrued vacations. Such liabilities are considered to be current liabilities and are not included in long-term liabilities.

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2006, on the above bond issues are as follows:

	Bond Issue Cost	Bond Discount	Bond Premium	Deferred Loss
Public Property Finance Contractual Obligation Bonds, Series 1999	\$ 83,949	\$ 26,149	\$ -	\$ -
South Texas College District Tax Bonds, Series 2002	623,719	-	2,778,606	-
South Texas College District Tax Bonds, Series 2003	261,148	-	684,320	-
South Texas College District Tax Bonds, Series 2004	220,846	-	1,560,638	1,243,865
Total	<u>\$ 1,189,662</u>	<u>\$ 26,149</u>	<u>\$ 5,023,564</u>	<u>\$ 1,243,865</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 4 – Long Term Liabilities (Continued)

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 College calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2007, the College does not have a liability.

Note 5 – Debt and Lease Obligations

As of August 31, 2007, 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:

Fiscal Year	Principal	Interest	Total
2008	\$ 6,905,000	\$ 4,242,686	\$ 11,147,686
2009	7,170,000	3,976,701	11,146,701
2010	7,475,000	3,675,535	11,150,535
2011	7,800,000	3,348,950	11,148,950
2012	8,145,000	3,009,425	11,154,425
2013-2017	44,269,991	10,289,284	54,559,275
2018-2019	9,565,000	505,975	10,070,975
Total	<u>\$ 91,329,991</u>	<u>\$ 29,048,556</u>	<u>\$ 120,378,547</u>

As of August 31, 2006, bonds payable are due in annual installments varying from \$230,000 to \$6,355,000 with interest rates from 0% to 8.5% 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:

Fiscal Year	Principal	Interest	Total
2007	\$ 5,509,996	\$ 5,625,520	\$ 11,135,516
2008	6,670,000	4,486,656	11,156,656
2009	6,925,000	4,230,071	11,155,071
2010	7,220,000	3,938,705	11,158,705
2011	7,540,000	3,616,515	11,156,515
2012-2016	43,525,000	12,265,811	55,790,811
2017-2019	19,670,000	1,570,076	21,240,076
Total	<u>\$ 97,059,996</u>	<u>\$ 35,733,354</u>	<u>\$ 132,793,350</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 5 – Debt and Lease Obligations (Continued)

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

Fund Group	August 31, 2007	August 31, 2006
Unrestricted Current Funds	\$ 423,100	\$ 563,123
	\$ 423,100	\$ 563,123

The College 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:

Year Ended	August 31, 2007 Minimum Future Lease Payments	August 31, 2006 Minimum Future Lease Payments
2007	\$ -	\$ 466,412
2008	272,176	252,382
2009	213,413	199,295
2010	110,207	98,155
2011	29,719	13,008
2012	1,736	-
Total	\$ 627,251	\$ 1,029,252

Note 6 – Bonds Payable

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

	2007	2006
\$5,200,000 South Texas College 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.	\$ 750,000	\$ 3,920,000

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 6 – Bonds Payable (Continued)

<p>\$71,230,000 South Texas College 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 services: Ad-Valorem taxes.</p>	31,580,000	58,925,000
<p>\$22,845,000 South Texas College 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 (with a net premium of \$859,378 less a deposit to the interest and sinking fund of \$4,378). Purpose: construction, renovation and equipment of College facilities Issued: May 8, 2003. Source of revenue for debt services: Ad-Valorem taxes</p>	18,240,000	19,525,000
<p>\$15,514,996 South Texas College 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 College's outstanding debt, in order to lower the overall debt service requirements of the College, and to pay for costs of issuance of the Bonds. Issued: March 15, 2004. Source of revenue for debt services: Ad-Valorem taxes.</p>	14,450,000	14,689,996
<p>\$2,985,000 South Texas College Maintenance Tax Refunding Bonds, Series 2007 due in varying installments through 2019, interest at 4.0%. Purpose: To current refund a portion of the College's maintenance tax debt, in order to lower the overall annual debt service requirements of the College, and to pay for the costs of issuance of the Bonds. Issued: March 29, 2007. Source of revenue of debt services: Ad-Valorem taxes</p>	2,965,000	-
<p>\$23,589,991 South Texas College 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 College's outstanding debt, in order to lower the overall debt service requirements of the College, and to pay for cost of issuance of the Bonds. Issued: March 29, 2007 Source of revenue of debt services: Ad-Valorem Taxes</p>	23,344,991	-
Total Bonds Payable	<u>\$ 91,329,991</u>	<u>\$ 97,059,996</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 7 – Advance Refunding of Bonds

On March 29, 2007, South Texas College issued a Maintenance Tax Refunding Bond, Series 2007 totaling \$2,985,000 (all authorized bonds were issued) to refund a portion of the South Texas College issued Public Property Finance Contractual Obligations, Series 1999 in order to lower the overall debt service requirements of the College and to pay for costs of issuance of the bonds. A total of \$2,940,000 of Public Property Finance Contractual Obligation, Series 1999 were refunded. Outstanding on the Maintenance Tax Refunding Bond, Series 2007 at year end was \$2,965,000. The average interest rate of bonds refunded was 4.39%. In order to refund the bonds, the proceeds of the new issue, \$2,954,219, after payments of \$30,173 to underwriting fees, insurance, bond counsel fees and other issuance costs, were deposited and held in an escrow fund by Texas State Bank. The refunding resulted in a reduction of the total debt service payments over the next 13 years by \$56,902 and gave the College an economic gain of \$88,784. The portion of post refunding Public Property Finance Contractual Obligation, Series 1999, outstanding at August 31, 2007 is \$750,000. The accounting loss resulting from the advanced refunding totaled \$97,884.

Also, on March 29, 2007, South Texas College 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 issued Limited Tax General Obligation Bond, Series 2002 in order to lower the overall debt service requirements of the College and to pay for costs of issuance of the bonds. A total of \$23,590,000 of Limited Tax General Obligation Bond, Series 2002 were refunded. Outstanding on the Limited Tax Refunding Bond, Series 2007 at year end was \$23,344,991. The average interest rate of bonds refunded was 5.24%. In order to refund the bonds, the proceeds of the new issue, \$25,511,327, after payments of \$253,744 to underwriting fees, insurance, bond counsel fees and other issuance costs, were deposited and held in an escrow fund by Texas State Bank. The refunding resulted in a reduction of the total debt service payments over the next 12 years by \$1,225,355 and gave the College an economic gain of \$827,138. The portion of post refunding Limited Tax General Obligation Bond, Series 2002, outstanding at August 31, 2007 is \$31,580,000. The accounting loss resulting from the advanced refunding totaled \$1,100,369.

On March 15, 2004, South Texas College issued Limited Tax General Obligation Refunding Bonds, Series 2004 totaling \$15,514,996 (all authorized bonds were issued) to advance refund a portion of the South Texas College issued Tax Bonds, Series 1996 in order to lower the overall debt service requirements of the College and to pay for costs of issuance of the bonds. A total of \$15,515,000 of Tax Bonds, Series 1996 were refunded. The average interest rate of bonds refunded was 6.4%. In order to refund the bonds, the proceeds of the new bonds were deposited and held in an escrow fund at JP Morgan. The post-refunding Tax Bond, Series 1996, have been paid off as of August 31, 2005. This issue of refunds bonds is not subject to early redemption.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 8 – Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2007 and August 31, 2006, were as follows:

	<u>August 31, 2007</u>	<u>August 31, 2006</u>
Student Receivables	\$ 135,292	\$ 68,316
Taxes Receivables	8,941,630	8,886,249
Federal Receivables	4,041,776	2,560,359
Interest Receivables	37,459	205,116
Accounts Receivables		
Bookstore and Auxiliary	46,220	12,946
State, Local and private	260,085	421,732
Contractors	-	204,348
Bequeath	-	1,353,611
Other Receivables	123,447	288,768
Subtotal	<u>13,585,909</u>	<u>14,001,445</u>
Allowance for Doubtful Accounts	<u>(330,003)</u>	<u>(382,507)</u>
Total Receivables – Exhibit 1	<u>\$ 13,255,906</u>	<u>\$ 13,618,938</u>

Taxes receivable may not all be collected within one year.

Payables

Payables at August 31, 2007 and August 31, 2006, were as follows:

	<u>August 31, 2007</u>		<u>August 31, 2006</u>	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor Payable				
Vendors	\$ 1,460,354	\$ -	\$ 2,009,193	\$ -
Construction	648,080	-	874,566	-
Construction Retainage	378,977	-	680,490	-
International Schools	134,961	-	64,377	-
Salaries & Benefits	-	221,670	-	317,035
Students Payable	2,048,800	-	193,275	-
Accrued Interest	-	184,676	-	206,309
Other Payables	174,762	7,422	69,819	2,164
Total Payables – Exhibit 1	<u>\$ 4,845,934</u>	<u>\$ 413,768</u>	<u>\$ 3,891,720</u>	<u>\$ 525,508</u>

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

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 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 College President for extenuating circumstances. Upon retirement, resignation, termination, or death of full-time benefit eligible employees, the College pays employees for unused accrued vacation leave.

The College recognized the accrued liability for the unpaid annual leave in the amounts of \$400,793 at August 31, 2007 and \$401,083 at August 31, 2006.

Sick leave, which can be accumulated 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.

Note 10 – Authorized Investments

The College 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 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 “A” 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. College policy delegates this authority to three Investment Officers.

It is the policy of the College 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 College and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objectives of the policy are preservation of capital, safety of College funds, maintenance of sufficient liquidity, maximization of return within acceptable risk constraints, and diversification of investments.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 11 – Deposits and Investments (Continued)

At August 31, 2007, and 2006 the carrying amount of South Texas College’s deposits was \$78,150,228, and \$76,171,180 respectively. Bank balances of \$200,000 were covered by federal depository insurance and the remainder was covered by collateral pledge in the College’s name. The collateral held by the depository bank in South Texas College’s name had a fair value of \$81,432,040 and \$78,500,757 for the years ended August 31, 2007 and 2006. The College 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, 2007	August 31, 2006
Demand Deposit	\$ 13,530,796	\$ 19,458,968
Certificates of Deposit	64,619,432	56,712,212
Total Bank Deposits	78,150,228	76,171,180
Petty Cash on Hand	8,325	8,660
Total Cash	8,325	8,660
Total	\$ 78,158,553	\$ 76,179,840

Total investments at August 31, 2007 and 2006, are as follows:

Reconciliation of Deposits and Investments to Statement of Net Assets

Type of Security	Fair Value August 31, 2007	Fair Value August 31, 2006
Demand Deposits and Cash	\$ 13,539,121	\$ 19,467,628
Certificates of Deposit	64,619,432	56,712,212
Capital Stock	115,350	-
Total Deposits and Investments	\$ 78,273,903	\$ 76,179,840
Cash and Cash Equivalents (Exhibit 1)	13,668,691	19,467,628
Short-Term Investments (Exhibit 1)	64,469,862	56,712,212
Other Investments (Exhibit 1)	115,350	-
Total Reconciliation to Exhibit 1	\$ 78,273,903	\$ 76,179,840

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 11 – Deposits and Investments (Continued)

As of August 31, 2007 the College had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weight Average Maturity (Years)</u>
Certificate of Deposit	\$ 64,619,432	0.45

Interest Rate Risk - In accordance with its investment policy, the College limits its exposure to interest rate risk by investing in securities whose maturities will not exceed the anticipated cash flow requirements of the funds. College 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 College’s investment policy, the College 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.

Concentration of Credit Risk – The College’s investment policy seeks to minimize its concentration of credit risk by establishing the following maximum percentages of investment type for the total College 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%.

Other investments consisted of a gift of donated capital stock received during the year which is not collateralized and will be sold in fiscal year 2008.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 12 – Ad Valorem Taxes

The College’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 College District. Property taxes are due and payable as of October 1, and all unpaid taxes become delinquent February 1 of the following year in which imposed.

	August 31, 2007	August 31, 2006
Assessed Valuation of the College	\$ 24,527,879,537	\$ 22,369,029,565
Less: Exemptions	(869,797,042)	(841,324,896)
Less: Abatements	-	-
Net Assessed Valuation of the College	\$ 23,658,082,495	\$ 21,527,704,669

	Fiscal Year 2007			Fiscal Year 2006		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation	\$ 0.1100	\$ 0.5000	\$ 0.6100	\$ 0.1100	\$ 0.5000	\$ 0.6100
Assessed Tax Rate per \$100 valuation	\$ 0.1100	\$ 0.0448	\$ 0.1548	\$ 0.1100	\$ 0.0489	\$ 0.1589

Taxes levied for the year ended August 31, 2007 and 2006 amounted to \$37,120,694 and \$34,208,971 respectively including any penalty and interest assessed.

The Hidalgo County Tax Assessor-Collector and the Starr County Tax Assessor-Collector are the Collecting Agency for the levy and remit the collections to the College, net of a collection fee. The use of tax proceeds is restricted to either maintenance and operations or funding interest and sinking requirement.

	August 31, 2007			August 31, 2006		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 24,183,364	\$ 9,849,225	\$ 34,032,590	\$ 21,624,257	\$ 9,612,959	\$ 31,237,216
Delinquent Taxes Collected	2,039,970	925,080	2,965,049	1,734,432	813,798	2,548,230
Penalties & Interest Collected	1,089,991	454,259	1,544,249	608,824	256,783	865,607
Total Collections	\$ 27,313,325	\$ 11,228,564	\$ 38,541,889	\$ 23,967,513	\$ 10,683,540	\$ 34,651,053

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 12 – Ad Valorem Taxes (Continued)

Tax collections for the year ended August 31, 2007 and 2006 were 92.92% and 91.31%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

Note 13 – Designation of Unrestricted Assets

No unrestricted net assets were designated in Fiscal year 2007. In Fiscal year 2006, \$198,000 were designated by the College's Board of Trustees and management for the ERP computer systems implementation.

Note 14 – Employees' Retirement Plan

The College 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, Section 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. 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. State law provides for fiscal years 2007, and 2006, a state contribution rate of 6.0%, and a member contribution rate of 6.4%. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution.

Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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 contributions to TRS made on behalf of the district's employees for the years ended August 31, 2007, 2006, and 2005 were \$1,567,971, \$1,407,828,

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

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

and \$1,244,855, respectively. The district’s expenditures for on behalf State contributions to TRS for the years ended August 31, 2007, and 2006 were \$1,567,971, and \$1,407,828, respectively. The district paid additional state contributions for the years ended August 31, 2007, and 2006 in the amount of \$1,567,971, and \$161,378, respectively on the portion of the employees’ salaries that exceeded the statutory minimum. The total payroll for all college employees for the years ended August 31, 2007, and 2006 were \$202,010, and \$43,382,116, respectively. The total payroll of employees covered by the Teacher Retirement System for the years August 31, 2007, and 2006 were \$31,002,937, and \$26,674,298, respectively.

The state has also established an optional retirement program (ORP) for institutions of higher education. 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. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 2.5% for employees who were participating in the optional retirement program prior to September 1, 1995. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. The payroll for employees covered by ORP for the years ended August 31, 2007, and 2006 was \$10,947,679, and \$10,668,924, respectively.

The College has made all contributions required under the plan as described above.

Note 15 - Deferred Compensation Program

College 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, 2007, the College had 82 employees participating in the program and 78 participated in 2006. A total of \$304,625 and \$272,297 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2007 and 2006, 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 College.

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. Accordingly, when such funds are received in advance, they are recorded as unearned revenue until earned. Grant funds expended but not yet collected are reported as receivables. 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.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 16 - Contract and Grant Awards (*Continued*)

Contract and grant award funds already committed (e.g. multi-year awards) or funds awarded during fiscal years 2007 and 2006, for which monies have not been received nor funds expended totaled \$16,709,972, and \$21,822,853, respectively. Of this amount, \$15,755,828 and \$21,386,657 were from federal contract and grant awards; \$828,840 and \$304,884 were from the state contract and grant awards; \$92,357 and \$118,301 were from local contract and grant awards and \$32,947 and \$13,011 were from private contract and grant awards for fiscal years 2007 and 2006, respectively.

Note 17 - Risk Management

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

In fiscal year 2007, the more significant of this included \$1,000,000 of general liability insurance, property insurance covering the District's buildings and properties in an aggregate amount of approximately \$185,582,862 which includes commercial inland marine coverage, and \$5,000,000 in education legal and employment practices liability. 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.

In fiscal year 2006, the more significant of this included \$1,000,000 of general liability insurance, property insurance covering the District's buildings and properties in an aggregate amount of approximately \$132,118,725 which includes commercial inland marine coverage, and \$5,000,000 in school leaders' and employment practices liability. 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 all employees who retire from the College on or after attaining age 65 with at least ten years of TRS/ORP eligible service credit at the College 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 as described in Note 15. 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 \$360.54 and \$273.33 per month for the year ended August 31, 2007 for the Blue Cross Blue Shield – Health Select plan and Valley Health Plan – HMO plan respectively. The state's contribution totaled \$4,058,650 for fiscal year 2007 and \$3,930,128 for fiscal year 2006. The cost of providing those benefits for eleven retirees in the year ended August 31, 2007 and ten retirees in the year ended August 31, 2006 was \$49,017 and \$38,537. For 856 Blue Cross Blue Shield – Health Select Plan active

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

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

employees and 70 Valley Health Plan – HMO plan active employees the cost of providing benefits was \$4,009,633 for the year ended August 31, 2007. Active employee benefits for 807 Blue Cross Blue Shield – Health Select Plan active employees and 66 Valley Health Plan – HMO Plan active employees totaled \$3,891,591 for the year ended August 31, 2006.

Note 19 - Related Parties

The spouse of a member of the Board of Trustees is employed at the College's depository bank and a member of the Board of Trustees provided professional services to the College's depository bank. A member of the Board of Trustees is an officer at a sister company to the College's depository bank.

Note 20 - Construction and Improvements Commitments

Construction and Improvements commitment for August 31, 2007 were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 25,692,015	\$ 20,874,883	\$ 4,817,132
Project Management	3,156,044	3,054,027	102,017
	<u>\$ 28,848,059</u>	<u>\$ 23,901,910</u>	<u>\$ 4,919,149</u>

At August 31, 2007, the College had \$4,919,149 of remaining contractual commitments in construction and improvement projects.

Construction and Improvements commitment for August 31, 2006 were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 23,390,692	\$ 12,872,248	\$ 10,518,444
Technology Center	525,990	50,549	475,441
Mid Valley Campus	831,300	213,126	618,174
Starr County Campus	99,700	99,700	-
Project Management	2,991,962	2,825,476	166,486
	<u>\$ 27,739,944</u>	<u>\$ 15,961,399</u>	<u>\$ 11,778,545</u>

At August 31, 2006, the College had \$11,778,545 of remaining contractual commitments in construction and improvement projects.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 21 – Income Taxes

The College, as a political subdivision of the State of Texas, is excluded from federal income taxes under Section 115 of the Internal Revenue Code, although unrelated business income may be subject to income taxes under section 511(a)(2)(B). The College had no unrelated business income and therefore has no tax liability for the years ended August 31, 2007 and August 31, 2006.

Note 22 – 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, 2007, 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 23 – Subsequent Events

On September 26, 2007 the College purchased land located along the north side of Pecan Boulevard at the Pecan Campus for \$490,000.

On November 2007, South Texas College received \$1,500,000 of the \$5,000,000 grant awarded by the Office of the Governor. The U.S. Department of Labor Workforce Innovation in Regional Economic Development (WIRED) Grant was originally awarded to the College in fiscal year 2007; however, only \$500,000 was received in fiscal year 2007. An additional \$3,000,000 will be granted to the College in the next two fiscal years.

South Texas College
Schedule A
Schedule of Operating Revenues
Year Ended August 31, 2007 (With Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2007 Total	FY 2006 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$21,088,659	\$ -	\$21,088,659	\$ -	\$21,088,659	\$19,389,469
Out-of-district resident tuition	457,376	-	457,376	-	457,376	387,736
Non-resident tuition	1,030,698	-	1,030,698	-	1,030,698	701,066
TPEG state (set aside) *	1,144,945	-	1,144,945	-	1,144,945	1,156,312
State funded continuing education	681,033	-	681,033	-	681,033	845,578
TPEG non-credit (set aside) *	40,862	-	40,862	-	40,862	50,805
Non-state funded continuing education	363,888	-	363,888	-	363,888	175,911
Total tuition	24,807,461	-	24,807,461	-	24,807,461	22,706,877
Fees:						
Student registration fee	4,424,302	-	4,424,302	-	4,424,302	3,673,280
Laboratory fees	630,754	-	630,754	-	630,754	508,340
Incidental fees	3,717,269	-	3,717,269	-	3,717,269	3,671,333
Total fees	8,772,325	-	8,772,325	-	8,772,325	7,852,953
Scholarship allowances and discounts:						
Remissions and exemptions	(4,931,278)	-	(4,931,278)	-	(4,931,278)	(3,342,652)
TPEG allowances	(771,990)	-	(771,990)	-	(771,990)	(900,912)
State grants to students	(1,175,170)	-	(1,175,170)	-	(1,175,170)	(1,080,036)
Federal grants to students	(10,688,870)	-	(10,688,870)	-	(10,688,870)	(11,068,694)
Total scholarship allowances	(17,567,308)	-	(17,567,308)	-	(17,567,308)	(16,392,294)
Total net tuition and fees	16,012,478	-	16,012,478	-	16,012,478	14,167,536
Additional operating revenues:						
Federal grants and contracts	198,925	30,825,031	31,023,956	-	31,023,956	33,380,140
State grants and contracts	1,731	3,067,007	3,068,738	-	3,068,738	3,094,018
Local grants and contracts	62,432	860,235	922,667	-	922,667	756,312
Nongovernmental grants and contracts	909,124	283,385	1,192,509	-	1,192,509	1,017,893
General operating revenues	822,654	617,576	1,440,230	-	1,440,230	1,680,707
Total additional operating revenues	1,994,866	35,653,234	37,648,100	-	37,648,100	39,929,070

South Texas College
Schedule A
Schedule of Operating Revenues
Year Ended August 31, 2007 (With Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2007 Total	FY 2006 Total
Auxiliary Enterprises:						
Bookstore	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 400,000
Food service	-	-	-	249,566	249,566	278,993
Vending commissions	-	-	-	187,925	187,925	192,245
Wellness center	-	-	-	37,471	37,471	35,097
Total auxiliary enterprises	-	-	-	874,962	874,962	906,335
 Total Operating Revenues	 \$ 18,007,344	 \$ 35,653,234	 \$ 53,660,578	 \$ 874,962	 \$ 54,535,540	 \$ 55,002,941

(Exhibit 2) (Exhibit 2)

* In accordance with Education Code 56.033, \$1,185,807 and \$1,207,117 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2007 and 2006, respectively.

South Texas College
Schedule B
Schedule of Operating Expenses by Object
Year Ended August 31, 2007 (With Totals for the Year Ended August 31, 2006)

	Operating Expenses			Other Expenses	FY 2007 Total	FY 2006 Total
	Salaries and Wages	Benefits State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 28,051,056	\$ -	\$ 2,544,224	\$ 2,966,381	\$ 33,561,661	\$ 31,855,784
Research	-	-	-	-	-	-
Public Service	265,862	-	24,192	38,030	328,084	160,528
Academic Support	3,312,843	-	316,360	1,843,837	5,473,040	5,109,510
Student Services	4,351,960	-	419,508	1,191,695	5,963,163	5,243,046
Institutional Support	6,542,329	-	839,492	6,161,640	13,543,461	11,696,754
Operation and Maintenance of Plant	1,983,028	-	626,515	6,094,215	8,703,758	8,441,050
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	44,507,078	-	4,770,291	18,295,798	67,573,167	62,506,672
Restricted - Educational Activities						
Instruction	260,542	3,862,391	31,320	137,197	4,291,450	4,288,382
Research	-	-	-	-	-	19,663
Public Service	407,244	22,867	86,713	950,111	1,466,935	2,687,285
Academic Support	1,064,322	610,994	223,646	717,559	2,616,521	2,433,114
Student Services	647,933	716,784	110,807	288,941	1,764,465	1,233,397
Institutional Support	92,417	1,110,128	2,593	25,600	1,230,738	1,558,320
Operation and Maintenance of Plant	8,541	-	-	-	8,541	32,821
Scholarships and Fellowships	-	-	-	18,512,951	18,512,951	19,681,397
Total Restricted Educational Activities	2,480,999	6,323,164	455,079	20,632,359	29,891,601	31,934,379
Total Educational Activities	46,988,077	6,323,164	5,225,370	38,928,157	97,464,768	94,441,051
Auxiliary Enterprises	204,298	-	51,812	166,040	422,150	438,747
Depreciation Expense-Buildings and other real estate improvements	-	-	-	2,862,490	2,862,490	3,197,604
Depreciation Expense-Books	-	-	-	249,418	249,418	46,050
Depreciation Expense-Equipment and furniture	-	-	-	2,173,282	2,173,282	1,921,688
Total Operating Expenses	\$ 47,192,375	\$ 6,323,164	\$ 5,277,182	\$ 44,379,387	\$ 103,172,108	\$ 100,045,140
					(Exhibit 2)	(Exhibit 2)

South Texas College
Schedule C
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2007 (With Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2007 Total	FY 2006 Total
Non-Operating Revenues					
State allocations:					
Education and general state support	\$ 23,228,528	\$ -	\$ -	\$ 23,228,528	\$ 23,228,528
State group insurance	-	4,098,330	-	4,098,330	3,930,128
State retirement matching	-	2,224,835	-	2,224,835	2,047,966
Other state allocations	-	760,268	-	760,268	765,574
Total state allocations	<u>23,228,528</u>	<u>7,083,433</u>	<u>-</u>	<u>30,311,961</u>	<u>29,972,196</u>
Maintenance ad-valorem taxes	38,783,238	-	-	38,783,238	35,871,784
Gifts	-	351,586	-	351,586	215,177
Investment income	4,640,639	11,590	1,258	4,653,487	3,684,413
Other non-operating revenue	-	-	-	-	1,844
Total non-operating revenues	<u>66,652,405</u>	<u>7,446,609</u>	<u>1,258</u>	<u>74,100,272</u>	<u>69,745,414</u>
Non-Operating Expenses					
Interest on capital related debt	4,926,778	-	-	4,926,778	4,662,868
Other non-operating expenses	1,643,028	263,915	-	1,906,943	1,093,561
Total non-operating expenses	<u>6,569,806</u>	<u>263,915</u>	<u>-</u>	<u>6,833,721</u>	<u>5,756,429</u>
Net non-operating revenues (expenses)	<u>\$ 60,082,599</u>	<u>\$ 7,182,694</u>	<u>\$ 1,258</u>	<u>\$ 67,266,551</u> (Exhibit 2)	<u>\$ 63,988,985</u> (Exhibit 2)



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South Texas College
Schedule D
Schedule of Net Assets by Source and Availability
Year Ended August 31, 2007 (With Totals for the Year Ended August 31, 2006)

	Detail by Source			Total
	Unrestricted	Restricted Expendable	Capital Assets Net of Depreciaton & Related Debt	
Current:				
Unrestricted	\$ 31,400,435	\$ -	\$ -	\$ 31,400,435
Board Designated	-	-	-	-
Restricted	-	3,104,919	-	3,104,919
Auxiliary enterprises	733,157	-	-	733,157
Loan	-	351,018	-	351,018
Endowment:				
Quasi:				
Unrestricted	-	330,880	-	330,880
Restricted	-	-	-	-
Endowment				
True	-	-	-	-
Term (per instructions at maturity)	-	-	-	-
Life Income Contracts	-	-	-	-
Annuities	-	-	-	-
Plant:				
Unexpended	29,055,338	-	-	29,055,338
Renewals	4,865,398	-	-	4,865,398
Debt Services	-	7,125,560	-	7,125,560
Investment in Plant	-	-	82,608,513	82,608,513
Total Net Assets, August 31, 2007	66,054,328	10,912,377	82,608,513	159,575,218
				(Exhibit 1)
Total Net Assets, August 31, 2006	52,703,700	10,057,526	77,875,115	140,636,341
				(Exhibit 1)
Net Increase (Decrease) in Net Assets	\$ 13,350,628	\$ 854,851	\$ 4,733,398	\$ 18,938,877
				(Exhibit 2)

The Unrestricted Plant Unexpended Fund is earmarked in the fiscal year 2008 board approved budget for construction projects

Available for Current Operations

<u>Yes</u>	<u>No</u>
\$ 31,400,435	\$ -
-	-
-	3,104,919
733,157	-
-	351,018
-	330,880
-	-
-	-
-	-
-	-
-	29,055,338
-	4,865,398
-	7,125,560
-	82,608,513
32,133,592	127,441,626
27,975,208	112,661,133
<u>\$ 4,158,384</u>	<u>\$ 14,780,493</u>

South Texas College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements through 8/31/07
U.S. Department of Education			
Direct Programs:			
FSEOG	84.007		\$ 524,349
Strengthening Institutions - Hispanic Serving Institutions	84.031		39,414
Federal Work-Study Program	84.033		436,460
Talent Search Program	84.044		180,426
Upward Bound Program	84.047		355,665
Federal Pell Grant Program	84.063		24,847,823
Minority Science and Engineering Improvement Program	84.120		166,396
Childcare Access Means Parents In School	84.335		145,364
Academic Competitiveness Grant	84.375		64,816
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl D. Perkins Vocational Education Program	84.048	64241	1,699,332
Leveraging Educational Assistance Partnership	84.069A	109225	34,455
Special Leveraging Educational Assistance Partnership	84.069B	109225	58,139
Amarillo College			
Focus on the Student Critical Thinking	84.048		11,660
Del Mar College			
Texas Collaborative for Teaching Excellence	84.048		9,400
Hidalgo Independent School District			
21st Century Project	84.287		61,252
Region One Education Service Center			
Gear Up Teen's College Institute	84.334		70,805
University of Texas Pan American			
Gear Up Program	84.334		18,550
Total Department of Education			\$ 28,724,306
U.S. Department of Labor			
Direct Programs:			
Computer and Information Technology Community Based Partnership	17.269		\$ 118,403
Pass-Through From:			
Texas Workforce Commission			
Wagner-Peyser 7(b) Programs	17.207	2307WPB001	64,192
Workforce Innovation in Regional Economic Development WIRED	17.261	2306WDR000	35,841
Arbor Education and Training LLC			
Workforce Investment Act - Adult Program	17.258		86,920

South Texas College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements through 8/31/07
Motivation Education & Training, Inc.			
Professional Commercial Truck Driver Training (WIA)	17.258		\$ 206,000
Cameron Works			
Workforce Investment Act - Adult Program	17.258		11,297
Workforce Investment Act - Dislocated Workers	17.260		33,908
Workforce Investment Act - Youth	17.260		889
Subtotal			<u>34,797</u>
Lower Rio Grande Valley Workforce Development Board			
Workforce Investment Act - Adult Program	17.258	STC IAA 06-07	5,124
Workforce Investment Act - Adult Program	17.258	07-LAOBP-002	400
Subtotal			<u>5,524</u>
Workforce Investment Act - Dislocated Worker - President's High Growth	17.260	05-DOLOBP-001	865,541
Good Samaritan Community Services			
Workforce Investment Act - Youth Program	17.259	07-GSCS-STC-001	41,938
Valley Initiative for Development and Advancement			
Workforce Investment Act - Dislocated Worker- Post Associate Nursing Specialties	17.260	PY05-STC/PLPASTN-100	59,001
State of Texas - Office of the Governor			
Workforce Innovation in Regional Economic Dev	17.261	WR-15999-07-60-A-48	35,727
Texas State Technical College			
Skills Development Fund-La Vista	17.269	2407SDF000	103,395
Total Department of Labor			\$ <u>1,668,576</u>
Institute of Museum and Library Services			
Pass-Through From:			
University of North Texas			
Rio Grande Initiative Grant	45.313	73260-7	\$ 6,667
U.S. Department of Veterans' Affairs			
Direct Programs:			
Chapter 31 Disabled Veterans/Tuition Assistance	64.125		\$ 188,701
U.S. Department of Health & Human Services			
Direct Programs:			
Capacity Building of Health Care Workforce to Serve Migrant Populations	93.000		\$ 4,990

South Texas College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements through 8/31/07
Nurse Education Practice and Retention	93.359		\$ 231,305
Pass-Through From:			
Texas Workforce Commission			
Self Sufficiency Phase VII	93.558	2307SSF000	65,837
Community Action Council of South Texas			
Headstart Program	93.600		27,477
Hidalgo County Headstart			
Headstart Program	93.600		52,826
Texas Migrant Council			
Headstart Program	93.600		4,553
United Migrant Opportunity Services			
Headstart Program	93.600		1,427
Subtotal			<u>86,283</u>
Total Department of Health & Human Services			\$ <u>388,415</u>
Corporation for National and Community Service			
Direct Programs:			
AmeriCorps - National Service Award	94.006		\$ 48,473
Total Federal Financial Assistance			\$ <u>31,025,138</u>
<u>Note 1: Federal Assistance Reconciliation</u>			
Total Federal Financial Assistance			
Per Schedule of Expenditures of Federal Awards			\$ 31,025,138
Less: Current year transactions for closed awards			
Workforce Investment Act - Youth Program	17.259		(927)
Workforce Investment Act - Leadership Academy	17.267		(255)
Federal Grants and Contracts Revenue - per Schedule A			\$ <u>31,023,956</u>

Notes to schedule on following page.

**South Texas College
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31,2007**

Grantor Agency/Program Title	Grant Contract Number	Expenditures through 8/31/07
Texas A&M University		
Pass-Through From:		
HSC-Respiratory Therapy Program	F700329	\$ 75,000
Texas Higher Education Coordinating Board		
AFDC/TANF		\$ 3,386
Certified Educational Aides		333,647
College Mathematics Ready		75,000
Early High School Graduate		164,642
Professional Nursing Shortage Reduction Funding		10,269
Texas College Workstudy Program		104,133
Texas B-On-Time Loan Program		713
TEXAS Grant I - Initial Year		1,341,375
TEXAS Grant I - Renewal Year		677,609
Texas Educational Opportunity Grant - Initial Year		105,105
Texas Educational Opportunity Grant - Renewal Year		106,575
Texas Professional Nursing Scholarship		9,692
Texas National Guard (TAP)		4,967
Vertical Teams		2,005
Vocational Nursing Scholarship		1,019
Total Texas Higher Education Coordinating Board		\$ 2,940,137
Texas Workforce Commission		
Skills Development Fund #13	2307SDF001	\$ 13,273
Department of Assistive and Rehabilitative Services		
		\$ 53,773
Total State Financial Assistance		
		\$ 3,082,183
Note 1: State Assistance Reconciliation		
Total State Financial Assistance		
Per Schedule of Expenditures of State Awards		\$ 3,082,183
Less: Revenue classified as Non Operating		
Professional Nursing Shortage Reduction Funding		(10,269)
Less: Current year refunds for prior awards		
Texas Grant I Initial Year 2006		(1,270)
Texas Grant I Renewal Year 2006		(1,271)
Texas Grant II Initial Year 2006		(635)
Total State Revenues per Schedule A		\$ 3,068,738

Notes to schedule on following page.

SOUTH TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2007 and 2006

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of South Texas College and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, Local Governments, and Non-Profit Organizations and the Governor's Office of Budget and Planning, Uniform Grant Management Standards.

Note 2- Inkind Match

The U.S. Department of Labor President's High Growth Grant, CFDA 17.260, received an in-kind match in the amount of \$581,778 from the South Texas Manufacturing Association. The U.S. Department of Education Talent Search Program, CFDA 84.044 received an in-kind match in the amount of \$5,436 from Rio Grande City ISD, Roma ISD and San Isidro ISD. These amounts were not included in the Schedule of Expenditures of Federal Awards but were included in the basic financial statements for the College.



...A better quality of life for our communities



Pecan Campus



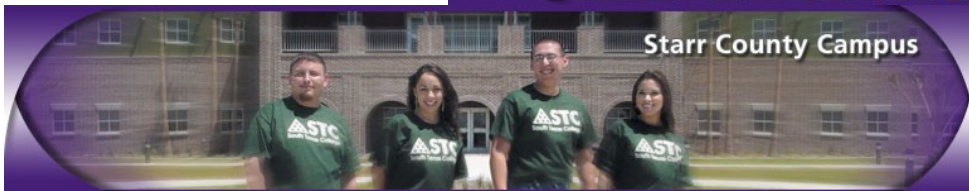
Technology Campus



Dr. Ramiro R. Casso
Nursing and Allied Health Campus



Mid-Valley Campus



Starr County Campus

STATISTICAL INFORMATION

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

Statistical Information

This part of South Texas College’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 College’s overall financial health.

CONTENTS	PAGE
Financial Trends <i>These schedules contain trend information to help the reader understand how the College’s financial performance and well-being have changed over time.</i>	83-85
Revenue Capacity <i>These schedules contain information to help the reader assess the College’s most significant local revenue source, the property tax.</i>	86-94
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the College’s current levels of outstanding debt and the College’s ability to issue additional debt in the future</i>	96-100
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the College’s financial activities take place.</i>	102-103
Operating and Other Information <i>These schedules contain service, infrastructure and other data to help the reader understand how the information in the College’s financial report relates to the services the government provides and the activities it performs.</i>	104-117

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



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Statistical Supplement 1
Net Assets by Component
Fiscal Years 2003-2007
(unaudited)

Net Assets	For the Fiscal Year Ended August 31,				
	2007	2006	2005	2004	2003
Invested in capital, net of related debt	\$ 82,608,513	\$ 77,875,115	\$ 65,488,899	\$ 53,401,242	\$ 47,543,186
Restricted	10,912,377	10,057,526	8,216,916	8,910,256	3,648,591
Unrestricted	66,054,328	52,703,700	47,788,784	42,783,441	32,435,430
Total Net Assets	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599	\$ 105,094,939	\$ 83,627,207

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2007 are available.

Statistical Supplement 2
Revenues by Source
Fiscal Years 2003-2007
(unaudited)

	For the Year Ended August 31,				
	2007	2006	2005	2004	2003
Operating Revenues					
Tuition and fees, net of discounts	\$ 16,012,478	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388	\$ 8,457,156
Federal grants and contracts	31,023,956	33,380,140	36,906,689	34,021,750	33,041,792
State grants and contracts	3,068,738	3,094,018	3,553,359	2,948,994	4,427,500
Local grants and contracts	922,667	756,312	757,398	801,324	634,491
Non-governmental grants and contracts	1,192,509	1,017,893	1,525,659	998,230	638,326
Auxiliary enterprises	874,962	906,335	838,057	733,900	653,691
Other operating revenues	1,440,230	1,680,707	872,885	1,518,171	856,798
Total Operating Revenues	54,535,540	55,002,941	55,907,535	49,453,757	48,709,754
Non-Operating Revenues					
State allocations	30,311,961	29,972,196	24,945,029	24,128,754	22,825,281
Maintenance ad valorem taxes	38,783,238	35,871,784	33,663,171	31,398,614	29,750,645
Gifts	351,586	215,177	190,148	3,265,398	186,027
Investment income	4,653,487	3,684,413	2,352,936	2,585,128	3,161,603
Other non-operating revenues	-	1,844	-	-	-
Total Non-operating Revenues	74,100,272	69,745,414	61,151,284	61,377,894	55,923,556
Total Revenues	\$128,635,812	\$124,748,355	\$117,058,819	\$110,831,651	\$104,633,310

	2007	2006	2005	2004	2003
Operating Revenue					
Tuition and fees, net of discounts	12.45%	11.36%	9.78%	7.61%	8.08%
Federal grants and contracts	24.12%	26.76%	31.52%	30.70%	31.57%
State grants and contracts	2.39%	2.48%	3.04%	2.66%	4.23%
Local grants and contracts	0.72%	0.61%	0.65%	0.72%	0.61%
Non-governmental grants and contracts	0.93%	0.82%	1.30%	0.90%	0.61%
Auxiliary enterprises	0.68%	0.73%	0.72%	0.66%	0.62%
Other operating revenues	1.11%	1.33%	0.75%	1.37%	0.82%
Total Operating Revenues	42.35%	44.09%	47.76%	44.62%	46.55%
Non-Operating Revenues					
State allocations	23.56%	24.03%	21.31%	21.77%	21.81%
Maintenance ad valorem taxes	30.15%	28.76%	28.76%	28.33%	28.44%
Gifts	0.36%	0.17%	0.16%	2.95%	0.18%
Investment income	3.53%	2.95%	2.01%	2.33%	3.02%
Other non-operating revenues	0.00%	0.06%	0.00%	0.00%	0.00%
Total Non-operating Revenues	57.65%	55.91%	52.24%	55.38%	53.45%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2007 are available.

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2003-2007
(unaudited)

	2007	2006	2005	2004	2003
Operating Expenses					
Instruction	\$ 37,853,111	\$ 36,144,166	\$ 32,107,169	\$ 29,670,904	\$ 28,715,797
Research	-	19,663	11,768	-	-
Public service	1,795,019	2,847,813	2,106,665	2,354,241	3,078,549
Academic support	8,089,561	7,542,624	6,707,548	4,175,859	3,952,084
Student services	7,727,628	6,476,443	6,021,112	5,334,153	5,021,938
Institutional support	14,774,199	13,255,074	11,765,777	10,611,400	11,222,528
Operations and maintenance of plant	8,712,299	8,473,871	7,137,221	4,746,623	4,705,159
Scholarships and Fellowships	18,512,951	19,681,397	22,958,306	22,956,070	23,070,993
Auxiliary enterprises	422,150	438,747	411,684	346,671	380,737
Depreciation	5,285,190	5,165,342	4,215,249	2,647,695	3,826,761
Total Operating Expenses	\$103,172,108	\$100,045,140	\$ 93,442,499	\$ 82,843,616	\$ 83,974,546
Interest on capital related debt	4,926,778	4,662,868	3,704,377	4,606,271	4,783,540
Other non-operating expenses	1,906,943	1,093,561	5,949,680	2,017,952	938,790
Total Non-Operating Expenses	6,833,721	5,756,429	9,654,057	6,624,223	5,722,330
Total Expenses	\$110,005,829	\$105,801,569	\$ 103,096,556	\$ 89,467,839	\$ 89,696,876
	2007	2006	2005	2004	2003
Operating Expenses					
Instruction	34.42%	34.16%	31.14%	33.16%	32.01%
Research	0.00%	0.02%	0.01%	0.00%	0.00%
Public service	1.63%	2.69%	2.04%	2.63%	3.43%
Academic support	7.35%	7.13%	6.51%	4.67%	4.41%
Student services	7.02%	6.12%	5.84%	5.96%	5.60%
Institutional support	13.43%	12.53%	11.41%	11.86%	12.51%
Operations and maintenance of plant	7.92%	8.01%	6.92%	5.31%	5.25%
Scholarships and Fellowships	16.83%	18.60%	22.27%	25.66%	25.72%
Auxiliary enterprises	0.38%	0.41%	0.41%	0.39%	0.42%
Depreciation	4.81%	4.89%	4.10%	2.96%	4.27%
Total Operating Expenses	93.79%	94.56%	90.64%	92.60%	93.62%
Interest on capital related debt	4.48%	4.41%	3.59%	5.15%	5.33%
Other non-operating expenses	1.73%	1.03%	5.77%	2.25%	1.05%
Total Non-operating Expenses	6.21%	5.44%	9.36%	7.40%	6.38%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2007 are available
(1) Includes current funds: Unrestricted, Auxiliary and Restricted.

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*	Out-of-District Tuition*	Technology 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
2006	\$ 85	\$ 59/70	\$ 76/90	\$ 6	\$ -	\$ -	\$ 865	\$ 1,070	0.00%	0.00%
2005	85	59/70	76/90	6	-	-	865	1,070	12.48%	9.85%
2004	85	57/68	74/88	-	-	-	769	974	20.16%	30.07%
2003	75	47/57	56/71	-	-	-	640	749	1.59%	1.35%
2002	65	47/57	56/71	-	-	-	630	739	0.00%	0.00%
2001	65	47/57	56/71	-	-	-	630	739	0.00%	0.00%
2000	65	47/57	56/71	-	-	-	630	739	0.00%	0.00%
1999	65/45	23/33	32/47	8	8	8	630	739	1.61%	1.37%
1998	55/35	23/33	32/47	8	8	8	620	729	1.64%	1.39%
1997	45/25	23/33	32/47	8	8	8	610	719	17.76%	14.67%

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	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
2006	\$ 85	\$ 202	\$ 202	\$ 6	\$ -	\$ -	\$ 2,581	\$ 2,581	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%
1999	65/45	222	222	-	-	-	2,729	2,729	0.37%	0.37%
1998	55/35	222	222	-	-	-	2,719	2,719	0.37%	0.37%
1997	45/25	222	222	-	-	-	2,709	2,709	0.74%	0.74%

* The College's tuition per SCH varies with the number of hours of enrollment. Tuition rates listed are applicable at twelve hours and four hours, rounded to nearest whole dollar.

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

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

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value of Assessed Value	Direct Rate		
					Maintenance & Operations (a)	Debt Service (a)	Total (a)
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
1999-00	12,565,234,995	78,705,008	12,486,529,987	99.37%	0.0800	0.0120	0.0920
1998-99	12,305,001,843	391,469,127	11,913,532,716	96.82%	0.0800	0.0118	0.0918
1997-98	11,219,576,683	35,218,926	11,184,357,757	99.69%	0.0800	0.0149	0.0949

Notes: Property is assessed at full market value
(a) per \$100 Taxable Assessed Valuation

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

Fiscal Year	State Appropriation	Appropriation per FTSE			Appropriation per Contact Hour			State Appropriation per Contact Hour
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours		
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	
1999-00	16,833,243	7,974	2,111	3,595,536	1,392,672	4,988,208	3.37	
1998-99	8,876,515	7,572	1,172	3,439,472	1,258,048	4,697,520	1.89	
1997-98	8,535,316	5,737	1,488	2,495,456	920,464	3,415,920	2.50	

Notes:

FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12.

(a) Source Daily Enrollment

(b) Source CBM00A



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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year			
		2007	2006	2005	2004
El Paso Prduction Oil & Gas	Oil & Gas	\$ 252,759,270	\$ 380,027,260	\$ 411,146,130	\$ 257,945,570
Shell Western E & G Inc.	Oil & Gas	-	399,792,820	375,232,590	312,676,610
AEP Texas Central Co.	Electric Utility	181,625,710	191,443,144	178,031,920	159,061,790
Calpine Construction Finance Co. LP	Electric Utility	119,471,740	144,390,920	153,265,270	201,236,130
Total E & P USA Inc.	Oil & Gas	-	154,675,460	131,093,560	101,373,240
Southwestern Bell Telephone	Telephone Utility	104,595,695	107,809,102	100,410,407	111,549,586
H E Butt Grocery Company	Grocery Chain	89,443,353	88,271,957	95,690,999	79,382,262
Frontera Generation LTD	Land & Improvements	98,233,700	102,345,890	90,009,600	125,587,000
Chevron U.S.A. Inc.	Oil & Gas	66,770,720	68,596,763	69,683,810	83,464,440
Universal Health Services	Hospital	93,134,843	98,840,598	66,846,041	66,780,559
Wal Mart Stores East, Inc.#452	Retail Store	74,757,151	74,538,560	62,685,769	82,036,294
Rio Grande Regional Hospital	Hospital	74,762,587	81,410,943	53,269,350	39,034,063
Trenton Street Corporation	Real Estate	60,688,959	55,670,370	-	-
Simon Property Group-McAllen No.2	Restate	43,530,337	44,653,815	44,669,232	-
Magic Valley Elec Coop	Electric Utility	-	44,108,254	-	-
Texas Cable Partners	Communication Utility	-	-	44,028,400	37,761,780
Symbol Technologies	Electronic Distribution Warehouse	-	-	20,084,103	20,151,803
Calpine Hidalgo Energy Center	Electric Utility	-	-	-	45,833,280
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	-	-	-	-
Mobil Product Texas & NM	Oil & Gas	-	-	-	-
Greenbrier Oper Co.	Oil & Gas	-	-	-	-
Rio Grande Valley Sugar	Farming	-	-	-	-
Calidad Electronics Inc.	Industrial	-	-	-	-
Sanchez-O'Brien Oil & Gas	Oil & Gas	-	-	-	-
Coastal Oil & Gas USA Lp	Oil & Gas	-	-	-	-
Shell Western E&P (Total E&P)	Oil & Gas	70,971,140	-	-	-
Oryx Energy Company	Oil & Gas	-	-	-	-
Valero South Texas	Oil & Gas	-	-	-	-
HCA Health Services	Hospital	-	-	-	-
Shell Western Exploration	Oil & Gas	-	-	-	-
Texaco	Oil & Gas	-	-	-	-
McAllen Mall Company	Real State	-	-	-	-
Mobil	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	47,858,470	-	-	-
Totals		\$ 1,756,417,395	\$ 2,036,575,856	\$ 1,896,147,181	\$ 1,723,874,407
Total Taxable Assessed Value		\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873

Source: First Southwest Company

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

		% of Taxable Assessed Value (TAV) by Tax Year									
Taxpayer	Type of Business	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
El Paso Prduction Oil & Gas	Oil & Gas	1.07%	1.86%	2.18%	1.52%	1.45%					
Shell Western E & G Inc.	Oil & Gas		1.96%	1.99%	1.84%	1.69%	2.16%	1.38%	2.10%	1.92%	2.14%
AEP Texas Central Co.	Electric Utility	0.77%	0.94%	0.95%	0.94%						
Calpine Construction Finance Co. LP	Electric Utility	0.50%	0.71%	0.81%	1.18%	1.34%	1.05%				
Total E & P USA Inc.	Oil & Gas		0.76%	0.70%	0.60%	0.35%					
Southwestern Bell Telephone	Telephone Utility	0.44%	0.53%	0.53%	0.66%	0.72%	0.87%	0.98%	1.21%	1.07%	1.24%
H E Butt Grocery Company	Grocery Chain	0.38%	0.43%	0.51%	0.47%	0.47%	0.53%	0.56%	0.63%	0.47%	0.49%
Frontera Generation LTD	Land & Improvements	0.42%	0.50%	0.48%	0.74%	0.91%	1.28%	0.89%	0.44%		
Chevron U.S.A. Inc.	Oil & Gas	0.28%	0.34%	0.37%	0.49%						
Universal Health Services	Hospital	0.39%	0.48%	0.36%	0.39%	0.40%		0.50%	0.64%	0.35%	0.41%
Wal Mart Stores East, Inc.#452	Retail Store	0.32%	0.36%	0.33%	0.48%	0.42%	0.49%	0.39%	0.76%	0.18%	0.21%
Rio Grande Regional Hospital	Hospital	0.32%	0.40%	0.28%	0.23%						
Trenton Street Corporation	Real Estate	0.26%	0.27%								
Simon Property Group-McAllen No.2	Restate	0.18%	0.22%	0.24%				0.36%		0.25%	0.29%
Magic Valley Elec Coop	Electric Utility		0.22%								0.21%
Texas Cable Partners	Communication Utility			0.23%	0.22%						
Symbol Technologies	Electronic Distribution Warehouse			0.11%	0.12%						
Calpine Hidalgo Energy Center	Electric Utility				0.27%	0.32%					
Central Power & Light	Utility					0.78%	0.83%		1.05%	0.73%	0.87%
Texaco E&P Inc	Oil & Gas					0.46%	0.64%	0.43%	0.79%	0.89%	0.75%
El Paso Production Oil & Gas	Oil & Gas					0.56%					
Shell Western E&P Inc.	Oil & Gas	1.60%				0.47%					
Total Fina Elf E&P USA Inc.	Oil & Gas					0.27%	0.58%				
Coastal Oil & Gas USA LP	Oil & Gas						2.04%	1.37%	1.12%	1.19%	0.98%
Fina Oil & Chemical Co.	Oil & Gas							0.35%	0.40%	0.48%	0.49%
Mobil Product Texas & NM	Oil & Gas										0.25%
Greenbrier Oper Co.	Oil & Gas									0.29%	0.25%
Rio Grande Valley Sugar	Farming										0.18%
Calidad Electronics Inc.	Industrial										0.18%
Sanchez-O'Brien Oil & Gas	Oil & Gas									0.66%	
Coastal Oil & Gas USA Lp	Oil & Gas									0.55%	
Shell Western E&P (Total E&P)	Oil & Gas	0.30%								0.31%	
Oryx Energy Company	Oil & Gas									0.22%	
Valero South Texas	Oil & Gas										
HCA Health Services	Hospital										
Shell Western Exploration	Oil & Gas										
Texaco	Oil & Gas										
McAllen Mall Company	Real State										
Mobil	Oil & Gas										
Newfield Exploration Company	Oil & Gas	0.20%									
Totals		7.43%	9.97%	10.70%	9.79%	10.56%	10.49%	7.22%	9.15%	9.55%	8.92%



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

	(A)	(B)	(C)	(D)	(E)
Fiscal Year Ended August 31	Levy	**Cumulative Levy Adjustments	Adjusted Tax Levy (A+B)	Collections - Year of Levy	Percentage (D/A)
2007	\$ 36,625,083	\$ 406,166	\$ 37,031,249	\$ 34,032,590	92.92%
2006	34,208,247	147,886	34,356,133	31,237,216	91.31%
2005	32,727,562	311,763	33,039,325	29,774,669	90.98%
2004	30,593,312	79,808	30,673,120	27,811,364	90.91%
2003	29,365,081	31,762	29,396,843	26,476,977	90.16%
2002	13,899,515	27,925	13,927,440	12,438,824	89.49%
2001	12,596,365	(33,568)	12,562,797	11,324,283	89.90%
2000	11,488,087	160,991	11,649,078	10,360,442	90.18%
1999	10,936,870	47,977	10,984,847	9,744,197	89.09%
1998	10,614,262	(5,233)	10,609,029	9,572,630	90.19%

Notes:

* Includes rollback total collections

** Modifications to Levy provided by Hidalgo and Starr County.

Statistical Supplement 8
(Continued)

(F)	(G)	(H)	(I)	(J)	(K)
Prior Collections of Prior Levies	Current Collections of Prior Levies	Total Collections (D+F+G)	Cumulative Collections of Adjusted Levy (H/C)	Outstanding Delinquent Taxes (C-H)	Percent of Delinquent Taxes to Tax Levy (J/C)
\$ -	\$ -	\$ 34,032,590	91.90%	\$ 2,998,659	8.10%
-	1,615,246 *	32,852,462	95.17%	1,667,110	4.83%
1,437,962 *	575,850	31,778,481	96.26%	1,234,557	3.74%
1,556,023	330,888	29,698,275	96.84%	968,464	3.16%
1,954,760	209,293	28,641,030	97.52%	728,924	2.48%
1,094,259	74,467	13,607,550	97.81%	304,221	2.19%
905,675	55,080	12,285,038	97.87%	267,777	2.13%
1,043,820	37,719	11,441,981	98.24%	204,712	1.76%
1,034,676	27,398	10,806,271	98.48%	166,736	1.52%
913,415	21,380	10,507,425	99.04%	101,342	0.96%

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

For the Year Ended August 31

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Bonded Debt										
South Texas College District Tax Bonds, Series 1996	\$ -	\$ -	\$ 800,000	\$ 1,550,000	\$ 17,745,000	\$ 18,270,000	\$ 18,770,000	\$ 19,230,000	\$ 19,505,000	\$ 19,670,000
Public Property Finance Contractual Obligation Bond, Series 1999	750,000	3,920,000	4,140,000	4,355,000	4,560,000	4,755,000	4,945,000	5,130,000	5,200,000	-
South Texas College District Tax Bonds, Series 2002	31,580,000	58,925,000	62,270,000	65,250,000	67,935,000	71,230,000	-	-	-	-
South Texas College District Tax Bonds, Series 2003	18,240,000	19,525,000	20,770,000	21,990,000	22,845,000	-	-	-	-	-
South Texas College District Tax Bonds, Series 2004	14,450,000	14,689,996	14,979,996	15,264,996	-	-	-	-	-	-
South Texas College Maintenance Tax Refunding Bonds, Series 2007	2,965,000	-	-	-	-	-	-	-	-	-
South Texas College District Tax Bonds, Series 2007 Notes	23,344,991	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	(6,836,585)	(6,233,133)	(5,479,373)	(4,414,504)	(2,485,235)	(248,724)	(1,074,711)	(580,534)	(453,107)	(416,072)
Net general bonded debt	\$ 84,493,406	\$ 90,826,863	\$ 97,480,623	\$ 103,995,492	\$ 110,599,765	\$ 94,006,276	\$ 22,640,289	\$ 23,779,466	\$ 24,251,893	\$ 19,253,928
Other Debt										
Revenue bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-	-	-	-	-	300,000	300,000
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 84,493,406	\$ 90,826,863	\$ 97,480,623	\$ 103,995,492	\$ 110,599,765	\$ 94,006,276	\$ 22,640,289	\$ 23,779,466	\$ 24,551,893	\$ 19,553,928

General Bonded Debt Ratios

Per Capita (a)	\$111.62	\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40	\$ 140.21	\$ 38.28	\$ 39.55	\$ 40.52	\$ 34.31
Per FTSE (b)	7,088	8,021	8,493	9,754	10,780	10,066	2,694	2,982	3,203	3,356
As a percentage of Taxable Assessed Value (c)	0.36%	0.42%	0.49%	0.59%	0.67%	0.61%	0.17%	0.19%	0.20%	0.17%
As a percentage of personal income (d)	0.75%	0.82%	0.94%	1.15%	1.29%	1.12%	0.31%	0.34%	0.37%	0.32%

Total Outstanding Debt Ratios

Per Capita (a)	\$111.62	\$ 117.81	\$ 130.93	\$ 154.57	\$ 167.40	\$ 140.21	\$ 38.28	\$ 39.55	\$ 41.03	\$ 34.85
Per FTSE (b)	7,088	8,021	8,493	9,754	10,780	10,066	2,694	2,982	3,242	3,408
As a percentage of Taxable Assessed Value (c)	0.36%	0.42%	0.49%	0.59%	0.67%	0.61%	0.17%	0.19%	0.21%	0.17%
As a percentage of personal income (d)	0.75%	0.82%	0.94%	1.15%	1.29%	1.12%	0.31%	0.34%	0.37%	0.33%

Notes:

(a) Statistical Supplement 12

(b) Statistical Supplement 9

(c) Statistical Supplement 10

(d) Ratio calculated using District Personal Income from Statistical Supplement 12



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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Taxable Assessed Value	\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507	\$ 17,601,778,873
General Obligation Bonds				
Statutory Tax Levy Limit for Debt Service	\$ 118,290,412	\$ 107,638,523	\$ 99,349,818	\$ 88,008,894
Less: Funds Restricted for Repayment of General Obligation Bonds	(6,836,585)	(6,233,133)	(5,479,373)	(4,414,504)
Total Net General Obligation Debt	\$ 111,453,827	\$ 101,405,390	\$ 93,870,445	\$ 83,594,390
Current Year Debt Service Requirements	11,135,516	10,947,644	10,743,226	10,521,954
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 100,318,311	\$ 90,457,746	\$ 83,127,219	\$ 73,072,436
Net Current Requirements as a % of Statutory Limit	3.63%	4.38%	5.30%	6.94%

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.

Statistical Supplement 10
(Continued)

2003	2002	2001	2000	1999	1998
\$ 16,533,570,305	\$ 15,495,002,077	\$ 13,660,953,185	\$ 12,486,529,987	\$ 11,913,532,716	\$ 11,184,357,757
\$ 82,667,852	\$ 77,475,010	\$ 68,304,766	\$ 62,432,650	\$ 59,567,664	\$ 55,921,789
(4,485,236)	(248,724)	(1,074,711)	(580,534)	453,107	(416,072)
\$ 80,182,616	\$ 77,226,286	\$ 67,230,055	\$ 61,852,116	\$ 60,020,771	\$ 55,505,717
10,246,291	2,069,960	2,070,718	1,909,063	1,412,510	1,605,560
\$ 69,936,325	\$ 75,156,326	\$ 65,159,337	\$ 59,943,053	\$ 58,608,261	\$ 53,900,157
9.39%	2.35%	1.46%	2.13%	3.13%	2.13%

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

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



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

Calendar Year	District Population (2)	Hidalgo County Median Household Money Income		Starr County Median Household Money Income (3)		District Median Household Money Income (thousands of dollars)		Hidalgo County Personal Income Per Capita (5)	
2007	756,956	\$ 27,226	*	\$ 19,418	*	\$ 23,322	*	\$ 16,920	*
2006	770,962	\$ 26,393	*	\$ 18,897	*	\$ 22,645	*	\$ 16,432	*
2005	744,499	\$ 25,686	(4)	\$ 18,373	(3)	\$ 22,030		\$ 15,946	
2004	672,804	\$ 24,926	(3)	\$ 17,928	(3)	\$ 21,427		\$ 15,460	
2003	660,706	\$ 24,901	(4)	\$ 17,759	(4)	\$ 21,330		\$ 14,938	
2002	670,474	\$ 23,152	(4)	\$ 17,020	(4)	\$ 20,086		\$ 14,651	
2001	591,478	\$ 22,015	(4)	\$ 15,901	(4)	\$ 18,958		\$ 14,385	
2000	601,183	\$ 21,307	(4)	\$ 15,785	(4)	\$ 18,546		\$ 13,576	
1999	598,450	\$ 20,284	(4)	\$ 15,093	(4)	\$ 17,689		\$ 12,870	
1998	561,109	\$ 19,728	(4)	\$ 14,728	(4)	\$ 17,228		\$ 12,529	

Sources:

- (1) Texas Workforce Commission
- (2) First Southwest Company
- (3) US Census Bureau
- (4) Sales & Marketing Management Magazine
- (5) U.S. bureau of Economic Analysis

* average difference between previous years

Statistical Supplement 12
(Continued)

Starr County Personal Income Per Capita (5)		District Personal Income Per Capita (5)		District wide Personal Income (thousands of dollars)	Hidalgo County Unemployment Rate (1)	Starr County Unemployment Rate (1)	District Unemployment Rate	State Unemployment Rate (1)	National Unemployment Rate (1)
\$ 12,700	*	\$ 14,810	*	\$ 11,210,518	6.20%	8.10%	7.15%	4.30%	4.70%
\$ 12,252	*	\$ 14,342	*	\$ 11,057,137	7.10%	10.40%	8.75%	5.10%	4.60%
\$ 11,807	*	\$ 13,877	*	\$ 10,331,412	7.30%	9.80%	8.55%	5.20%	4.90%
\$ 11,362		\$ 13,411		\$ 9,022,974	11.50%	14.10%	12.80%	5.80%	5.40%
\$ 11,013		\$ 12,976		\$ 8,573,321	13.10%	12.60%	12.85%	6.80%	6.00%
\$ 10,368		\$ 12,510		\$ 8,387,629	13.30%	19.30%	16.30%	6.30%	5.80%
\$ 10,056		\$ 12,221		\$ 7,228,452	13.10%	19.60%	16.35%	4.80%	4.70%
\$ 9,558		\$ 11,567		\$ 6,953,883	13.60%	22.50%	18.05%	4.20%	4.00%
\$ 9,262		\$ 11,066		\$ 6,622,447	14.50%	24.60%	19.55%	4.60%	4.20%
\$ 8,666		\$ 10,598		\$ 5,946,633	17.80%	27.30%	22.55%	4.80%	4.50%

Statistical Supplement 13
Principal Employers
Last Two Fiscal Years
(unaudited)

Employers	2007		2006	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage Of Total Employment
Edinburg Consolidated I.S. D.	3,600	1.71%	3,600	1.77%
McAllen Independent School District	3,451	1.64%	3,595	1.77%
Edinburg Regional Medical Center	3,000	1.42%	3,000	1.48%
University of Texas Pan American	2,850	1.35%	2,842	1.40%
Hidalgo County	2,211	1.04%	2,211	1.09%
City of McAllen	1,801	0.85%	1,489	0.73%
Wal-Mart	1,760	0.83%	1000+	0.49%
McAllen Medical Center	1,700	0.80%	2,800	1.38%
South Texas College	1,664	0.78%		
US Customs and Border Patrol	1,609	0.76%		
Mission C.I.S.D.			1,955	0.96%
Rio Grande I.S.D.			1,000+	0.49%
Totals	23,646	11.18%	23,492	11.56%

Source:

Real Estate Center Market Overview 2007 McAllen-Edinburg-Mission
McAllen Economic Development Corporation

Note: The College previously did not present this supplement and chose to implement prospectively.

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Faculty										
Full-Time	428	409	396	379	355	349	283	253	187	131
Part-Time	229	244	227	210	186	219	227	266	259	245
Total	657	653	623	589	541	568	510	519	446	376
Percent										
Full-Time	65.1%	62.2%	63.6%	64.3%	65.6%	61.4%	55.5%	48.7%	41.9%	34.8%
Part-Time	34.9%	37.4%	36.4%	35.7%	34.4%	38.6%	44.5%	51.3%	58.1%	65.2%
Staff and Administrators										
Full-Time	574	541	523	479	450	438	410	296	329	139
Part-Time	475	470	455	232	188	201	314	151	192	113
Total	1049	1011	978	711	638	639	724	447	521	252
Percent										
Full-Time	54.7%	53.5%	53.5%	67.4%	70.5%	68.5%	56.6%	66.2%	63.1%	55.2%
Part-Time	45.3%	46.5%	46.5%	32.6%	29.5%	31.5%	43.4%	33.8%	36.9%	44.8%
FTSE per Full-time Faculty										
	27.9	27.7	29.0	28.2	28.9	26.8	29.7	31.4	40.0	43.6
FTSE per Full-Time Staff Member										
	20.8	20.9	22.0	22.3	22.8	21.3	20.5	26.9	22.7	41.1
Student FTE										
	11,921	11,323	10,662	10,662	10,260	9,339	8,403	7,974	7,572	5,737
Average Annual Faculty Salary*										
	\$ 62,580	\$ 55,861	\$ 53,800	\$ 52,257	\$ 50,527	\$ 50,575	\$ 48,281	\$ 44,593	\$ 41,983	\$ 42,501

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

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

Student Classification	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	11254	60.96%	10950	64.97%	11902	68.80%	11081	71.57%	9902	71.52%
31-60 hours	4154	22.50%	4141	24.57%	3904	22.57%	3158	20.40%	2866	20.70%
> 60 hours	3052	16.53%	1763	10.46%	1494	8.64%	1244	8.03%	1077	7.78%
Total	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%	13,845	100.00%

Semester Hour Load	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	140	0.76%	102	0.61%	93	0.54%	78	0.50%	59	0.43%
3-5 semester hours	4072	22.06%	3611	21.43%	3493	20.19%	2895	18.70%	2287	16.52%
6-8 Semester hours	4297	23.28%	3805	22.58%	4063	23.49%	3722	24.04%	3010	21.74%
9-11 semester hours	3343	18.11%	3074	18.24%	3137	18.13%	2982	19.26%	2624	18.95%
12-14 semester hours	5949	32.23%	5667	33.62%	5911	34.17%	5303	34.25%	5040	36.40%
15-17 semester hours	587	3.18%	529	3.14%	529	3.06%	467	3.02%	757	5.47%
18 & over	72	0.39%	66	0.39%	74	0.43%	36	0.23%	68	0.49%
Total	15,450	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%	13,845	100.00%

Average course load 9.0 8.7 8.7 8.8 9.2

Tuition Status	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	17,811	96.48%	16540	98.14%	16949	97.97%	15164	97.94%	13556	97.91%
Texas Resident (out-of-District)	304	1.65%	310	1.84%	351	2.03%	319	2.06%	289	2.09%
Non-Resident Tuition	345	1.87%	4	0.02%	-	0.00%	-	0.00%	-	0.00%
Total	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%	13,845	100.00%

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

Gender	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	10920	59.15%	10006	59.37%	10546	60.96%	9598	61.99%	8589	62.04%
Male	7540	40.85%	6848	40.63%	6754	39.04%	5885	38.01%	5256	37.96%
Total	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%	13,845	100.00%

Ethnic Origin	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	614	3.33%	590	3.50%	578	3.34%	615	3.97%	587	4.24%
Hispanic	17333	93.89%	15995	94.90%	16440	95.03%	14617	94.41%	13024	94.07%
African American	44	0.24%	28	0.17%	12	0.07%	10	0.06%	8	0.06%
Asian	209	1.13%	178	1.06%	149	0.86%	129	0.83%	114	0.82%
Foreign	81	0.44%	57	0.34%	116	0.67%	107	0.69%	109	0.79%
Native American	11	0.06%	6	0.04%	5	0.03%	5	0.03%	3	0.02%
Unknown	168	0.91%								
Total	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%	13,845	100.00%

Age	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	3814	20.66%	4545	26.97%	4430	25.61%	3297	21.29%	2264	16.35%
18 -21	6785	36.76%	6703	39.77%	6581	38.04%	5863	37.87%	5333	38.52%
22 - 24	2530	13.71%	1540	9.14%	1787	10.33%	1804	11.65%	1871	13.51%
25 - 35	3829	20.74%	2928	17.37%	3238	18.72%	3228	20.85%	3034	21.91%
36 - 50	1330	7.20%	1030	6.11%	1149	6.64%	1157	7.47%	1199	8.66%
51 & over	172	0.93%	108	0.64%	115	0.66%	134	0.87%	144	1.04%
Total	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%	13,845	100.00%

Average Age	23	22	22	23	24
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Statistical Supplement 17
Transfers to Senior Institutions
2003 Fall Students as of Fall 2004
(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	2,506	189	124	2,819	80.35%
2 University of Texas - Austin	162	3	5	170	4.84%
3 Texas A&M University - College Station	140	3	3	146	4.15%
4 University of Texas - San Antonio	97	8	2	107	3.04%
5 Texas A&M University - Kingsville	63	3	5	71	2.02%
6 Texas State University	47	4	2	53	1.51%
7 Texas A&M University - Corpus Christi	35	3	1	39	1.11%
8 University of Houston	14	0	0	14	0.40%
9 University of North Texas	12	0	0	12	0.34%
10 University of Texas - Brownsville	10	1	1	12	0.34%
11 Sam Houston State University	7	0	0	7	0.20%
12 Stephen F. Austin State University	6	0	1	7	0.20%
13 Texas Tech University	7	0	0	7	0.20%
14 Texas A&M International University	6	0	0	6	0.17%
15 Sul Ross State University	4	0	0	4	0.11%
16 Texas A&M University - Galveston	3	0	0	3	0.09%
17 Texas Women's University	2	1	0	3	0.09%
18 University of Texas - Dallas	3	0	0	3	0.09%
19 University of Texas - Permian Basin	3	0	0	3	0.09%
20 West Texas A&M University	3	0	0	3	0.09%
21 Angelo State University	2	0	0	2	0.06%
22 Tarleton State University	2	0	0	2	0.06%
23 Texas Southern University	2	0	0	2	0.06%
24 University of Houston - Downtown	1	0	1	2	0.06%
25 University of Texas Health Science Center - Houston	2	0	0	2	0.06%
26 University of Texas Medial Branch Galveston	2	0	0	2	0.06%
27 Lamar University Institute of Technology	1	0	0	1	0.03%
28 Midwestern State University	1	0	0	1	0.03%
29 Texas A&M University - Commerce	1	0	0	1	0.03%
30 Texas A&M University System Health Science Center	1	0	0	1	0.03%
31 Texas Tech University Health Science Center	0	1	0	1	0.03%
32 University of Houston - Clear Lake	1	0	0	1	0.03%
33 University of Texas - Arlington	1	0	0	1	0.03%
Totals	3,147	216	145	3,508	100.00%

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

	Fiscal Year				
	2007	2006	2005	2004	2003
Academic Buildings	15	14	14	13	12
Square footage	495,797	447,744	447,744	385,814	317,407
Libraries	5	5	5	5	5
Square footage	54,958	63,877	63,877	67,266	67,266
Number of Volumes	132,064	123,318	106,956	97,524	95,038
Administrative and support buildings	11	9	9	9	8
Square footage	171,891	112,023	112,023	80,379	60,712
Dining Facilities	5	5	5	5	1
Square footage	23,839	21,379	21,379	21,379	14,360
Average daily customers	624	579	519	536	484
Athletic Facilities	2	1	1	1	-
Square footage	14,697	7,413	7,413	7,413	-
Plant Facilities	1	1	1	1	1
Square footage	11,754	11,754	11,754	9,500	9,500
Transportation					
Cars	1	4	4	4	2
Light Trucks/Vans	25	20	16	16	15

Statistical Supplement 19
Changes in Net Assets
Last Five Fiscal Years
(unaudited)

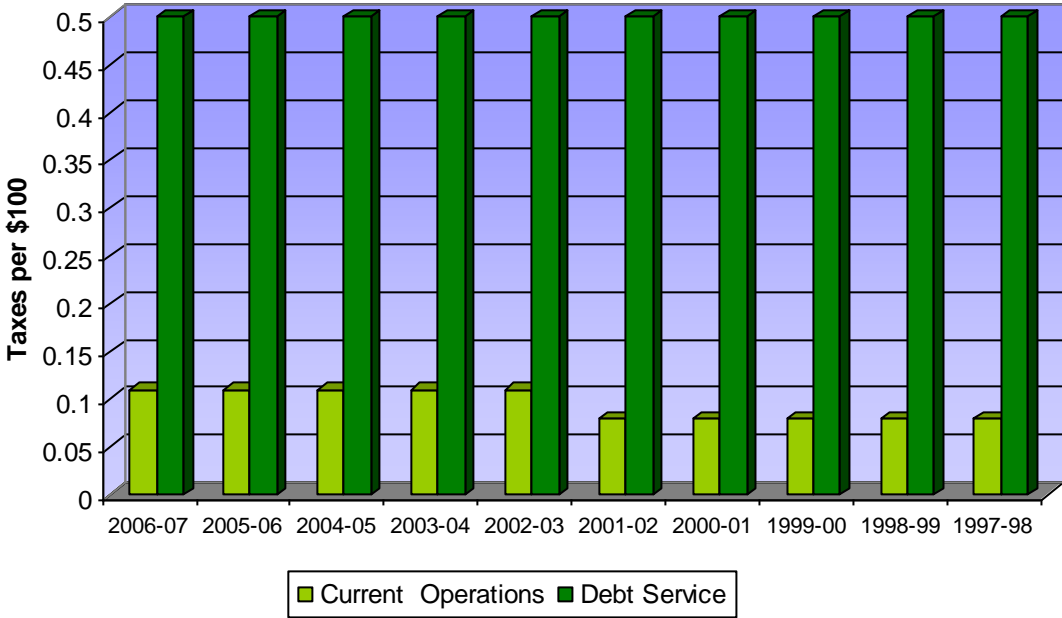
	2007	2006	2005	2004	2003
Operating Revenues					
Tuition and fees (net of discounts)	\$ 16,012,478	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388	\$ 8,457,156
Federal grants and contracts	31,023,956	33,380,140	36,906,689	34,021,750	33,041,792
State grants and contracts	3,068,738	3,094,018	3,553,359	2,948,994	4,427,500
Local grants and contracts	922,667	756,312	757,398	801,324	634,491
Non-governmental grants and contracts	1,192,509	1,017,893	1,525,659	998,230	638,326
Auxiliary enterprises	874,962	906,335	838,057	733,900	653,691
Other operating revenues	1,440,230	1,680,707	872,885	1,518,171	856,798
Total Operating Revenues	\$ 54,535,540	\$ 55,002,941	\$ 55,907,535	\$ 49,453,757	\$ 48,709,754
Operating Expenses					
Instruction	\$ 37,853,111	\$ 36,144,166	\$ 32,107,169	\$ 29,670,904	\$ 28,715,797
Research	-	19,663	11,768	-	-
Public service	1,795,019	2,847,813	2,106,665	2,354,241	3,078,549
Academic support	8,089,561	7,542,624	6,707,548	4,175,859	3,952,084
Student services	7,727,628	6,476,443	6,021,112	5,334,153	5,021,938
Institutional support	14,774,199	13,255,074	11,765,777	10,611,400	11,222,528
Operations and maintenance of plant	8,712,299	8,473,871	7,137,221	4,746,623	4,705,159
Scholarships and Fellowships	18,512,951	19,681,397	22,958,306	22,956,070	23,070,993
Auxiliary enterprises	422,150	438,747	411,684	346,671	380,737
Depreciation	5,285,190	5,165,342	4,215,249	2,647,695	3,826,761
Total Operating Expenses	\$103,172,108	\$100,045,140	\$ 93,442,499	\$ 82,843,616	\$ 83,974,546
Operating Loss	(48,636,568)	(45,042,199)	(37,534,964)	(33,389,859)	(35,264,792)
Non-Operating Revenues (Expenses)					
State allocations	\$ 30,311,961	\$ 29,972,196	\$ 24,945,029	\$ 24,128,754	\$ 22,825,281
Ad-Valorem taxes					
Taxes for maintenance & operations	27,564,774	24,854,665	22,405,071	19,805,773	18,412,034
Taxes for debt service	11,218,464	11,017,119	11,258,100	11,592,841	11,338,611
Gifts	351,586	215,177	190,148	3,265,398	186,027
Investments income (net of investment expenses)	4,653,487	3,684,413	2,352,936	2,585,128	3,161,603
Interest on capital related debt	(4,926,778)	(4,662,868)	(3,704,377)	(4,606,271)	(4,783,540)
Other non-operating revenues (expenses)	(1,906,943)	(1,091,717)	(5,949,680)	(2,017,952)	(938,790)
Net non-operating revenues	\$ 67,266,551	\$ 63,988,985	\$ 51,497,227	\$ 54,753,671	\$ 50,201,226
Income before capital contributions	18,629,983	18,946,786	13,962,263	21,363,812	14,936,434
Capital contributions	308,894	194,956	2,437,397	103,920	20,202
Increase in net assets	18,938,877	19,141,742	16,399,660	21,467,732	14,956,636
NET ASSETS, BEGINNING OF YEAR	140,636,341	121,494,599	105,094,939	83,627,207	68,670,571
NET ASSETS, END OF YEAR	\$159,575,218	\$140,636,341	\$121,494,599	\$105,094,939	\$ 83,627,207

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2007 are available.

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

Fiscal Year	Current Operations	Debt Service	Total
2006-07	0.1100	0.5000	0.6100
2005-06	0.1100	0.5000	0.6100
2004-05	0.1100	0.5000	0.6100
2003-04	0.1100	0.5000	0.6100
2002-03	0.1100	0.5000	0.6100
2001-02	0.0800	0.5000	0.5800
2000-01	0.0800	0.5000	0.5800
1999-00	0.0800	0.5000	0.5800
1998-99	0.0800	0.5000	0.5800
1997-98	0.0800	0.5000	0.5800

South Texas College
Ad Valorem Tax Rates Authorized



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

Governmental Subdivision	Percent Applicable to STC	Tax Year 2006	Tax Year 2005	Tax Year 2004	Tax Year 2003
South Texas College	100.00%	\$0.154800	\$0.158900	\$0.164700	\$0.173800
HIDALGO COUNTY					
Cities:					
Alamo	100.00%	0.592850	0.553800	0.553800	0.522337
Alton	100.00%	0.426600	0.426600	0.409600	0.429600
Donna	100.00%	0.989999	0.989138	0.991648	1.039828
Edcouch	100.00%	0.899000	0.773400	0.776100	0.797200
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	100.00%	0.792720	0.810000	0.691735	0.751050
Granjeno	100.00%	0.304900	0.275478	0.283700	0.275500
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.586200	0.565200	0.597900	0.646500
La Villa	100.00%	0.851600	0.785800	0.781000	0.761000
McAllen	100.00%	0.421300	0.421300	0.421300	0.421300
Mercedes	100.00%	0.870000	0.870000	0.870000	0.870000
Mission	100.00%	0.556600	0.558900	0.539800	0.550000
Palmview	100.00%	0.337009	0.334301	0.307025	0.310717
Penitas	100.00%	0.300000	0.300000	0.300000	0.300000
Pharr	100.00%	0.683120	0.683120	0.683120	0.683120
Progreso	100.00%	0.413900	0.389600	0.373600	0.387300
San Juan	100.00%	0.699300	0.699368	0.681369	0.683102
Sullivan City	100.00%	0.300000	0.300000	0.300000	0.300000
Weslaco	100.00%	0.699500	0.699500	0.699500	0.699500
School Districts:					
Donna ISD	100.00%	1.530000	1.660000	1.660000	1.660000
Edcouch-Elsa ISD	100.00%	1.543400	1.600000	1.600000	1.600000
Edinburg ISD	100.00%	1.445200	1.575100	1.595100	1.599300
Hidalgo ISD	100.00%	1.540000	1.610000	1.590000	1.590000
La Joya ISD	100.00%	1.582000	1.642000	1.642000	1.569900
La Villa ISD	100.00%	1.517800	1.626700	1.606700	1.586700
McAllen ISD	100.00%	1.478000	1.615500	1.540000	1.540000
Mercedes ISD	100.00%	1.570000	1.660000	1.660000	1.620000
Mission ISD	100.00%	1.457400	1.663200	1.569100	1.584100
Monte Alto ISD	100.00%	1.427300	1.546000	1.566400	1.577600
PSJA ISD	100.00%	1.519400	1.613534	1.613534	1.611538
Progreso ISD	100.00%	1.604600	1.654000	1.654000	1.654000
Sharyland ISD	100.00%	1.545100	1.565000	1.565000	1.555000
South Texas ISD	100.00%	0.039200	0.039200	0.039200	0.039200
Valley View ISD	100.00%	1.548800	1.548900	1.548900	1.480000
Weslaco ISD	100.00%	1.341800	1.430000	1.430000	1.430000

Statistical Supplement 21
(Continued)

Tax Year 2002	Tax Year 2001	Tax Year 2000	Tax Year 1999	Tax Year 1998	Tax Year 1997
\$0.177600	\$0.089700	\$0.092200	\$0.092000	\$0.091800	\$0.094900
0.536390	0.536390	0.536390	0.539400	0.635270	0.670000
0.399000	0.405600	0.405600	0.405600	0.405600	0.405600
1.037270	1.037270	1.034660	1.020000	1.020000	1.032030
0.784860	0.784860	0.790000	0.796630	0.752240	0.750020
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.753399	0.753399	0.753399	0.732820	0.732820	0.732820
0.253431	0.253100	0.259006	0.250000	0.230650	0.250000
0.351400	0.351400	0.351400	0.351400	0.000000	0.351400
0.660400	0.670800	0.676700	0.680000	0.680000	0.663200
0.817500	0.778700	0.778700	0.763700	0.763700	0.808200
0.421300	0.421300	0.421300	0.421300	0.421300	0.421300
0.840000	0.850000	0.860000	0.880000	0.890500	0.899500
0.550000	0.620000	0.620000	0.620000	0.620000	0.600000
0.308097	0.311902	0.307066	0.324660	0.324660	0.324310
0.293400	0.293400	0.300000	0.300000	0.000000	0.000000
0.690000	0.662310	0.642310	0.642310	0.630000	0.600000
0.365400	0.365400	0.365400	0.365400	0.365400	0.400000
0.687546	0.687546	0.687546	0.712860	0.722860	0.810832
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.735900	0.779100	0.785000	0.785000	0.785900	0.760000
1.560000	1.490000	1.600000	1.500000	1.560000	1.410000
1.600000	1.600000	1.600000	1.540000	0.000000	1.550000
1.551600	1.411100	1.552000	1.530000	1.555000	1.475000
1.570000	1.570000	1.570000	1.570000	0.000000	1.540000
1.569900	1.528000	1.455800	1.556000	1.556000	1.466300
1.566700	1.427600	1.576300	1.585000	1.585000	1.585000
1.542500	1.542500	1.580000	1.530000	1.530000	1.450000
1.620000	1.590000	1.590000	1.510000	1.510000	1.410000
1.584100	1.534100	1.534100	1.505000	1.505000	1.455000
1.580600	1.545900	1.540000	1.450000	1.450000	1.430000
1.622068	1.621665	1.630000	1.590000	1.590000	1.573900
1.688000	1.590000	1.580000	1.580000	1.550000	1.530000
1.540000	1.540000	1.540000	1.460000	1.460000	1.410000
0.039200	0.039200	0.037200	0.037200	0.037200	0.038500
1.480000	1.470000	1.440000	1.420000	0.000000	1.380000
1.430000	1.430000	1.430000	1.397500	1.397500	1.397500

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

Governmental Subdivision	Percent Applicable to STC	Tax Year 2006	Tax Year 2005	Tax Year 2004	Tax Year 2003
HIDALGO COUNTY					
Special Districts:					
Hidalgo County	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage Dist. #1	100.00%	0.043100	0.043500	0.043500	0.043500
Road District #5	100.00%	0.000000	0.000000	0.000000	0.000000
Fire District #1	100.00%	0.015700	0.016700	0.017500	0.018300
Fire District #2	100.00%	0.027400	0.026200	0.024700	0.027500
Fire District #3	100.00%	0.010300	0.011500	0.011500	0.012500
Fire District #4	100.00%	0.024100	0.024100	0.024100	0.024100
Donna Irrigation #1	100.00%	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	59.73%	0.540000	0.550000	0.550000	0.560000
Engleman Water District #6	100.00%	0.274600	0.290000	0.290000	0.335700
Mercedes #9	100.00%	0.000000	0.000000	0.000000	0.000000
Valley Acres	100.00%	0.000000	0.000000	0.000000	0.000000
STARR COUNTY					
Cities:					
Roma	100.00%	0.394940	0.394940	0.394940	0.377500
Rio Grande City	100.00%	0.292292	0.290000	0.000000	0.000000
School Districts					
Rio Grande City ISD	100.00%	1.599800	1.594600	1.566000	1.566000
Roma ISD	100.00%	1.521000	1.594900	1.619700	1.594100
San Isidro ISD	100.00%	1.370000	1.500000	1.500000	1.500000
Special Districts:					
Starr County Memorial Hospital District	100.00%	0.133400	0.115300	0.111400	0.124200
Starr County	100.00%	0.441000	0.446000	0.446000	0.468300
F&M & FC	100.00%	0.168200	0.168400	0.168400	0.161100

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

Statistical Supplement 21
(Continued)

Tax Year 2002	Tax Year 2001	Tax Year 2000	Tax Year 1999	Tax Year 1998	Tax Year 1997
0.590000	0.519500	0.500700	0.446700	0.446700	0.474700
0.045600	0.045600	0.037600	0.038400	0.041000	0.039000
0.000000	0.000000	0.000000	0.010900	0.019500	0.023000
0.018300	0.018900	0.019100	0.020000	0.022500	0.028400
0.027500	0.027500	0.027500	0.027500	0.028300	0.030000
0.012500	0.012500	0.015000	0.015000	0.015000	0.017500
0.025700	0.025300	0.025400	0.025500	0.026700	0.026700
0.200000	0.200000	0.000000	0.017000	0.021000	0.210000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.335700	0.335700	0.335700	0.329000	0.327900	0.352000
0.000000	0.000000	0.190000	0.210000	0.240000	0.200000
0.000000	0.000000	0.000000	0.000000	0.000000	0.838600
0.380000	0.363770	0.317430	0.280000	0.230000	0.214890
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
1.513900	1.513900	1.544600	1.469300	1.469300	1.440000
1.595900	1.570000	1.591700	1.500000	1.500000	1.172700
1.478900	1.500000	1.500000	1.500000	1.500000	1.500000
0.115100	0.122800	0.156800	1.588000	0.158800	0.147900
0.436800	0.420300	0.476700	0.476700	0.443200	0.412600
0.148900	0.147200	0.175300	0.175300	0.162900	0.151600

Statistical Supplement 22
Computation of Direct and Overlapping Debt
August 31, 2006
(unaudited)

<u>Overlapping Agencies</u>	<u>Outstanding Bonds</u>		<u>As of</u>	<u>Applicable to Direct</u>	
				<u>Percent</u>	<u>Amount</u>
Alamo, City of	\$ 7,475,000	*	03/31/07	100.00%	\$ 7,475,000
Delta Lake Irrigation Dist	None		03/31/07	59.73%	-
Donna ID Hidalgo Co. #1	None		03/31/07	100.00%	-
Donna ISD	76,869,665		08/31/05	100.00%	76,869,665
Donna, City of	7,870,167		09/13/05	100.00%	7,870,167
Edcouch-Elsa ISD	48,212,559		08/31/05	100.00%	48,212,559
Edinburg CISD	97,565,715		11/30/06	100.00%	97,565,715
Edinburg, City of	40,387,999		09/30/05	100.00%	40,387,999
Elsa, City of	765,041	*	03/31/07	100.00%	765,041
Hidalgo-Cameron ID #9	None		03/31/07	78.55%	-
Hidalgo Co.	165,707,889		12/31/05	100.00%	165,707,889
Hidalgo Co. DD #1	27,678,069		01/01/07	100.00%	27,678,069
Hidalgo Co. ID #5	None		03/31/07	100.00%	-
Hidalgo Co. Rd #5	None		03/31/07	100.00%	-
Hidalgo ISD	38,605,709		07/01/06	100.00%	38,605,709
Hidalgo, City of	6,175,000	*	03/31/07	100.00%	6,175,000
La Grulla, City of	-		09/30/05	100.00%	-
La Joya, ISD	247,846,715		08/31/06	100.00%	247,846,715
La Joya, City of	-		09/30/05	100.00%	-
La Villa ISD	4,129,102		08/31/05	100.00%	4,129,102
La Villa , City of	None		03/31/07	100.00%	-
Lyford CISD	11,628,202		08/31/05	100.00%	11,628,202
McAllen ISD	126,399,698		08/31/06	100.00%	126,399,698
McAllen, City of	4,800,000		07/15/06	100.00%	4,800,000
Mercedes ISD	53,312,154		08/31/05	100.00%	53,312,154
Mercedes, City of	5,033,156		09/30/06	100.00%	5,033,156
Mission, CISD	110,514,288		11/30/06	100.00%	110,514,288
Mission, City of	21,634,720		09/30/06	100.00%	21,634,720
Monte Alto ISD	2,910,075		08/31/05	100.00%	2,910,075
Pharr, City of	17,945,494		12/31/05	100.00%	17,945,494
Pharr-San Juan-Alamo ISD	173,268,407		08/31/06	100.00%	173,268,407

Statistical Supplement 22
(Continued)

<u>Overlapping Agencies</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Applicable to Direct</u>	
			<u>Percent</u>	<u>Amount</u>
Progreso ISD	26,639,256	08/31/06	100.00%	26,639,256
Rio Grande City CISD	107,088,330	08/31/06	100.00%	107,088,330
Roma ISD	51,184,989	08/31/05	100.00%	51,184,989
Roma, City of	-	09/30/06	100.00%	-
San Juan, City of	11,264,955	09/30/06	100.00%	11,264,955
Sharyland ISD	75,878,992	08/31/06	100.00%	75,878,992
Starr Co	5,671,052 *	03/31/07	100.00%	5,671,053
Valley Acres ID	None	03/31/07	100.00%	-
Valley View ISD	40,060,900	08/31/06	100.00%	40,060,900
Weslaco ISD	62,164,727	08/31/06	100.00%	62,164,727
Weslaco, City of	22,791,552	09/30/06	100.00%	22,791,552
Total Net Overlapping Debt:				\$ 1,699,479,578
South Texas College		08/31/06		90,871,854
Total Direct and Overlapping Debt:				\$ 1,790,351,432

*Gross Debt

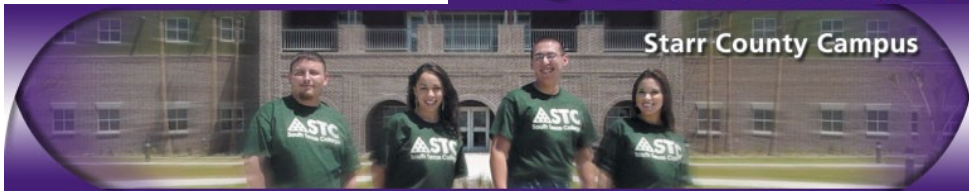
Source: Municipal Advisory Council of Texas



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...A better quality of life for our communities



SPECIAL REPORTS

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

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

To the Board of Trustees
South Texas College

Members of the Board:

We have audited the financial statements of South Texas College as of and for the years ended August 31, 2007 and 2006 and have issued our report thereon dated December 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated December 11, 2007.

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

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 11, 2007

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

Members of the Board:

Compliance

We have audited the compliance of South Texas College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2007.

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

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

In our opinion, South Texas College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

Internal Control Over Compliance

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

A control deficiency in the College's internal control over compliance 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 11, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH STATE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
South Texas College

Members of the Board:

Compliance

We have audited the compliance of South Texas College 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 are applicable to each of its major state programs for the year ended August 31, 2007. South Texas College's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, South Texas College complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended August 31, 2007.

Internal Control Over Compliance

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

A control deficiency in the College's internal control over compliance 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the College's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 11, 2007

SOUTH TEXAS COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AND STATE
 For the Year Ended August 31, 2007

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 that are not considered to be material weaknesses? _____ 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 that are not considered to be material weaknesses? _____ 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 Circular A-133? _____ yes X no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 930,754

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

SOUTH TEXAS COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AND STATE
 (CONTINUED)
 For the Year Ended August 31, 2007

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ 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 State Single Audit Circular?

_____ yes X no

Identification of major programs:

Identifying Number(s)

Name of State Program or Cluster

None
 None
 None

Texas Higher Education Coordinating Board
 Certified Educational Aides
 Texas Grant I – Initial Year 2007
 Texas Grant I – Renewal Year 2007

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

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

Section II - Financial Statement Findings

None.

SOUTH TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AND STATE
(CONTINUED)
For the Year Ended August 31, 2007

Section III – Federal Award Findings and Questioned Costs

None.

Section IV – State Award Findings and Questioned Costs

None.

SOUTH TEXAS COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS- FEDERAL AND STATE
For the Year Ended August 31, 2007

Schedule of Status of Prior Year Findings - Federal

No prior year findings

Schedule of Status of Prior Year Findings - State

No prior year findings

SOUTH TEXAS COLLEGE
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2007

FEDERAL

Not Applicable.

STATE

Not Applicable.

