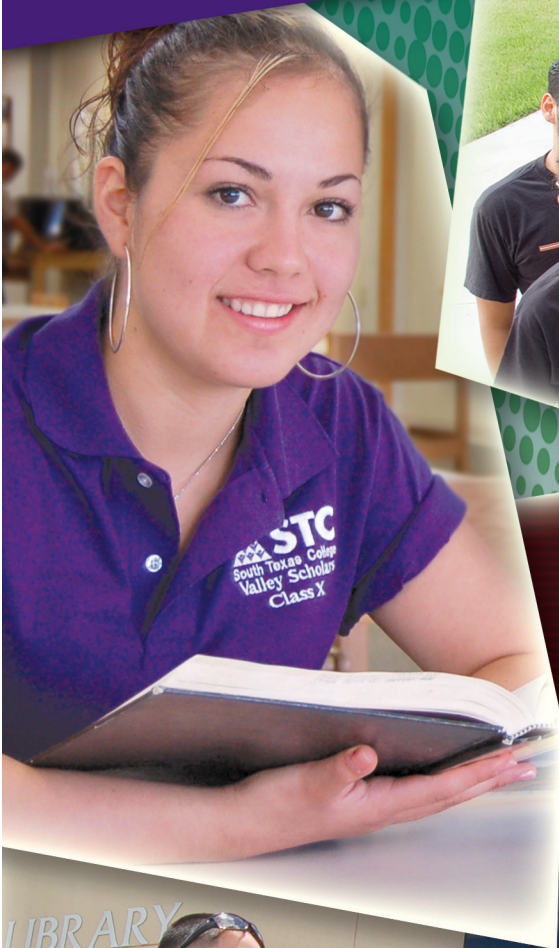


# South Texas College Comprehensive Annual Financial Report



Fiscal Years Ended  
August 31, 2008 and 2007  
Hidalgo County and Starr County, Texas

# **South Texas College**

**Hidalgo County and Starr County, Texas**

## **Comprehensive Annual Financial Report**



**Fiscal Years Ended  
August 31, 2008 and 2007**

Prepared by:  
Business Office  
South Texas College



*...A better quality of life for our communities*



# INTRODUCTORY SECTION

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

**South Texas College**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEARS ENDED AUGUST 31, 2008 AND 2007**

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P.O. Box 9701  
McAllen, TX 78502  
(956) 872-4646

December 11, 2008

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

The Comprehensive Annual Financial Report (CAFR) of South Texas College, Counties of Hidalgo and Starr, State of Texas, for the years ended August 31, 2008 and 2007, 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 provides adequate accounting data to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

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

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

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

South Texas College Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2008 was prepared by the Business Office.

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.

Long Chilton, LLP, Certified Public Accountants, have issued an unqualified opinion on South Texas College's financial statements for the year ended August 31, 2008. The independent auditors' report is included in the financial section of this report.

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 the Baccalaureate and Associate degrees. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of South Texas College. The College also offers certificates and institutional awards. It is also approved for veteran's educational training in Certificate and Associate of Applied Science degree programs by the Texas Education Agency. South Texas College's offerings are approved by the Texas Higher Education Coordinating Board.

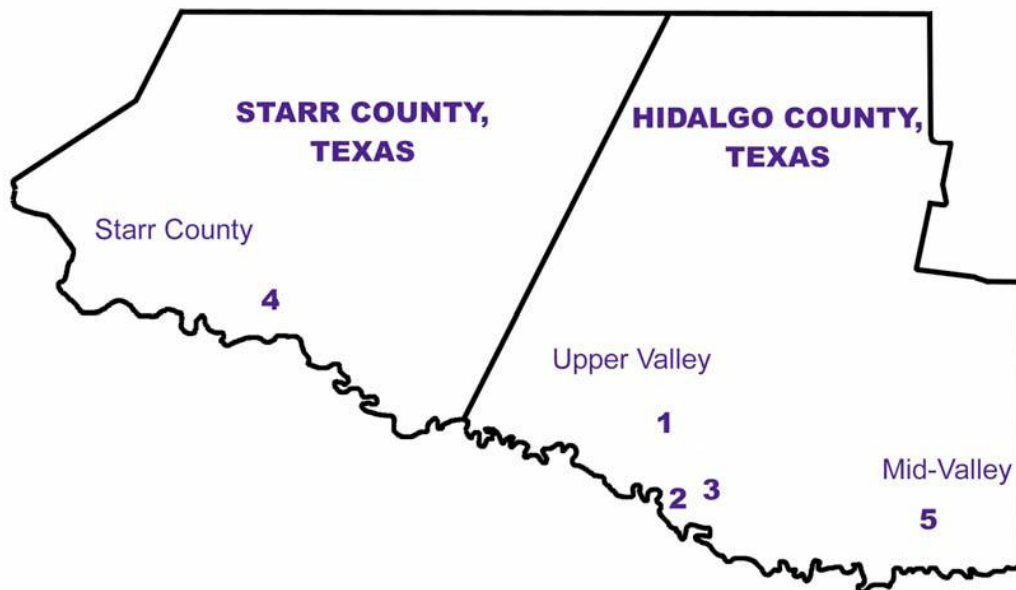
The District was created on September 1, 1993, by Texas Senate Bill 251, now codified as Section 130.0311, as amended, Texas Education Code, to serve Hidalgo and Starr Counties. It is the only community College in Texas to have been established prior to a taxing district being approved by local voters. 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 for all of the seats, as required by State law, and all members were elected by the year 2000. The Board of Trustees serves staggered six-year terms with elections held in May of each even-numbered year. Policy making functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the President, who is the Chief Executive Officer of the District.

The 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 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.

South Texas College has five campuses conveniently located throughout Hidalgo and Starr Counties. The five campuses are the Pecan Campus (1), the Technology Campus (2), the Dr. Ramiro R. Casso Nursing and Allied Health Campus (3), the Starr County Campus (4), and the Mid-Valley Campus (5). The Pecan Campus in McAllen, the Mid-Valley Campus in Weslaco and Starr County Campus in Rio Grande City offer traditional college programs. The Dr. Ramiro R. Casso Nursing and Allied Health Campus and the Technology Campus in McAllen provide specialized training for students entering the workforce. In addition, South Texas College has Workforce Training Centers at the Technology Campus, the Mid-Valley and Starr County campuses. Faculty and staff of more than 1,600 serve South Texas College's five campuses.



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

### **Vision**

A better quality of life for our communities.

### **Purpose**

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

### **Core Values**

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

### **Guiding Principles**

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

### **Strategic Directions**

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

The College is one of three Texas community colleges accredited to offer a Bachelor of Applied Technology (BAT) degree and the only community college in Texas accredited to offer two bachelor’s degrees. South Texas College offers dual enrollment programs with high schools throughout Hidalgo and Starr counties. The programs allow eligible students to take college courses while attending high school. More than 5,000 students enrolled in the program during the Spring 2008 semester.

South Texas College has more than 60 articulation agreements in place with colleges across the country.

South Texas College has developed two intensive academic programs for students interested in pursuing degrees in the medical and engineering fields. The Dual Enrollment Medical Science Academy and the Dual Enrollment Engineering Academy consist of concentrated two-year programs of study and internship opportunities for qualified students to pursue an Associate of Science degree during their junior and senior years in high school.

South Texas College's Partnership for Business and Industry Training offers employers customized training that will upgrade the skills of current employees and prepare new employees for a variety of industries. The Continuing and Professional Education program provides opportunities for lifelong learners to upgrade their skills, change careers or seek personal enrichment.

The Continuing Education Division has programs on a variety of topics including an Alternative Teaching Certificate Program, GED training, continuing professional development courses in Human Resources and Certified Public Accountant (CPA) Exam preparation and grant writing.

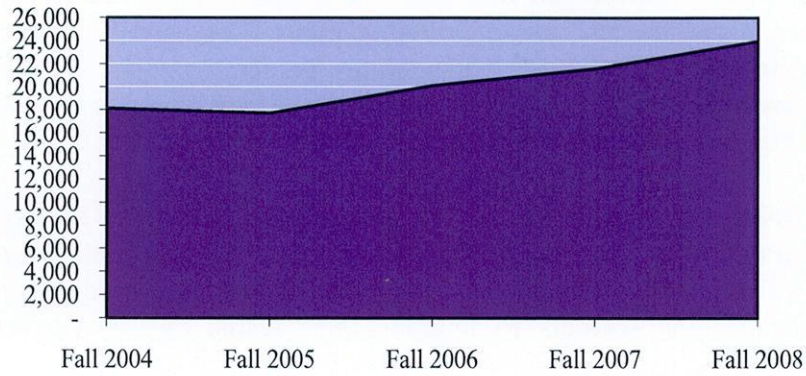
With a total of approximately 780 full-time and adjunct instructors, South Texas College's faculty is among the most qualified at any community college in the nation. There are 452 faculty members with master's degrees, 44 hold double master's, one holds a triple master's, 97 have doctorate degrees, and one holds a double doctorate degree. In certificate and other programs, there are 126 faculty members holding bachelor degrees, 58 with associate degrees and 3 with certificates.

South Texas College has experienced continuous growth since its inception. According to the Texas State Comptroller's August 2008 report, *Texas In Focus: South Texas*, South Texas College is the largest higher education institution by enrollment in the South Texas region. South Texas College also had the largest enrollment growth between 2000 and 2007. The region has six public universities and six community college districts and consists of 28 counties.

The following tables and graphs illustrate the College's enrollment data over the last five years:

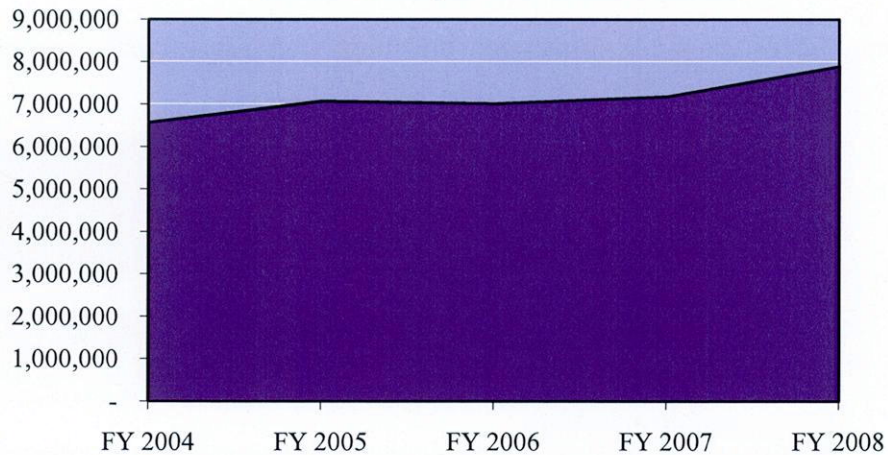
<b>FALL SEMESTER ENROLLMENT</b>					
	<b>Fall 2004</b>	<b>Fall 2005</b>	<b>Fall 2006</b>	<b>Fall 2007</b>	<b>Fall 2008</b>
<b>Academic:</b>					
<b>Headcount</b>	17,138	16,609	18,700	20,380	22,446
<b>Full-Time Equivalent</b>	12,452	12,049	13,218	14,304	15,593
<b>Continuing Education:</b>					
<b>Headcount</b>	985	1,108	1,416	1,221	1,534
<b>Full-Time Equivalent</b>	461	564	744	750	426

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

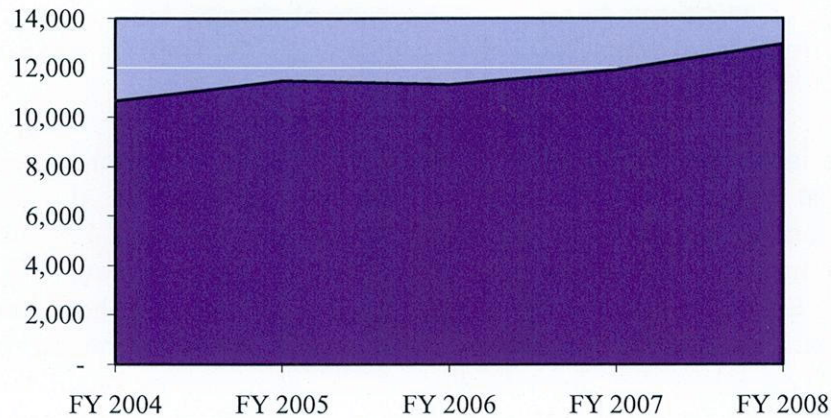


<b>ANNUAL ENROLLMENT</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Unduplicated Credit Hours	319,876	344,538	339,703	357,644	389,046
Unduplicated Contact Hours	6,578,557	7,075,776	7,018,400	7,186,080	7,896,736
Unduplicated Full-Time Equivalent	10,662	11,478	11,323	11,921	12,968
Unduplicated Annual Headcount	21,926	23,844	23,743	25,422	27,936

**Annual Unduplicated Contact Hours**



### Annual Unduplicated Full-Time Equivalents



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.

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

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

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

The 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. State appropriations increased by \$2,144,313 from fiscal year 2007 to fiscal year 2008, from \$23,228,528 to \$25,372,841 respectively.

The College increased the Workforce/Continuing Education tuition rate and selected existing fees in fiscal year 2008. Tuition remained the same as in the previous year. The Workforce/Continuing Education per contact hour increased from \$4.50 to \$5.00. The College also added a new fee, a Continuing Education Late Registration Fee, of \$10.00. The College increased the Electronic Distance Learning Fee per semester credit hour from \$15.00 to \$17.00, the Developmental Studies Fee from \$25.00 to \$30.00 per semester credit hour and the Information Technology Fee from \$6.00 to \$7.00 per semester credit hour. Parking Permit violations increased for the first three violations. The first violation increased from \$15.00 to \$20.00, the second violation from \$30.00 to \$40.00, and the third violation from \$40.00 to \$60.00. The Wellness Center Membership Fee was also increased from \$60.00 to \$72.00 per semester.

On April 20, 2006, the Board of Trustees approved a three year Faculty Pay Plan with the goal of increasing faculty members' pay during fiscal years 2007, 2008 and 2009. The initial increase was funded in fiscal year 2007. The Board of Trustees approved an average of 9.6% pay raise in FY 2008, compared to FY 2007's 6.9% average increase. In keeping with the College's commitment to recruit, retain and fairly compensate qualified personnel, for fiscal year 2008 the Board of Trustees approved a pay increase of 5% for Classified staff, 4% for Professional Support Exempt staff, 4% for Professional Support Non-Exempt staff, 3.5% for Administrative staff and 3% for Executive staff.

## **ECONOMIC CONDITIONS**

### **Local Economy Overview**

Located near the Texas-Mexico border, South Texas College serves Hidalgo and Starr Counties. Starr County was formed in 1848 out of Nueces County. It covers approximately 1,223 square miles with a 2008 estimated population of 62,665. Hidalgo County was formed in 1852 from portions of Cameron and Starr Counties. It covers approximately 15,836 square miles with an estimated population of 725,978 in 2008. 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 the United

States so that they can do business and enjoy trade with our community. Bridge operations are scheduled to open in June 2009.

- The 2007 Milken Institute Best Performing Cities Index, released in 2008, 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 2007 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 McAllen #1 in job growth and #2 in income growth in a survey of Best Cities for Jobs in 2008. These rankings are based on the nation's 100 largest metro areas. In the past year, there was an estimated 3.3% increase in jobs. This represents an increase of some 6,800 jobs. 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 succeed.
- In 2008, Money Magazine ranked Hidalgo County Number 11 on its Top 25 Study of Best Place for Job Growth. It cited 43.45% job growth over the eight year span from 2000 to 2007 in substantiating its ranking.
- McAllen was ranked as the #1 Fastest Growing Real Estate Market by Money Magazine in a survey of the 10 Fastest-Growing Real Estate Markets in 2008. The rankings include a twelve month growth projection of 4% in real estate.
- 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. As of 2005, the city had a population of 566,888. 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 McAllen 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. Adjacent to the convention center is the Palms Crossing that opened in Fall 2007, with thirty-five stores. New to the McAllen market were Babies R Us, Cavender's Boot City, DSW, Guitar Center and Sports Authority. The world's largest bookseller, Barnes & Noble opened its second store here with a café serving Starbucks coffee. 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.
- Located 15 miles east of McAllen is the city of Weslaco. It has an estimated population of 23,935 people. Weslaco is known for preserving its history and it has about fifteen historic landmarks from the early 1900's. In the 1800's, downtown Weslaco was called the neon city as downtown businesses used the gas filled tubes for signage. Today, businesses still use neon lights to identify their business. The city is now focusing its energy on attracting business and industry. It is the front door to business and trade between the United States and Mexico and Weslaco is strategically located at the center of the Rio Grande Valley. Weslaco has a strong economy being home to a combination of retail, distribution and light manufacturing businesses.

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 \$23 billion in 2007 to over \$26 billion in 2008 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 7.9% in 2008.
- The unemployment rate for Starr County decreased from 29.8% in 1997 to 10.9% in 2008.
- Building permits in the major cities of the district increased 35.6% from 2007 to 2008.
- Per capita income in Hidalgo County increased from \$12,350 in 2007 to \$12,758 in 2008.
- Per capita income in Starr County increased from \$8,219 in 2007 to \$8,464 in 2008.

Hidalgo and Starr Counties are in a position 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 2008, where more than 2,000 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 second 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. The number of graduates more than doubled this year with a total of thirty-nine students. Additionally the College graduated 13 students from its Dual Enrollment Medical Science Academy (DEMSA). The students obtained their 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. A second specialized academy was created in the Fall of 2006 by the South Texas College High School Programs and Services department. The Dual Enrollment Engineering Academy (DEEA) requires students to take 66 college credits during the last two years of high school to earn an Associate of Science in Engineering. Students from high schools throughout Hidalgo County participated, including students from La Joya, Sharyland, McAllen, PSJA, Hidalgo, Edcouch, Donna, Mercedes, and Weslaco. Thirty-three students graduated from this academy. 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 78.99 % by 2020 – one of the fastest rates in Texas. This pace should make the tri-city metropolitan region the fifth largest in Texas by 2040, with 1.4 million to 1.6 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 34.4% of the population in the City of McAllen MSA is younger than 18 years of age, compared to a statewide average of 27.7%.

### **Long-Term Financial Planning**

The College has no short term or long term loans at August 31, 2008.

At August 31, 2008, the College has outstanding bonds payable for Bond Series 1999, Bond Series 2002, Bond Series 2003 and Bond Series 2004 in the amounts of \$510,000, \$27,605,000, \$16,920,000 and \$13,315,000 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 \$2,955,000 and \$23,119,991. Total bonds payable at August 31, 2008, was \$84,424,991. All debt service requirements are to be paid with ad-valorem taxes levied.

The College's bond ratings on the outstanding bonds are A+ by Standards & Poor's and A1 by Moody's. These ratings are a reflection of South Texas College's stable outlook for continued enrollment growth and favorable operating performance.

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.

Fiscal Year	TAX LEVY RATES (Per \$100 of assessed valuation)		
	Current Operations	Debt Service	Total Tax Collections
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
2007-08	0.11000	0.04400	40,964,399

The College's average collection rate over the past ten years, including collection of delinquent taxes, has been 97.03%.

The tax base has increased by an average of 9.08% annually over the past eleven years. The tax base has increased from \$10,231,504,713 during fiscal year 1997 to \$26,529,232,568 during fiscal year 2008.

In fiscal years 1997 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, 2004, 2005, and 2006, the College set aside \$5,000,000, \$6,000,000, \$7,500,000, and \$11,250,000, respectively. In fiscal years 2007 and 2008, the College set aside \$7,500,000 per year for this purpose. A total of \$59,750,000 has been set aside during the period of fiscal year 1997 through fiscal year 2008. In addition, the College has set aside a total of \$5,500,000 for deferred maintenance purposes during the period of fiscal year 2004 through fiscal year 2008.

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

	August 31, 2006	August 31, 2007	August 31, 2008
Total Current Fund Balance	\$ 27,165,896	\$31,400,435	\$38,356,697
Budgeted Current Fund Expenses (including transfers and contingencies)	83,725,062	89,029,692	96,054,313
Fund Balance as a % of Total Expenses	32%	35%	40%
Number of Months Expense in Reserve	3.9 months	4.2 months	4.8 months

The College prepared a Comprehensive Plan for the fiscal year 2005 through fiscal year 2009. During fiscal year 2008, the College started to prepare the Comprehensive Plan for the period of fiscal year 2009 through 2013. The College's Comprehensive Plan reflects historical trends and forecasts for the future, including projection of population, student enrollment, instructional programs, faculty staffing and associated salary expenses, library service resources, budget planning, revenues, expenditures, external grant funding and facility planning. The Plan is prepared in collaboration with all divisions of the institution.

In fiscal year 2008, South Texas College computed four core ratios that provide information on the overall financial stability of the College. These four core ratios are the following: Primary Reserve Ratio, Viability Ratio, Return on Net Assets Ratio, and Net Operating Revenues Ratio. These four ratios are used to create one overall financial measurement called the Composite Financial Index, or CFI.

South Texas College has overall CFI scores of 5.97, 6.26 and 6.48 for FY 2006, FY 2007, and FY 2008 respectively. The established threshold CFI value for an institution in a strong financial position is 3.0, according to *Strategic Financial Analysis for Higher Education*. South Texas College's Composite Financial Index scores are significantly higher than the threshold for an institution with a strong financial position.

### **Major Initiatives**

The College continues to expand its program options, course offerings and facilities 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 2010 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 2010.

During fiscal year 2008, the College completed construction of the Cooper Center for Communication Arts Building, the Dr. Ramiro R. Casso Nursing and Allied Health Campus respiratory therapy lab, Pecan Campus Buildings A, B, and K renovations, Technology Center welding stations, and Pecan Campus North 40 acres site and landscape improvements. The college also purchased 9.8 acres, a .44 acre plot and 8 lots of land adjacent to its Pecan Campus for future expansion. The College's funding for these projects came from accumulated net assets.

In July 2008, the College contracted with Freese & Nichols, Inc. to study and develop a new master plan for the College. This master plan is to prepare the entire South Texas College district for the projected enrollment of 37,000 students to 42,000 students by 2020. Freese & Nichols, Inc. is a Fort-Worth based engineering, architectural, and environmental science consulting firm. They will conduct a study of growth issues and make recommendations based on their fact-finding and their data-gathering. By January 2009, they should have the preliminary information and a final report with recommendations by May 2009.

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. 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) in Computer and Information Technologies and began offering classes in Spring 2008. 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.

A regional delegation championed the opportunity for the South Texas region to lead the world in advanced manufacturing. Their support helped the North American Advanced Manufacturing Research and Education Initiative (NAAMREI) to secure more than \$8 million to spur the development of advanced manufacturing in the region. In October of 2007 the U.S. Department of labor awarded the consortium \$5 million for strategic planning, research and talent development. Recognizing the economy, the Texas Workforce Commission awarded NAAMREI \$3 million and employers matched \$3 million to train 1,800 new and incumbent workers through customized training. The Office of the Governor is the grant recipient and South Texas College serves as the fiscal agent and lead agency for the initiative.

The NAAMREI network includes sixty public and private partners. The lead partnership agencies are South Texas College, University of Texas Pan American, Region One Education Service Center, Greater McAllen Alliance and McAllen Economic Development Corporation. The City of McAllen awarded \$500,000 to the College in September 2008 to support the NAAMREI partnership initiative.

The ultimate goal of the initiative is to raise the standard of living by increasing and sustaining the total number of high skill, high wage manufacturing jobs from 17,428 to at least 25,000 positions by 2017. South Texas College is playing a major role in leading this regional economic transformation initiative. The College's Institute for Advanced Manufacturing serves as the regional institute that provides oversight and technical assistance to Laredo Community College, Texas Southmost College, and Texas State Technical College.

The 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 19,449 headcount in Spring 2008. 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 unrestricted fund budget increased from \$3,900,000 in 1993 to \$96,054,313 in 2008.

## **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 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.
- During fiscal year 2008, thirty South Texas College faculty and staff members earned National Institute for Staff and Organizational Development (NISOD) Excellence Awards for 2008. 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 three in Associate degrees awarded to Hispanics (all disciplines), and number seventy-seven among the nation's 1,195 community colleges in awarding Associate degrees. South Texas College ranks in the top 50 in the nation for awarding degrees in the fields of criminal justice and multi/interdisciplinary studies.

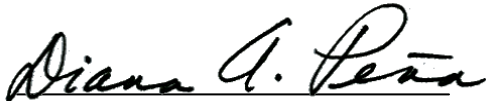
- South Texas College was ranked twenty-first in Washington Monthly's America's Best Community Colleges. The high ranking was a result of scoring high on student effort. South Texas students are more likely than most to prepare several drafts of assignments before turning them in. They work on projects that require integrating information and ideas from various resources.
- In fiscal year 2008, South Texas College earned The John Fry Individual Award which recognizes individuals who have made outstanding contributions to staff, program, and organizational development on a regional, state/provincial, or local basis.
- In April 2008, South Texas College received the MetLife Foundation Community College Excellence Award. The winners were chosen based on their ability to demonstrate determined leadership, innovative programming, and attention to outcomes. As part of the award each college received a \$30,000 grant to continue creating and implementing effective strategies for aiding underrepresented students, as well as using data to target and assess strategies to improve student outcomes.
- 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. South Texas College offers eight online Associate Degrees in the following fields: Arts in Teaching, Interdisciplinary Studies, Anthropology, Psychology, Social Work, Sociology, Business Administration and Criminal Justice.
- On August 15, 2008, the Government Treasurers' Organization of Texas presented the Certificate of Distinction to South Texas College for its investment policy. The certificate is issued for the College's success in developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas. The Certificate Distinction is effective for a two-year period ending August 31, 2010.

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, 2007. This was the fifth 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.

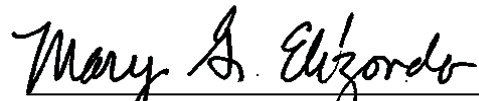
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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., Secretary	Rio Grande City, TX	District 1	May 2012
Irene Garcia	Mission, TX	District 2	May 2012
Michael Allen, Chair	McAllen, TX	District 3	May 2010
Gary Gurwitz, Vice Chair	McAllen, TX	District 4	May 2010
Dr. Alejo Salinas, Jr.	Edinburg, TX	District 5	May 2014
Jesse Villarreal	Weslaco, TX	District 6	May 2012
Roy De Leon	Mercedes, TX	District 7	May 2014

### 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 E. Mejia	Vice President for Academic Affairs
William Serrata	Vice President for Student Affairs and Enrollment Management
Wanda F. Garza	Executive Officer for the North American Advanced Manufacturing Research & Education Initiative
Mary G. Elizondo, M.B.A., C.P.A.	Comptroller

# South Texas College BOARD OF TRUSTEES



**Manuel Benavidez, Jr.**  
Secretary



**Irene Garcia**  
Member

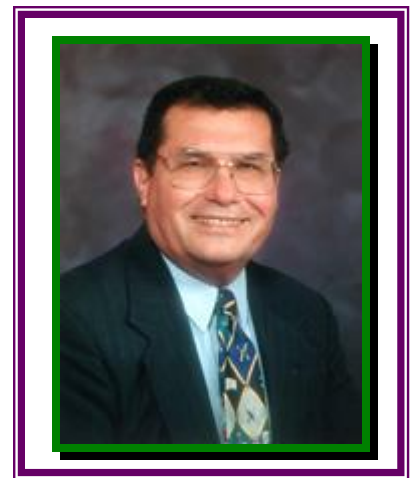


**Mike Allen**  
Chair

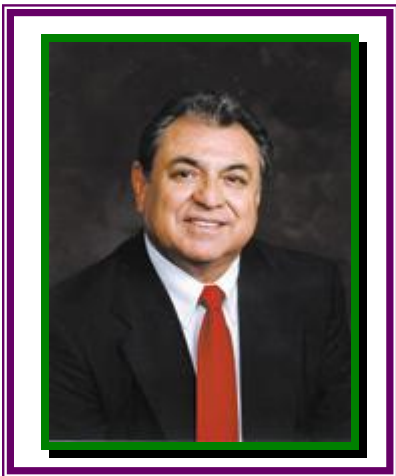


**Gary Gurwitz**  
Vice Chair

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.



**Dr. Alejo Salinas Jr.**  
Member

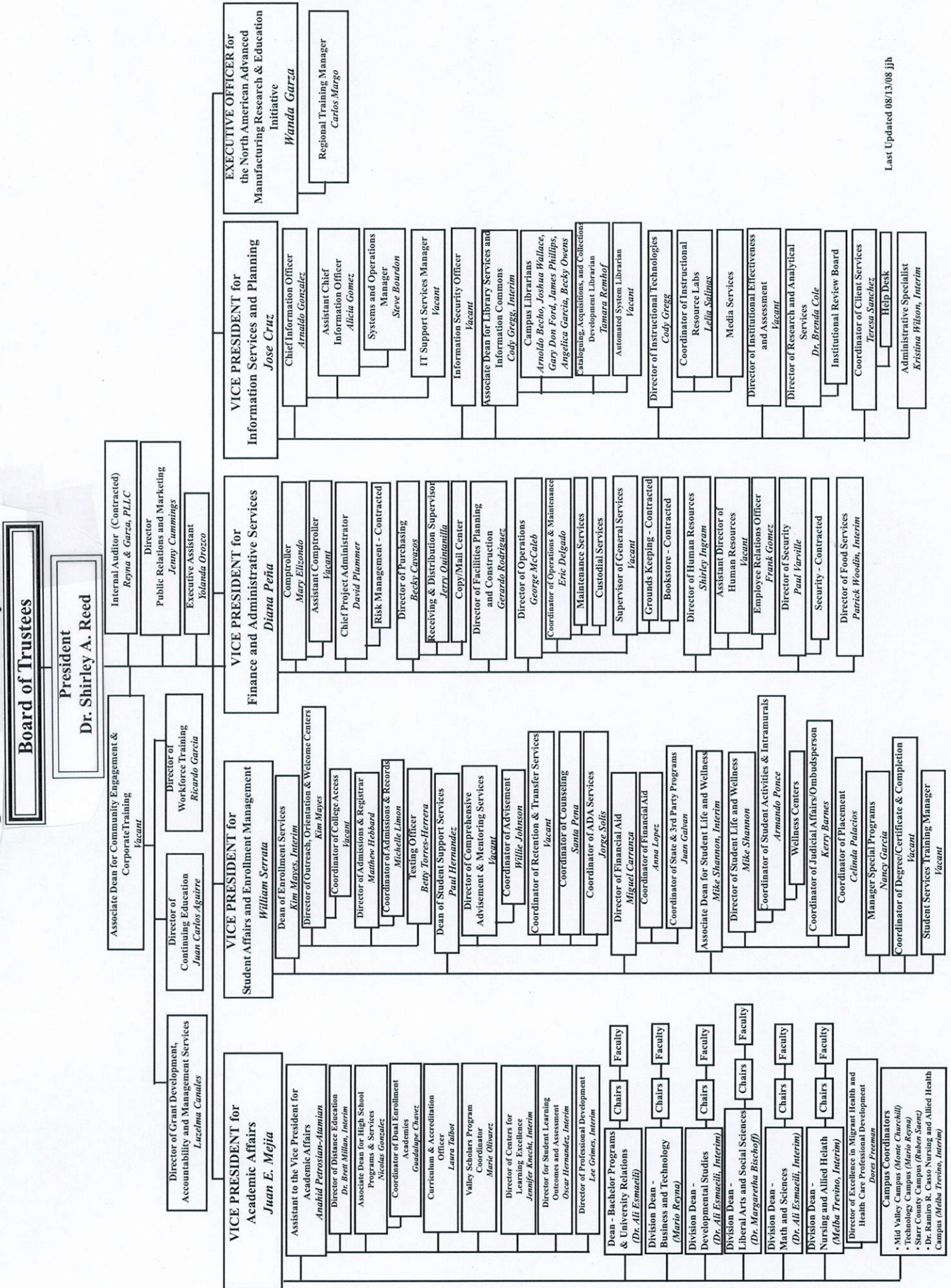


**Jesse Villarreal**  
Member



**Roy De Leon**  
Member

# South Texas College 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, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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, 2008 and August 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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, 2008 and August 31, 2007 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 9, 2008 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 important for assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) on pages 25 through 41 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 Education Coordinating Board, and the statistical section are presented for purposes of additional analysis and 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 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 9, 2008



SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

## 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, 2008, and comparative information for the year ended August 31, 2007. 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 \$181,692,069 at August 31, 2008. Of this amount, \$69,189,093 may be used to meet the College's ongoing obligations.
- ◆ During the fiscal year, the College's combined net assets increased by \$22,116,851 or 14%.
- ◆ During fiscal year 2008, the balance of cash and cash equivalents and short-term and other investments increased by \$1,967,815 or 3%.
- ◆ Capital assets, net of accumulated depreciation, increased by \$11,110,838 due mainly to an increase of \$5,094,384 in buildings, an increase of \$7,661,633 in land, an increase of \$4,792,264 in land improvements, offset by a decrease of \$6,115,000 in construction in progress. Other changes included an addition of library books of \$15,216, an increase in furniture and equipment of \$310,156 and a decrease in telecommunication equipment of \$647,815.

## 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, 2008 and 2007

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

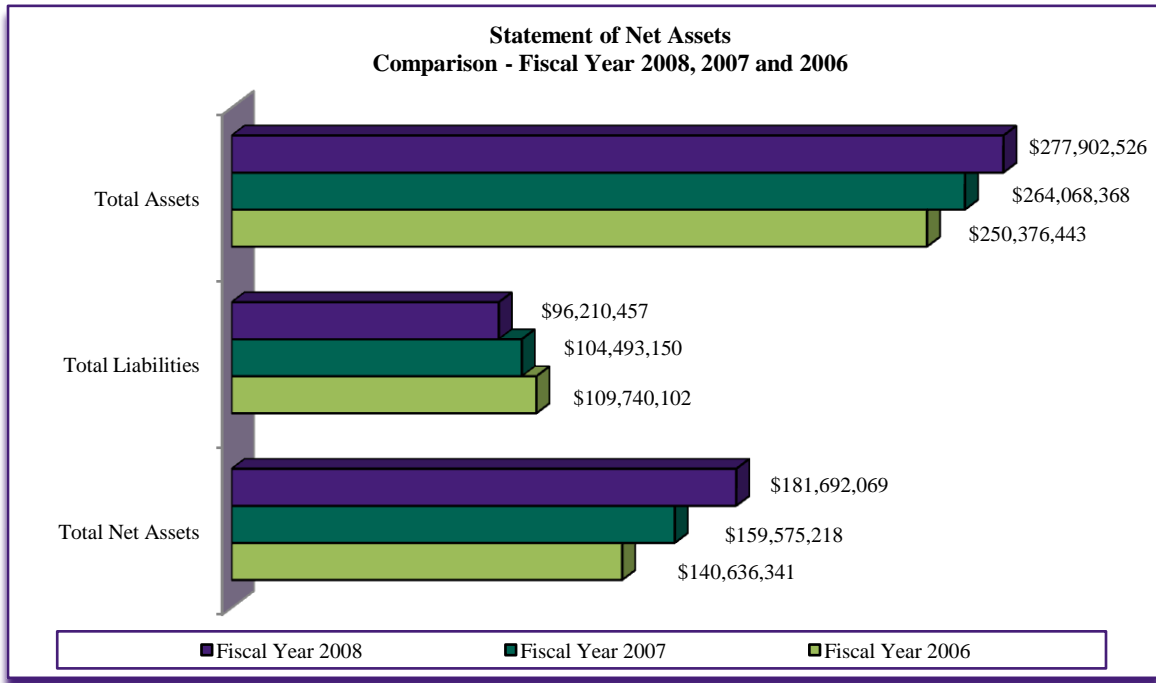
The next asset category is restricted net assets, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the College but must be 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, 2008 and 2007

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

	<b>Statements of Net Assets</b>		
	2008	2007	2006
<b>Assets</b>			
Current assets	\$ 94,915,790	\$ 92,032,619	\$ 90,088,584
Capital assets, net	181,905,960	170,795,122	159,098,197
Non-current assets	1,080,776	1,240,627	1,189,662
<b>Total Assets</b>	<b>277,902,526</b>	<b>264,068,368</b>	<b>250,376,443</b>
<b>Liabilities</b>			
Current liabilities	16,635,062	16,125,772	14,436,551
Non-current liabilities	79,575,395	88,367,378	95,303,551
<b>Total Liabilities</b>	<b>96,210,457</b>	<b>104,493,150</b>	<b>109,740,102</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	99,428,890	81,439,837	76,751,575
Restricted expendable	12,741,856	10,581,497	9,842,298
Restricted non-expendable	332,230	330,880	215,228
Unrestricted	69,189,093	67,223,004	53,827,240
<b>Total Net Assets</b>	<b>\$ 181,692,069</b>	<b>\$ 159,575,218</b>	<b>\$ 140,636,341</b>



SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

The total assets of the College increased by \$13,834,158 from fiscal year 2007 to fiscal year 2008. A review of the Statements of Net Assets will reveal that the increase was primarily due to an increase of \$11,110,838 in capital assets. A net increase in accounts receivable of \$1,105,660 was due primarily to an increase of \$566,016 in state, local and private receivables and \$859,229 in taxes receivable, which were offset by a decrease of \$350,787 in federal receivables during fiscal year 2008. Short-term and other investments increased by \$3,883,531 and cash and cash equivalents decreased by \$1,915,716 due to cash requirements primarily for construction projects and investment strategies.

The total liabilities from 2007 to 2008 decreased by \$8,282,693. The primary cause was a decrease in total bonds payable of \$7,296,317, due to principal payments and associated amortization of bond discount, premium and deferred loss. This was partially offset by a decrease in accounts payable of \$427,509, mainly consisting of a decrease in payables to students of \$1,823,457 and an increase in payables to vendors of \$1,577,144.

The combination of the increase in total assets from 2007 to 2008 of \$13,834,158 and the decrease in total liabilities of \$8,282,693 yields an increase in total net assets of \$22,116,851.

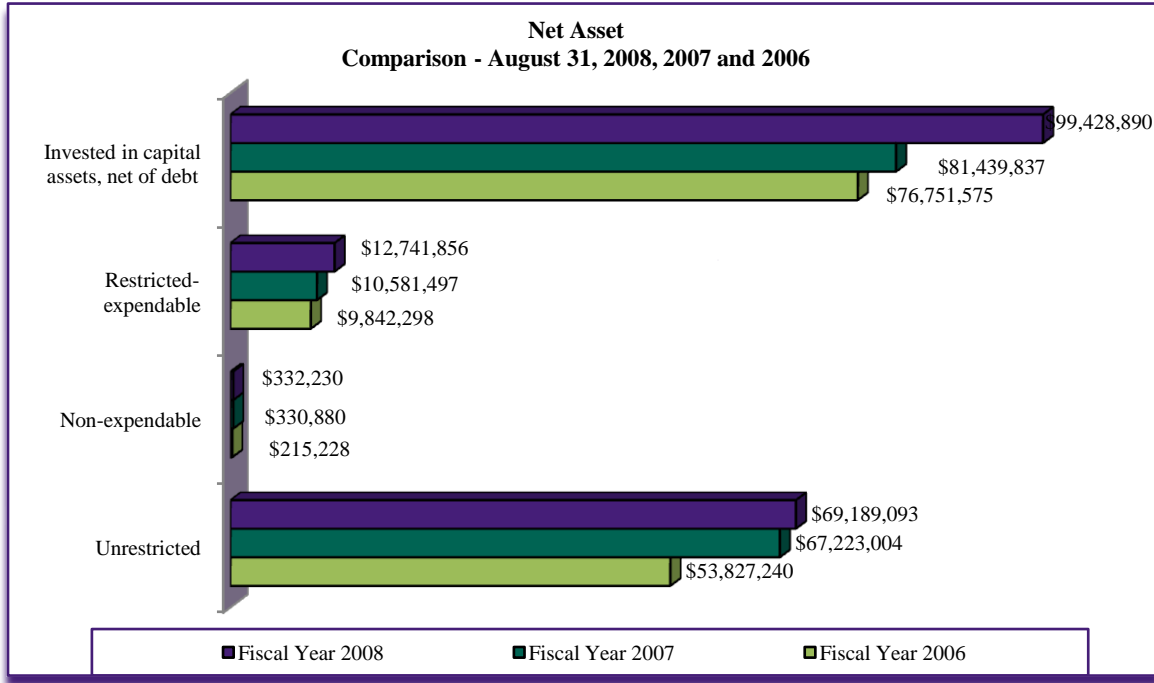
The total assets of the College increased by \$13,691,925 from fiscal year 2006 to fiscal year 2007. A review of the Statements of Net Assets will reveal that the increase was primarily due to an increase of \$11,696,925 in capital assets. A net decrease in accounts receivables of \$363,032 was due primarily 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.

SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

The following is a graphic illustration of net assets at August 31, 2008, 2007 and 2006:



**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, 2008 and 2007

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**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 59,107,585	\$ 50,919,760	\$ 52,720,123
Operating expenses	<u>111,703,050</u>	<u>99,556,328</u>	<u>97,762,322</u>
Operating loss	(52,595,465)	(48,636,568)	(45,042,199)
 Non-operating revenues and expenses	 74,649,161	 67,266,551	 63,988,985
Capital contributions	<u>63,155</u>	<u>308,894</u>	<u>194,956</u>
 Increase in net assets	 22,116,851	 18,938,877	 19,141,742
Net assets at beginning of year	<u>159,575,218</u>	<u>140,636,341</u>	<u>121,494,599</u>
 Net assets at end of year	 <u>\$ 181,692,069</u>	 <u>\$ 159,575,218</u>	 <u>\$ 140,636,341</u>

An operating loss of \$52,595,465 resulted in fiscal year 2008. 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 \$3,958,897 or 8%, from \$48,636,568 in fiscal year 2007 to \$52,595,465 in fiscal year 2008. Operating revenues increased by \$8,187,825, and total operating expenses increased by \$12,146,722.

Operating revenues increased by \$8,187,825 which primarily consisted of an increase of \$2,755,673 in tuition and fees, \$3,954,427 in federal grants and contracts, \$1,233,556 in state grants and contracts and \$181,581 in local grants and contracts. This was offset by a decrease of \$353,132 in general operating revenues. The Federal Pell grant program revenue increased by \$2,589,275 from 2007 to 2008. 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 2008 operating expenses were funded to a greater extent, by ad-valorem taxes and state allocations, than in fiscal year 2007.

In fiscal year 2008, the increase in operating expenses of \$12,146,722 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, 2008 and 2007

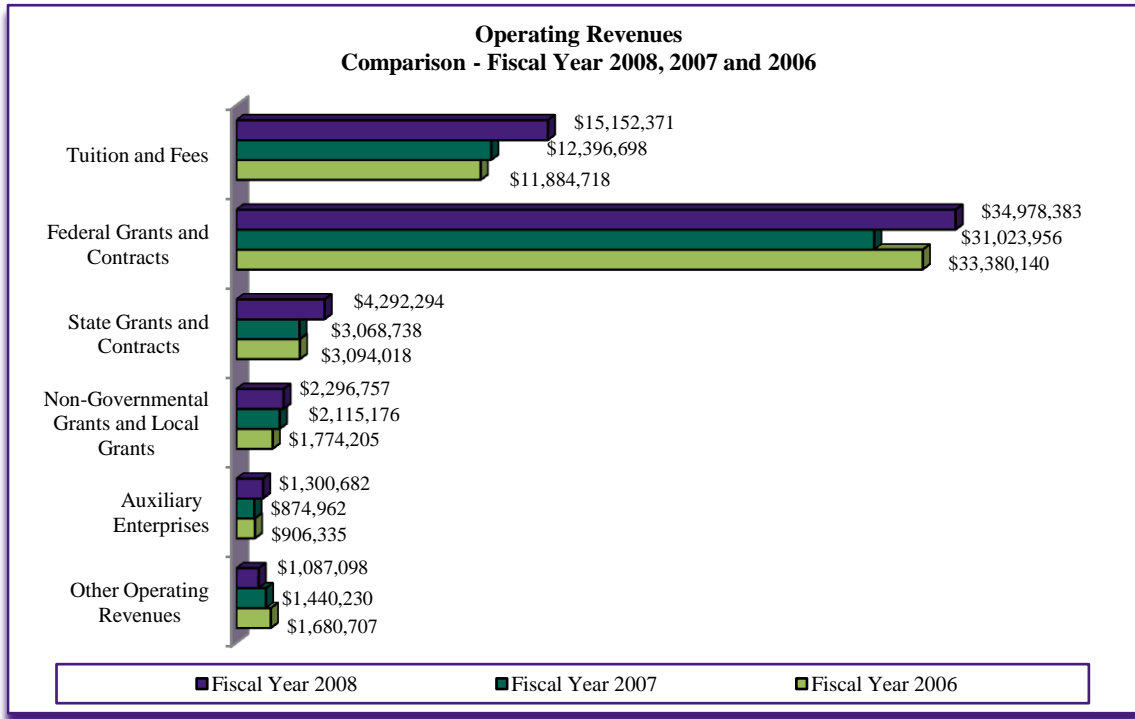
An operating loss of \$48,636,568 resulted in fiscal year 2007. Because state allocations, ad-valorem taxes and investment income are not included within operating revenue per GASB 35, the College will usually show a significant operating loss.

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

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

Operating Revenues	2008		2007		2006	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and fees (net of discounts of \$22,616,064, \$20,521,556, and \$18,675,112)	\$ 15,152,371	25.64%	\$ 12,396,698	24.35%	\$ 11,884,718	22.55%
Federal grants and contracts	34,978,383	59.18%	31,023,956	60.93%	33,380,140	63.32%
State grants and contracts	4,292,294	7.26%	3,068,738	6.03%	3,094,018	5.87%
Non-governmental grants and local grants	2,296,757	3.89%	2,115,176	4.15%	1,774,205	3.37%
Auxiliary enterprises	1,300,682	2.20%	874,962	1.72%	906,335	1.71%
Other operating revenues	1,087,098	1.83%	1,440,230	2.82%	1,680,707	3.18%
<b>Total</b>	<b>\$ 59,107,585</b>	<b>100.00%</b>	<b>\$ 50,919,760</b>	<b>100.00%</b>	<b>\$ 52,720,123</b>	<b>100.00%</b>

**SOUTH TEXAS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 August 31, 2008 and 2007

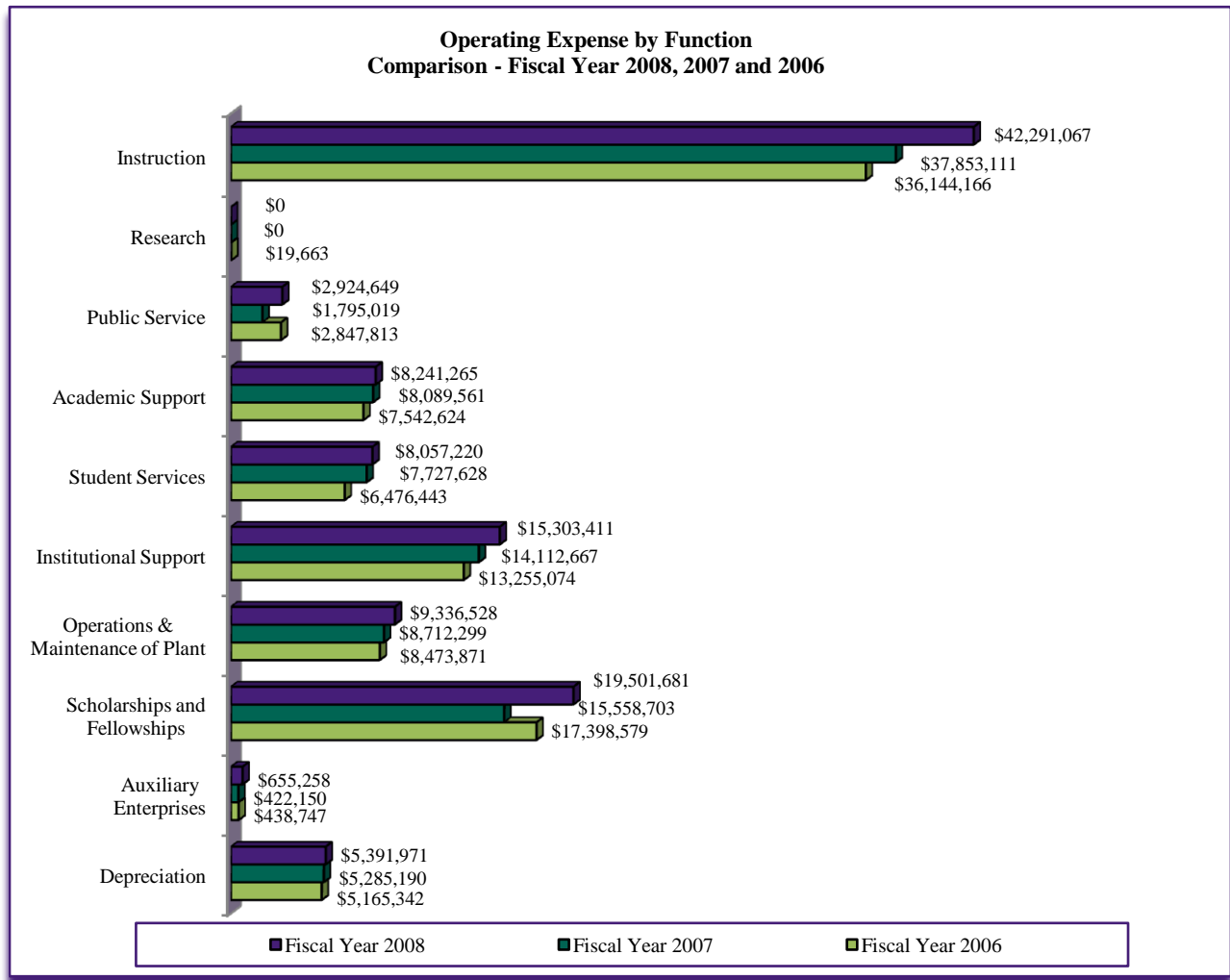


Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated below:

Operating Expenses by Function	2008		2007		2006	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 42,291,067	37.86%	\$ 37,853,111	38.03%	\$ 36,144,166	36.97%
Research	-	0.00%	-	0.00%	19,663	0.02%
Public service	2,924,649	2.62%	1,795,019	1.81%	2,847,813	2.92%
Academic support	8,241,265	7.38%	8,089,561	8.13%	7,542,624	7.72%
Student services	8,057,220	7.21%	7,727,628	7.76%	6,476,443	6.62%
Institutional support	15,303,411	13.70%	14,112,667	14.17%	13,255,074	13.55%
Operations and maintenance of plant	9,336,528	8.36%	8,712,299	8.75%	8,473,871	8.67%
Scholarships and fellowships	19,501,681	17.46%	15,558,703	15.62%	17,398,579	17.80%
Auxiliary enterprises	655,258	0.59%	422,150	0.43%	438,747	0.45%
Depreciation	5,391,971	4.82%	5,285,190	5.30%	5,165,342	5.28%
<b>Total</b>	<b>\$ 111,703,050</b>	<b>100.00%</b>	<b>\$ 99,556,328</b>	<b>100.00%</b>	<b>\$ 97,762,322</b>	<b>100.00%</b>

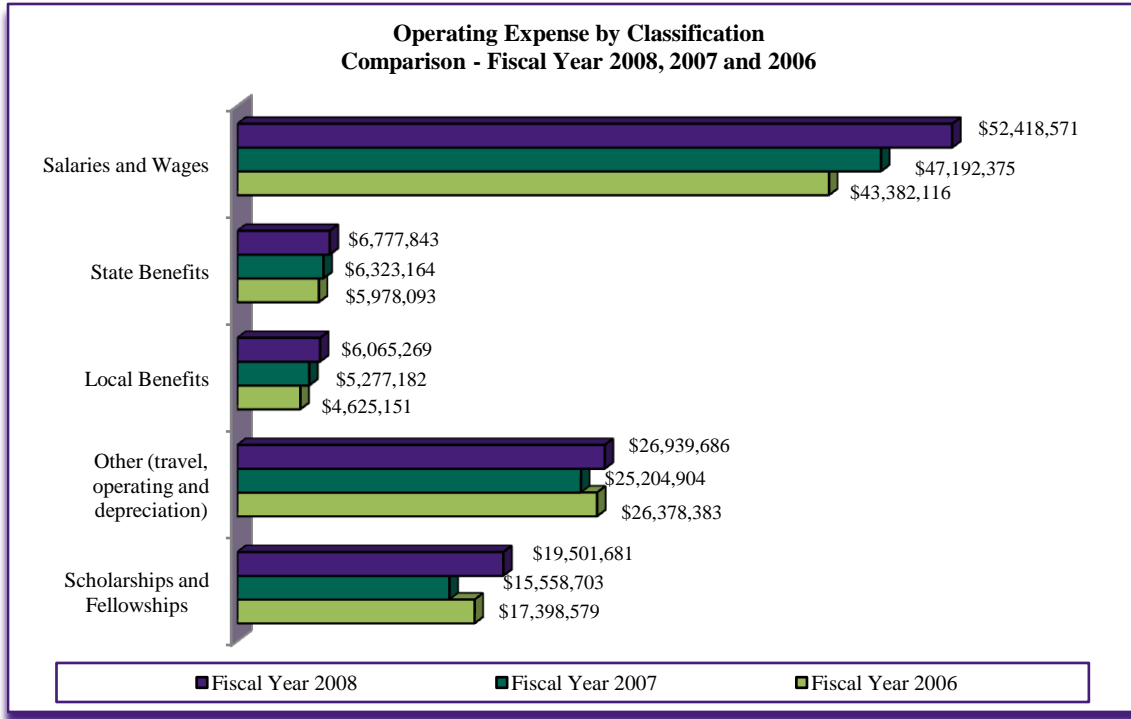


**SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007**



Operating Expenses by Classification	2008		2007		2006	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Salaries and Wages	\$ 52,418,571	46.92%	\$ 47,192,375	47.41%	\$ 43,382,116	44.37%
State Benefits	6,777,843	6.07%	6,323,164	6.38%	5,978,093	6.11%
Local Benefits	6,065,269	5.43%	5,277,182	5.33%	4,625,151	4.73%
Other (travel, operating and depreciation)	26,939,686	24.12%	25,204,904	26.15%	26,378,383	26.99%
Scholarships and fellowships	19,501,681	17.46%	15,558,703	14.44%	17,398,579	17.80%
<b>Total</b>	<b>\$111,703,050</b>	<b>100.00%</b>	<b>\$99,556,328</b>	<b>100.00%</b>	<b>\$97,762,322</b>	<b>100.00%</b>

SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Non-operating revenues and expenses consisted of the following:

Non-operating revenues	2008		2007		2006	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Allocations	\$ 32,857,808	41.42%	\$ 30,311,961	40.91%	\$ 29,972,196	42.98%
Ad-Valorem taxes – Maintenance and Operations	30,941,916	39.00%	27,564,774	37.20%	24,854,665	35.64%
Ad-Valorem taxes – Debt service	12,383,975	15.61%	11,218,464	15.14%	11,017,119	15.79%
Gifts	519,842	0.66%	351,586	0.47%	215,177	0.30%
Investment income (debt related)	2,627,475	3.31%	4,653,487	6.28%	3,684,413	5.28%
Other Non-operating revenues	-	-	-	-	1,844	0.01%
<b>Total</b>	<b>\$ 79,331,016</b>	<b>100.00%</b>	<b>\$ 74,100,272</b>	<b>100.00%</b>	<b>\$ 69,745,414</b>	<b>100.00%</b>

SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

	2008		2007		2006	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Other non-operating expenses						
Interest on capital related debt	\$ 3,046,995	65.08%	\$ 4,926,778	72.10%	\$ 4,662,868	81.00%
Other non-operating expenses	1,634,860	34.92%	1,906,943	27.90%	1,093,561	19.00%
	<u>4,681,855</u>	<u>100.00%</u>	<u>6,833,721</u>	<u>100.00%</u>	<u>5,756,429</u>	<u>100.00%</u>
Net non-operating revenues:	<u>\$ 74,649,161</u>		<u>\$ 67,266,551</u>		<u>\$ 63,988,985</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 \$22,616,064, \$20,521,556, \$18,675,112, in fiscal year 2008, 2007 and 2006, respectively, which consisted of federal and state grants that were provided as financial aid to students and other remissions and exemptions.
- ◆ In fiscal year 2008, State allocations received increased by \$2,545,847 due to an increase in education and general state support of \$2,144,313 and an increase in state funding for state retirement matching of \$530,515. State allocations totaling \$32,857,808 consisted of: \$25,372,841 contact hour funding, \$6,777,843 of state on-behalf benefits consisting of state group insurance of \$4,022,493, and state retirement matching of \$2,755,350. 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 was increased by \$2,144,313, from \$23,228,528 in fiscal year 2007 to \$25,372,841 in 2008.
- ◆ The tax base, net assessed valuation, for Hidalgo and Starr Counties increased by \$2,871,150,073 or 12.14% from \$23,658,082,495 in fiscal year 2007 to \$26,529,232,568 in fiscal year 2008. Tax collections, net of penalties and interest increased 11% from fiscal year 2007, in the amount of \$36,997,639, to fiscal year 2008, in the amount of \$40,964,399.
- ◆ In fiscal year 2007, State allocations received increased by \$339,765 due to an increase in state funding for group insurance of \$168,202, 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 and \$6,323,165 of state on-behalf benefits consisting

SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

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 consisting of state 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 \$23,658,082,495. Tax collections net of penalties and interest increased 10% from fiscal year 2006, in the amount of \$33,785,466, to fiscal year 2007, in the amount of \$36,997,639.
- ◆ The tax rates assessed in fiscal year 2006, 2007 and 2008 were \$.1589, \$.1548, and \$.1540 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.

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

	<b>Statement of Cash Flows</b>		
	2008	2007	2006
Cash provided (used) by:			
Operating activities	\$ (47,992,664)	\$ (43,038,799)	\$ (39,800,710)
Non-capital financing activities	62,248,438	57,196,726	53,031,133
Capital and related financing activities	(14,916,784)	(16,881,812)	(15,736,479)
Investing activities	(1,254,706)	(3,055,052)	(1,320,690)
Net change in cash and cash equivalents	(1,915,716)	(5,778,937)	(3,826,746)
Cash and cash equivalents - September 1	13,688,691	19,467,628	23,294,374
Cash and cash equivalents - August 31	\$ 11,772,975	\$ 13,688,691	\$ 19,467,628

SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

Major sources of funds included in operating activities during fiscal year 2008 are student tuition and fees, \$15,902,308 and grants and contracts of \$41,112,476.

The largest payments in operating activities were compensation to employees, \$65,159,479, payments to suppliers, \$19,476,331 and payments of scholarships, \$20,962,718.

The largest inflows of cash in the non-capital financing activities were the state allocations of \$32,857,808 and ad-valorem taxes of \$30,298,755.

The outflows in capital and related financing activities represent the purchases of capital assets in the amount of \$16,043,745 and payments of capital debts, \$11,135,807. Inflows of ad-valorem taxes for debt services were \$12,170,701.

The cash flows from investing activities represent proceeds from sales and maturities of investments of \$20,309,819, investment income of \$2,627,475, and cash outflows of \$24,192,000 constituting the purchases of investments.

The cash and cash equivalents balance as of August 31, 2008, decreased by \$1,915,716 from fiscal year 2007.

Major sources of funds included in operating activities during fiscal year 2007 are student tuition and fees, \$13,226,929 and grants and contracts \$35,043,881.

The largest payments in operating activities were compensation to employees \$58,888,376, payments to suppliers, \$20,020,789 and payments of scholarships \$13,115,964.

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.

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

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

SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

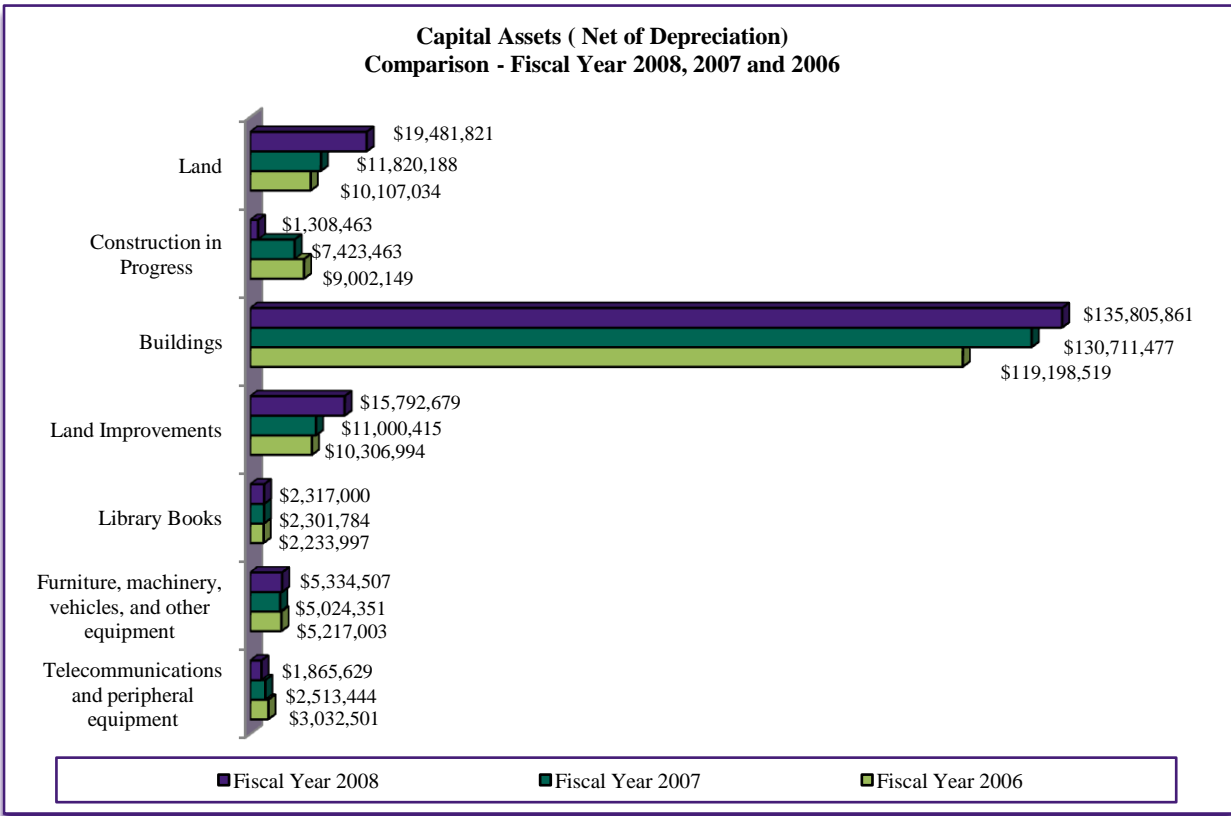
**CAPITAL ASSET AND LONG - TERM DEBT ADMINISTRATION**

The College had \$214,030,490 in capital assets, and \$32,124,530 in accumulated depreciation at August 31, 2008.

	South Texas College Capital Assets (Net of Depreciation)		
	2008	2007	2006
Land	\$ 19,481,821	\$ 11,820,188	\$ 10,107,034
Construction in Progress	1,308,463	7,423,463	9,002,149
Buildings	135,805,861	130,711,477	119,198,519
Land improvements	15,792,679	11,000,415	10,306,994
Library books	2,317,000	2,301,784	2,233,997
Furniture, machinery, vehicles, and other equipment	5,334,507	5,024,351	5,217,003
Telecommunications and peripheral equipment	1,865,629	2,513,444	3,032,501
Net capital assets	\$ 181,905,960	\$ 170,795,122	\$ 159,098,197

**SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007**

The following is a graphic illustration of capital assets, net of depreciation at August 31, 2008, 2007 and 2006.



From fiscal year 2007 to fiscal year 2008, buildings net of depreciation increased by \$5,094,384, land improvements increased by \$4,792,264 and construction in progress decreased by \$6,115,000 due to the completion and continued construction of the new facilities planned for the College.

From fiscal year 2006 to fiscal year 2007, buildings increased by \$11,514,168, 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.

SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2008 and 2007

The bond payable liability balances at August 31, 2008, August 31, 2007, and August 31, 2006, are as follows:

	South Texas College Outstanding Debt – Bonds		
	2008	2007	2006
Public Property Finance Contractual Obligation Bond, Series 1999	\$ 510,000	\$ 750,000	\$ 3,920,000
South Texas College District Tax Bonds Series 2002	27,605,000	31,580,000	58,925,000
South Texas College District Tax Bonds Series 2003	16,920,000	18,240,000	19,525,000
South Texas College District Tax Bonds Series 2004	13,315,000	14,450,000	14,689,996
South Texas College District Tax Bond Series 2007 MTR	2,955,000	2,965,000	-
South Texas College District Tax Bond Series 2007 LTR	23,119,991	23,344,991	-
Total Bond Payable	\$ 84,424,991	\$ 91,329,991	\$ 97,059,996

The College's bond ratings on the outstanding bonds are A+ by Standard & Poor's Rating Service and A1 by Moody's Investor 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 863%, from 2,900 in fiscal year 1994 to 27,936 in fiscal year 2008. The unduplicated contact hour generation has increased 776%, from 901,954 contact hours in 1994 to 7,896,736 contact hours in 2008.



SOUTH TEXAS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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For additional information concerning capital assets and debt administration, see Notes No. 3, No. 4, No. 5, No. 6 and No. 7 in the notes to the financial statements.

See Note No. 20 in the notes to financial statements for contractual commitments for capital expenditures at August 31, 2008. 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 1997 through 2002, the College set aside \$2,500,000 per year to be used for construction of facilities. In fiscal years 2003, 2004, 2005, and 2006, the College set aside \$5,000,000, \$6,000,000, \$7,500,000 and \$11,250,000, respectively. In fiscal years 2007 and 2008, the College set aside \$7,500,000 per year 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 2008 was \$.0440 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, 2008 and 2007**

	FY 2008	FY 2007
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 11,772,975	\$ 13,688,691
Short-term investments	68,468,743	64,469,862
Other investments	-	115,350
Accounts receivable (net of allowance for doubtful accounts of \$332,796 and \$330,003, respectively)	14,361,566	13,255,906
Prepaid expenses	312,506	502,810
<b>Total Current Assets</b>	<b>94,915,790</b>	<b>92,032,619</b>
<b>Noncurrent Assets:</b>		
Deferred charges	1,080,776	1,240,627
Capital assets, net of accumulated depreciation	181,905,960	170,795,122
<b>Total Noncurrent Assets</b>	<b>182,986,736</b>	<b>172,035,749</b>
<b>TOTAL ASSETS</b>	<b>277,902,526</b>	<b>264,068,368</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	4,418,425	4,845,934
Accrued liabilities	414,150	413,768
Accrued compensable absences	463,824	379,760
Funds held for others	130,546	97,148
Unearned revenue	3,199,621	3,875,151
Bonds payable - current portion	8,008,496	6,514,011
<b>Total current liabilities</b>	<b>16,635,062</b>	<b>16,125,772</b>
<b>Noncurrent Liabilities:</b>		
Accrued compensable absences	19,852	21,033
Bonds payable, net	79,555,543	88,346,345
<b>Total Noncurrent Liabilities</b>	<b>79,575,395</b>	<b>88,367,378</b>
<b>TOTAL LIABILITIES</b>	<b>96,210,457</b>	<b>104,493,150</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	99,428,890	81,439,837
Restricted for:		
Expendable		
Loans	425,759	351,018
Debt service	8,948,463	7,125,560
Other purposes	3,367,634	3,104,919
Non-expendable		
Endowment	332,230	330,880
Unrestricted	69,189,093	67,223,004
<b>TOTAL NET ASSETS (Schedule D)</b>	<b>181,692,069</b>	<b>159,575,218</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 277,902,526</b>	<b>\$ 264,068,368</b>

The accompanying notes are an integral part of the financial statements

**South Texas College**  
**Exhibit 2**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended August 31, 2008 and 2007**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$22,616,064 and \$20,521,556, respectively)	\$ 15,152,371	\$ 12,396,698
Federal grants and contracts	34,978,383	31,023,956
State grants and contracts	4,292,294	3,068,738
Local grants and contracts	741,390	922,667
Non-governmental grants and contracts	1,555,367	1,192,509
Auxiliary enterprises	1,300,682	874,962
General operating revenues	1,087,098	1,440,230
<b>Total Operating Revenues (Schedule A)</b>	<u>59,107,585</u>	<u>50,919,760</u>
<b>Operating Expenses</b>		
Instruction	42,291,067	37,853,111
Public service	2,924,649	1,795,019
Academic support	8,241,265	8,089,561
Student services	8,057,220	7,727,628
Institutional support	15,303,411	14,112,667
Operations and maintenance of plant	9,336,528	8,712,299
Scholarships and fellowships	19,501,681	15,558,703
Auxiliary enterprises	655,258	422,150
Depreciation	5,391,971	5,285,190
<b>Total Operating Expenses (Schedule B)</b>	<u>111,703,050</u>	<u>99,556,328</u>
<b>Operating Loss</b>	<u>(52,595,465)</u>	<u>(48,636,568)</u>
<b>Non-Operating Revenues (Expenses)</b>		
State allocations	32,857,808	30,311,961
Ad-valorem taxes		
Taxes for maintenance & operations	30,941,916	27,564,774
Taxes for debt service	12,383,975	11,218,464
Gifts	519,842	351,586
Investment income (net of investment expenses)	2,627,475	4,653,487
Interest on capital related debt	(3,046,995)	(4,926,778)
Other non-operating expenses	(1,634,860)	(1,906,943)
<b>Net Non-Operating Revenues (Schedule C)</b>	<u>74,649,161</u>	<u>67,266,551</u>
<b>Income Before Capital Contributions</b>	22,053,696	18,629,983
<b>Capital Contributions</b>	<u>63,155</u>	<u>308,894</u>
<b>Increase In Net Assets</b>	22,116,851	18,938,877
<b>Net Assets</b>		
Net assets - beginning of year	159,575,218	140,636,341
Net assets - end of year	<u>\$ 181,692,069</u>	<u>\$ 159,575,218</u>

The accompanying notes are an integral part of the financial statements

**South Texas College**  
**Exhibit 3**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2008 and 2007**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 15,902,308	\$ 13,226,929
Receipts from grants and contracts	41,112,476	35,043,881
Payments to suppliers for goods or services	(19,476,331)	(20,020,789)
Payments to or on behalf of employees	(65,159,479)	(58,888,376)
Payments for scholarships and fellowships	(20,962,718)	(13,115,964)
Payments for loans issued to students	(639,721)	(534,893)
Receipts from collection of loans to students	520,009	427,479
Other receipts (payments)	710,792	822,934
Net cash provided (used) by operating activities	<u><b>(47,992,664)</b></u>	<u><b>(43,038,799)</b></u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from state allocations	32,857,808	30,311,961
Receipts from ad-valorem taxes-maintenance and operation	30,298,755	27,433,017
Payments for collection of taxes	(442,295)	(551,583)
Receipts/(payments) from gifts or grants for other than capital purposes	(509,732)	(21,790)
Receipts from student organizations and other agency transactions	630,971	553,746
Payments to student organizations and other agency transactions	(587,069)	(528,625)
Net cash provided (used) by non-capital financing activities	<u><b>62,248,438</b></u>	<u><b>57,196,726</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Refund of overpayment of issuance cost bond	28,912	-
Receipts from ad-valorem taxes-debt services	12,170,701	11,242,336
Contribution received in aid of construction	63,155	239,348
Purchases of capital assets	(16,043,745)	(17,079,664)
Payments on capital debt-principal	(6,905,000)	(5,774,997)
Payments on capital debt-interest and fees	(4,230,807)	(5,508,835)
Net cash provided (used) by capital and related financing activities	<u><b>(14,916,784)</b></u>	<u><b>(16,881,812)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturity of investments	20,309,819	18,437,562
Receipts from interest on investments	2,627,475	4,702,598
Purchase of investments	(24,192,000)	(26,195,212)
Net cash provided (used) by investing activities	<u><b>(1,254,706)</b></u>	<u><b>(3,055,052)</b></u>
Increase (decrease) in cash and cash equivalents	<b>(1,915,716)</b>	<b>(5,778,937)</b>
Cash and cash equivalents - September 1,	<u>13,688,691</u>	<u>19,467,628</u>
Cash and cash equivalents - August 31,	<u><b>\$ 11,772,975</b></u>	<u><b>\$ 13,688,691</b></u>

The accompanying notes are an integral part of the financial statement

(Continued)

**South Texas College**  
**Exhibit 3**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2008 and 2007**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Reconciliation of net operating income (loss) to net cash provided (used)</b>		
<b>by operating activities:</b>		
Operating income (loss)	\$ (52,595,465)	\$ (48,636,568)
Adjustments to reconcile net operating loss to net cash provided (used)		
by operating activities:		
Depreciation expense	5,391,971	5,285,189
Emergency loan write-off	(54,584)	-
Changes in Assets and Liabilities		
Receivables, net	269,132	(767,535)
Notes receivable	(119,673)	(107,414)
Prepaid expenses	-	(248,510)
Other assets	190,304	
Accounts payable	(497,876)	1,392,911
Compensated absences	82,883	(290)
Deferred revenues	(682,534)	43,418
Donated items	23,178	-
<b>Net cash provided (used) by operating activities:</b>	<b><u><u>\$ (47,992,664)</u></u></b>	<b><u><u>\$ (43,038,799)</u></u></b>

**Noncash investing, capital, and financing activities for fiscal year 2008:**

A 2006 Chevrolet Trailblazer with a fair market value of \$23,177.86 was donated to the College on February 26, 2008.

During fiscal year 2007, a community member donated to the college some stocks with a market value of \$115,350. The stocks were sold in fiscal year 2008 for \$116,700 with a gain of \$1,350.

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

Discount - Bond Series 1999	1,480.59
Premium - Bond Series 2002	213,636.13
Premium - Bond Series 2003	52,537.88
Premium - Bond Series 2004	142,443.86
Premium - MRT Bond Series 2007	1,666.00
Premium - LTR Bond Series 2007	204,458.53

The deferred loss ending balance as of August 31, 2008 for is \$1,007,709, \$86,661 and \$963,153 for LTGO Bonds Series 2004 and MTR and LTR Bond Series 2007, respectively, will be amortized over the debt repayment period.

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

Bond Series 1999	4,753
Bond Series 2002	47,968
Bond Series 2003	20,088
Bond Series 2004	20,157
MTR Bond Series 2007	3,982
LTR Bond Series 2007	33,988

The accompanying notes are an integral part of the financial statement

(Continued)

**South Texas College**  
**Exhibit 3**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2008 and 2007**

**Noncash investing, capital, and financing activities for fiscal year 2007:**

On March 29, 2007, South Texas College issued a Maintenance Tax Refunding (MTR) Bond Series 2007 to refund debt issued in 1999. The \$2,985,000 proceeds were deposited and held in an escrow for the defeasement of \$2,940,000 of the outstanding 1999 bond principal.

On March 29, 2007, South Texas College issued a Limited Tax Refunding (LTR) Bond Series 2007 to refund debt issued in 2002. The \$23,589,991 proceeds were deposited and held in an escrow for the defeasement of \$25,511,325 of the outstanding 2002 bond principal.

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

Discount - Bond Series 1999	1,836
Premium - Bond Series 2002	224,084
Premium - Bond Series 2003	52,807
Premium - Bond Series 2004	142,444
Premium - MRT Bond Series 2007	1,206
Premium - LTR Bond Series 2007	91,723

The deferred loss on refunding is being amortized over the debt repayment period. The balance as of August 31, 2007 is \$1,125,787, \$94,539 and \$1,059,468 for LTGO Bonds Series 2004 and MTR and LTR Bond Series 2007, respectively, will be amortized over the debt repayment period.

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

Bond Series 1999	5,895
Bond Series 2002	50,236
Bond Series 2003	20,088
Bond Series 2004	20,157
MTR Bond Series 2007	1,759
LTR Bond Series 2007	15,408



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SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**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, 2008 and 2007

**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, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as investment income. The major non-operating revenues are allocations from the state, including restricted revenues such as state insurance and benefit allocations and property tax collections. Transactions for which cash flows

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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, 2008 and 2007

**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 charged to operating expenses in the year in which the expense is incurred. Library books and materials purchased, in total for the year, are subject to the \$5,000 capitalization threshold.

The 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.

N. Collections/Works of Art

The College did not own collections and/or works of art during the fiscal years ended August 31, 2008, or August 31, 2007, or as of either year end.

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 2 - Summary of Significant Accounting Policies (Continued)**

O. Unearned Revenues

Tuition and fees of \$3,025,270 and \$3,677,291 and federal, state, and local grants of \$174,351 and \$197,860 have been reported as unearned revenues at August 31, 2008 and August 31, 2007, respectively.

P. Estimates

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

Q. Net Assets

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments and auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff. These resources are used for transactions relating to the educational and general operations of the 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 either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources.

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 2 - Summary of Significant Accounting Policies (Continued)**

R. Funds Held in Trust for Others

At August 31, 2008, and at August 31, 2007, the College held, in trust funds, amounts of \$130,546 and \$97,148 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, 2008 and 2007

**Note 3 - Capital Assets**

Capital assets activity for the year ended August 31, 2008, was as follows:

	Balance September 1, 2007	Increases	Decreases	Balance August 31, 2008
Capital Assets Not Depreciated:				
Land	\$ 11,820,188	\$ 7,661,633	\$ -	\$ 19,481,821
Construction In Process	7,423,463	6,900,757	13,015,757	1,308,463
Total Capital Assets Not Being Depreciated	<u>19,243,651</u>	<u>14,562,390</u>	<u>13,015,757</u>	<u>20,790,284</u>
Capital Assets Being Depreciated:				
Buildings	140,809,486	7,627,438	-	148,436,924
Land Improvements	12,300,281	5,388,319	-	17,688,600
Total Buildings and Other Land Improvements	<u>153,109,767</u>	<u>13,015,757</u>	<u>-</u>	<u>166,125,524</u>
Library Books	3,892,422	285,006	-	4,177,428
Furniture, Machinery, Vehicles, and Other Equipment	10,030,287	1,267,468	-	11,297,755
Telecommunications and Peripheral Equipment	11,251,555	387,944	-	11,639,499
Total Capital Assets Being Depreciated	<u>178,284,031</u>	<u>14,956,175</u>	<u>-</u>	<u>193,240,206</u>
Accumulated Depreciation:				
Buildings	10,098,009	2,533,054	-	12,631,063
Land Improvements	1,299,866	596,055	-	1,895,921
Library Books	1,590,638	269,790	-	1,860,428
Furniture, Machinery, Vehicles and Other Equipment	5,005,936	957,312	-	5,963,248
Telecommunications and Peripheral Equipment	8,738,111	1,035,759	-	9,773,870
Total Accumulated Depreciation	<u>26,732,560</u>	<u>5,391,970</u>	<u>-</u>	<u>32,124,530</u>
Total Capital Assets Being Depreciated, Net	<u>151,551,471</u>	<u>9,564,205</u>	<u>-</u>	<u>161,115,676</u>
Total Capital Assets, Net	<u>\$ 170,795,122</u>	<u>\$ 24,126,595</u>	<u>\$ 13,015,757</u>	<u>\$ 181,905,960</u>
Net Asset Values				
Buildings	\$ 130,711,477	\$ 5,094,384	\$ -	\$ 135,805,861
Land Improvements	11,000,415	4,792,264	-	15,792,679
Library Books	2,301,784	15,216	-	2,317,000
Furniture, Machinery, Vehicles, and Other Equipment	5,024,351	310,156	-	5,334,507
Telecommunications and Peripheral Equipment	2,513,444	(647,815)	-	1,865,629
Total Capital Assets Being Depreciated, Net	<u>\$ 151,551,471</u>	<u>\$ 9,564,205</u>	<u>\$ -</u>	<u>\$ 161,115,676</u>

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

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 3 - Capital Assets (Continued)**

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

	Balance September 1, 2006	Increases	Decreases	Balance August 31, 2007
Capital Assets Not Depreciated:				
Land	\$ 10,107,034	\$ 1,713,154	\$ -	\$ 11,820,188
Construction in Progress	9,002,149	10,905,379	12,484,065	7,423,463
Total Capital Assets Not Being Depreciated	<u>19,109,183</u>	<u>12,618,533</u>	<u>12,484,065</u>	<u>19,243,651</u>
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 Land Improvements	<u>138,040,897</u>	<u>15,070,080</u>	<u>1,210</u>	<u>153,109,767</u>
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	<u>161,437,904</u>	<u>16,870,132</u>	<u>24,005</u>	<u>178,284,031</u>
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	<u>21,448,890</u>	<u>5,285,190</u>	<u>1,520</u>	<u>26,732,560</u>
Total Capital Assets Being Depreciated, Net	<u>139,989,014</u>	<u>11,584,942</u>	<u>22,485</u>	<u>151,551,471</u>
Total Capital Assets, Net	<u>\$ 159,098,197</u>	<u>\$ 24,203,475</u>	<u>\$ 12,506,550</u>	<u>\$ 170,795,122</u>
Net Assets Values				
Buildings	\$ 119,198,519	\$ 11,514,168	\$ 1,210	\$ 130,711,477
Land Improvements	10,306,994	693,421	-	11,000,415
Library Books	2,233,997	67,787	-	2,301,784
Furniture, Machinery, Vehicles, and Other Equipment	5,217,003	(171,377)	21,275	5,024,351
Telecommunications and Peripheral Equipment	3,032,501	(519,057)	-	2,513,444
Total Capital Assets Being Depreciated, Net	<u>\$ 139,989,014</u>	<u>\$ 11,584,942</u>	<u>\$ 22,485</u>	<u>\$ 151,551,471</u>



SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 3 - Capital Assets (Continued)**

Construction in progress as of August 31, 2008, including capitalized interest of \$570,550 consists of the following:

<u>Project</u>	Balance August 31, 2007	Additions / Deductions	Completed / Reclassification	Balance August 31, 2008
Mid Valley Student Activity Bldg Renovation	\$ 11,219	\$ 369,409	\$ -	\$ 380,628
Mid Valley Fencing	-	1,525	-	1,525
Mid Valley Landscape & Irrigation	-	5,191	-	5,191
Mid Valley Monument Sign at SW	-	1,586	-	1,586
Mid Valley Light for Monument Signs	-	3,055	-	3,055
Mid Valley Additional Site Lighting	-	23,258	-	23,258
Nursing Renovate Existing Class (Pharmacy Lab)	-	55,271	-	55,271
Pecan Parking	-	8,969	8,969	-
Pecan Phase II Site Dev	4,331,465	983,567	5,292,532	22,500
Pecan Conference Center	92,054	(92,054)	-	-
Pecan Bldg A Restroom Renovation	7,710	70,209	77,919	-
Pecan Bldg B and Art Lab Renovation	235,162	1,504,400	1,739,562	-
Pecan Fire Sprinkler /Bookstore	7,659	75,095	82,754	-
Pecan 2501 Renovation	-	141,410	-	141,410
Pecan Plaza Renovation	-	144,564	-	144,564
Pecan Sports Field	-	17,462	-	17,462
Pecan Lighting Basketball Courts	-	4,505	-	4,505
Pecan Additional Parking Lighting	-	12,383	-	12,383
Pecan Memorial Project	-	5,460	-	5,460
Pecan Temporary Parking	-	49,971	-	49,971
Tech Sports Field	-	12,598	-	12,598
Tech Concrete Drive Park	-	2,327	-	2,327
Tech Landscape NW	-	2,201	-	2,201
Tech Lighting Basketball Courts	-	7,119	-	7,119
Tech Additional Parking Lighting	-	1,760	-	1,760
Tech Welding Stations	-	59,108	59,108	-
Starr Rural Tech	-	43,322	-	43,322
Starr Sports Field	-	14,174	-	14,174
Starr Lighting Basketball Courts	-	7,244	-	7,244
Starr Additional Site Lighting	-	3,574	-	3,574
District Wide Renovation	-	2,346	2,346	-
District Wide Renovation - MISD/Portables	-	26,846	-	26,846
Pecan 2501 Reroofing - R&R	-	157	157	-
Pecan	4,180,781	3,332,745	7,194,997	318,529
Bond Amortization 2003	(226,705)	-	(226,705)	-
Bond Amortization 2002	(1,215,882)	-	(1,215,882)	-
Total	<u>\$ 7,423,463</u>	<u>\$ 6,900,757</u>	<u>\$ 13,015,757</u>	<u>\$ 1,308,463</u>

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**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 1, 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  
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**Note 4 - Long Term Liabilities**

Long-term liabilities activity for the year ended August 31, 2008, was as follows:

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Less Current Portion
Leases, Bonds and Notes:					
Public Property Finance Contractual Obligation Bonds Series 1999	\$ 750,000	\$ -	\$ 240,000	\$ 510,000	\$ (250,000)
South Texas College District Tax Bonds, Series 2002	31,580,000	-	3,975,000	27,605,000	(4,160,000)
South Texas College District Tax Bond Series 2003	18,240,000	-	1,320,000	16,920,000	(1,360,000)
South Texas College District Tax Bond, Series 2004	14,450,000	-	1,135,000	13,315,000	(1,155,000)
South Texas College District Tax Bond, Series 2007 MTR	2,965,000	-	10,000	2,955,000	(10,000)
South Texas College District Tax Bonds, Series 2007 LTR	23,344,991	-	225,000	23,119,991	(235,000)
Accrued Compensable Absences	400,793	128,683	45,800	483,676	(463,824)
Total Liabilities	<u>\$ 91,730,784</u>	<u>\$ 128,683</u>	<u>\$ 6,950,800</u>	<u>\$ 84,908,667</u>	<u>\$ (7,633,824)</u>

Total Bond Current and Noncurrent portions are as follows:

Total Bonds Payable	\$ 91,329,991	\$ -	\$ 6,905,000	\$ 84,424,991	\$ (7,170,000)
Premium on Bonds Payable	5,814,601	-	615,069	5,199,532	(614,743)
Discount on Bonds Payable	(4,442)	-	(1,481)	(2,961)	(1,481)
Deferred Refunding Costs	(2,279,794)	-	(222,271)	(2,057,523)	(222,272)
Total Long - Term Liabilities	<u>\$ 94,860,356</u>	<u>\$ -</u>	<u>\$ 7,296,317</u>	<u>\$ 87,564,039</u>	<u>\$ (8,008,496)</u>
Less Current Bonds Payable				(8,008,496)	
Total Noncurrent Bonds Payable				<u>\$ 79,555,543</u>	

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 4 - Long Term Liabilities (Continued)**

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2008, on the above bond issues are as follows:

	<u>Bond Issue Cost</u>	<u>Bond Discount</u>	<u>Bond Premium</u>	<u>Deferred Loss</u>
Public Property Finance Contractual Obligation Bonds, Series 1999	\$ 9,507	\$ 2,961	\$ -	\$ -
South Texas College District Tax Bonds, Series 2002	287,810	-	1,282,164	-
South Texas College District Tax Bonds, Series 2003	220,972	-	578,706	-
South Texas College District Tax Bonds, Series 2004	180,532	-	1,275,751	1,007,709
South Texas College District Tax Bonds, Series 2007 MTR	47,458	-	18,326	86,661
South Texas College District Tax Bonds, Series 2007 LTR	387,412	-	2,044,585	963,153
Total	<u>\$ 1,133,691</u>	<u>\$ 2,961</u>	<u>\$ 5,199,532</u>	<u>\$ 2,057,523</u>

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The College calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2008, the College does not have a liability.

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 4 - Long Term Liabilities (Continued)**

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

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Less Current Portion
Leases, Bonds and Notes:					
Public Property Finance Contractual Obligation Bonds Series 1999	\$ 3,920,000	\$ -	\$ 3,170,000	\$ 750,000	\$ (240,000)
South Texas College District Tax Bonds, Series 2002	58,925,000	-	27,345,000	31,580,000	(3,975,000)
South Texas College District Tax Bond Series 2003	19,525,000	-	1,285,000	18,240,000	(1,320,000)
South Texas College District Tax Bond, Series 2004	14,689,996	-	239,996	14,450,000	(1,135,000)
South Texas College District Tax Bond, Series 2007 MTR	-	2,985,000	20,000	2,965,000	(10,000)
South Texas College District Tax Bonds, Series 2007 LTR	-	23,589,991	245,000	23,344,991	(225,000)
Accrued Compensable Absences	401,083	28,191	28,481	400,793	(379,760)
Total Liabilities	<u>\$ 97,461,079</u>	<u>\$ 26,603,182</u>	<u>\$ 32,333,477</u>	<u>\$ 91,730,784</u>	<u>\$ (7,284,760)</u>

Total Bond Current and Noncurrent portions are as follows:

Total Bonds Payable	\$ 97,059,996	\$ 26,574,991	\$ 32,304,996	\$ 91,329,991	\$ (6,905,000)
Premium on Bonds Payable	5,023,564	791,037	-	5,814,601	614,742
Discount on Bonds Payable	(26,149)	-	(21,707)	(4,442)	(1,481)
Deferred Refunding Costs	(1,243,865)	(1,035,929)	-	(2,279,794)	(222,272)
Total Long - Term Liabilities	<u>\$ 100,813,546</u>	<u>\$ 26,330,099</u>	<u>\$ 32,283,289</u>	<u>\$ 94,860,356</u>	<u>\$ (6,514,011)</u>
Less Current Bonds Payable				(6,514,011)	
Noncurrent Bonds Payable				<u>\$ 88,346,345</u>	

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 4 - Long Term Liabilities (Continued)**

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>\$ 1,240,628</u>	<u>\$ 4,442</u>	<u>\$ 5,814,601</u>	<u>\$ 2,279,794</u>

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The 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.

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**Note 5 – Debt and Lease Obligations and Rental Agreements**

As of August 31, 2008, bonds payable are due in annual installments varying from \$10,000 to \$6,380,000 with interest rates from 2.0% to 5.5% and the final installment due in 2019. The principal and interest expense requirement for the next five years and beyond is summarized below for bonds issued:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	8,535,000	2,615,875	11,150,875
2014-2018	44,549,991	8,147,534	52,697,525
2019-2019	750,000	31,850	781,850
Total	<u>\$ 84,424,991</u>	<u>\$ 24,805,870</u>	<u>\$ 109,230,861</u>

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>

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

<u>Fund Group</u>	<u>August 31, 2008</u>	<u>August 31, 2007</u>
Unrestricted Current Funds	<u>\$ 429,933</u>	<u>\$ 423,100</u>

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

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

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:

<u>Year Ended</u>	<u>August 31, 2008 Minimum Future Lease Payments</u>	<u>August 31, 2007 Minimum Future Lease Payments</u>
2009	236,530	213,413
2010	122,947	110,207
2011	39,780	29,719
2012	10,497	1,736
2013	-	-
Total	<u>\$ 409,754</u>	<u>\$ 355,075</u>

The College entered into real property lease contracts with several third parties.

The College leased space that is scheduled for renovation. The College is receiving rental income from eight (8) lessees and the terms vary by lessee. The College also leases space at the Mid Valley Campus and Starr County Campus to nonprofit agencies. In fiscal year 2008, the College received \$232,190 in rental income from these leases. Annual future minimum receipts under these agreements are as follows: \$214,221, \$77,824, \$37,439 for fiscal years 2009, 2010 and 2011, respectively. No future receipts are expected for fiscal years 2012 and 2013.

**Note 6 – Bonds Payable**

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

	<u>2008</u>	<u>2007</u>
\$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	\$ 510,000	\$ 750,000
Issued: March 24, 1999, refunded in part by issue dated March 29, 2007 Source of revenue for debt service: Ad-valorem taxes		



SOUTH TEXAS COLLEGE  
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**Note 6 – Bonds Payable (Continued)**

	2008	2007
<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 service: Ad-valorem taxes</p>	\$ 27,605,000	\$ 31,580,000
<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  Purpose: Construction, renovation and equipment of College facilities  Issued: May 8, 2003  Source of revenue for debt service: Ad-valorem taxes</p>	16,920,000	18,240,000
<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 service: Ad-valorem taxes</p>	13,315,000	14,450,000
<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 service: Ad-valorem taxes</p>	2,955,000	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 service: Ad-valorem taxes</p>	23,119,991	23,344,991
<b>Total Bonds Payable</b>	<b>\$ 84,424,991</b>	<b>\$ 91,329,991</b>

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**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 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 Finance Contractual Obligations, Series 1999, were refunded. The average interest rate of bonds refunded was 4.39%. In order to refund the bonds, the proceeds of the new bonds were deposited and held in an escrow fund. The post-refunding Public Property Finance Contractual Obligations, Series 1999, outstanding balance at August 31, 2008 is \$510,000. This issue of refunding bonds is not subject to early redemption prior to stated maturity.

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 Limited Tax General Obligation Bonds, 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 Bonds, Series 2002, were refunded. The average interest rate of bonds refunded was 5.24%. In order to refund the bonds, the proceeds of the new bond were deposited and held in an escrow fund. The post-refunding Limited Tax General Obligation Bond, Series 2002, outstanding balance at August 31, 2008, is \$27,605,000. This issue of refunding bonds is not subject to early redemption prior to stated maturity.

On March 15, 2004, South Texas College issued a 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. The post-refunding Tax Bond, Series 1996, were paid as of August 31, 2005, therefore, there is no outstanding liabilities at August 31, 2008. This issue of refunding bonds is not subject to early redemption prior to stated maturity.

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 8 – Disaggregation of Receivable and Payable Balances**

Receivables

Receivables at August 31, 2008 and August 31, 2007, were as follows:

	<u>August 31, 2008</u>	<u>August 31, 2007</u>
Student Receivables	\$ 91,446	\$ 135,292
Taxes Receivables	9,800,859	8,941,630
Federal Receivables	3,690,989	4,041,776
Interest Receivables	11,094	37,459
Accounts Receivables		
Bookstore and Auxiliary	39,497	46,220
State, Local and Private	826,101	260,085
Contractors	43,155	-
Other Receivables	191,221	123,447
Subtotal	<u>14,694,362</u>	<u>13,585,909</u>
Allowance for Doubtful Accounts	<u>(332,796)</u>	<u>(330,003)</u>
Total Receivables – Exhibit 1	<u>\$ 14,361,566</u>	<u>\$ 13,255,906</u>

Taxes receivable may not all be collected within one year.

Payables

Payables at August 31, 2008 and August 31, 2007, were as follows:

	<u>August 31, 2008</u>		<u>August 31, 2007</u>	
	Accounts Payable	Accrued Liabilities	Accounts Payable	Accrued Liabilities
Vendor Payable				
Vendors	\$ 3,037,498	\$ -	\$ 1,460,354	\$ -
Construction	687,835	-	648,080	-
Construction Retainage	363,898	-	378,977	-
International Schools	61,169	-	134,961	-
Salaries & Benefits	-	240,990	-	221,670
Students Payable	225,343	-	2,048,800	-
Accrued Interest	-	173,123	-	184,676
Other Payables	42,682	37	174,762	7,422
Total Payables – Exhibit 1	<u>\$ 4,418,425</u>	<u>\$ 414,150</u>	<u>\$ 4,845,934</u>	<u>\$ 413,768</u>

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 9 – Compensable Absences**

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

All hours of unused accumulated vacation leave, except as authorized by the Board of Trustees, must be used by March 1, following the fiscal year in which it was accumulated. Any vacation leave not used by that date is forfeited. A time extension may be requested from the 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 \$483,676 at August 31, 2008 and \$400,793 at August 31, 2007. The current portion is \$463,824 and the long term portion is \$19,852 for fiscal year 2008. For fiscal year 2007, the current portion is \$379,760 and the long term portion is \$21,033.

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, therefore no liability is recorded.

**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 “AAA” by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

**Note 11 – Deposits and Investments**

The Public Funds Investment Act allows funds belonging to South Texas College to be invested. 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, 2008 and 2007

**Note 11 – Deposits and Investments (Continued)**

At August 31, 2008 and 2007 the carrying amount of South Texas College’s deposits was \$80,234,193, and \$78,150,228, 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 \$90,269,068 and \$95,034,159 for the years ended August 31, 2008 and 2007. 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, 2008	August 31, 2007
Demand Deposit	\$ 11,765,450	\$ 13,530,796
Certificates of Deposit	68,468,743	64,619,432
Total Bank Deposits	80,234,193	78,150,228
Petty Cash on Hand	7,525	8,325
Total Cash	7,525	8,325
Total	\$ 80,241,718	\$ 78,158,553

Total investments at August 31, 2008 and 2007, are as follows:

**Reconciliation of Deposits and Investments to Statement of Net Assets**

Type of Security	Fair Value August 31, 2008	Fair Value August 31, 2007
Demand Deposits and Cash	\$ 11,772,975	\$ 13,539,121
Certificates of Deposit	68,468,743	64,619,432
Capital Stock	-	115,350
Total Deposits and Investments	\$ 80,241,718	\$ 78,273,903
Cash and Cash Equivalents (Exhibit 1)	\$ 11,772,975	\$ 13,688,691
Short-Term Investments (Exhibit 1)	68,468,743	64,469,862
Other Investments (Exhibit 1)	-	115,350
Total Reconciliation to Exhibit 1	\$ 80,241,718	\$ 78,273,903

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 11 – Deposits and Investments (Continued)**

As of August 31, 2008 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	\$ 68,468,743	0.4975

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%.

SOUTH TEXAS COLLEGE  
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**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, 2008	August 31, 2007
Assessed Valuation of the College	\$ 27,409,643,132	\$ 24,527,879,537
Less: Exemptions	(880,410,564)	(869,797,042)
Less: Abatements	-	-
Net Assessed Valuation of the College	\$ 26,529,232,568	\$ 23,658,082,495

	Fiscal Year 2008			Fiscal Year 2007		
	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	\$ 0.0440	\$ 0.1540	\$ 0.1100	\$ 0.0448	\$ 0.1548

Taxes levied for the year ended August 31, 2008 and 2007 amounted to \$41,443,762 and \$37,120,694, respectively, including any penalty and interest assessed.

The Hidalgo County Tax Assessor-Collector and the Starr County Tax Assessor-Collector are the Collecting Agencies for the levy and remit the collections to the College, net of a collection fee.

	August 31, 2008			August 31, 2007		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 27,407,165	\$ 10,962,859	\$ 38,370,024	\$ 24,183,364	\$ 9,849,225	\$ 34,032,590
Delinquent Taxes Collected	1,814,930	779,445	2,594,375	2,039,970	925,080	2,965,049
Penalties & Interest Collected	1,076,233	440,177	1,516,410	1,089,991	454,259	1,544,249
Total Collections	\$ 30,298,328	\$ 12,182,480	\$ 42,480,809	\$ 27,313,325	\$ 11,228,564	\$ 38,541,889

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 12 – Ad Valorem Taxes (Continued)**

Tax collections for the year ended August 31, 2008 and 2007 were 93.91% and 92.92%, 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 2008 or in fiscal year 2007.

**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](http://www.trs.state.tx.us), under the TRS Publications heading. State law provides for fiscal years 2008, a state contribution of 6.58% and 6.0% for fiscal years 2007 and 2006. State laws further provides member contribution rate of 6.4% for fiscal years 2008, 2007 and 2006. In certain instances, the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal year 2008 and 6.0% for fiscal years 2007 and 2006.

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, 2008, 2007, and 2006 were \$2,006,818, \$1,567,971, and \$1,407,828, respectively. The district paid additional state contributions for the years ended August 31, 2008 and 2007 in the amount of \$315,796 and \$280,850, respectively on the portion



SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

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

of the employees’ salaries that exceeded the statutory minimum. The total payroll for all college employees for the years ended August 31, 2008 and 2007 were \$35,449,699 and \$31,002,437, 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 6.58% and 6.65%, respectively. The College contributes 1.92% 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, 2008 and 2007 was \$11,387,373 and \$10,947,679, 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, 2008, the College had 85 employees participating in the program and 82 participated in 2007. A total of \$333,963 and \$304,625 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2008 and 2007, 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. Revenues are recognized on the Statements of Revenues, Expenses and Changes in Net Assets (Exhibit 2) and Schedule of Operating Revenues (Schedule A). Accordingly, when such funds are received in advance, they are recorded as unearned revenue on the Statements of Net Assets (Exhibit 1). Grant funds expended but not yet collected are reported as receivables on the Statements of Net Assets (Exhibit 1). Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

Contract and grant award funds already committed (e.g. multi-year awards) or funds awarded during fiscal years ended 2008 and 2007, for which monies have not been received nor funds expended totaled \$3,762,525 and \$4,008,689 respectively.

SOUTH TEXAS COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 August 31, 2008 and 2007

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

These amounts are comprised of the following:

	2008	2007
Federal Contracts and Grant Awards	\$ 3,274,525	\$ 3,793,689
State Contracts and Grant Awards	15,000	15,000
Private Contracts and Grant Awards	473,000	200,000
Total	\$ 3,762,525	\$ 4,008,689

**Note 17 - Risk Management**

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

In fiscal year 2008, 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 \$196,757,019, 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 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.

**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. 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 recognized the cost of providing these benefits by expending the annual insurance premiums. The state’s contribution per full-time employee was \$360.54 and \$284.53 per month for the year ended August 31, 2008 for the Blue Cross Blue Shield – Health Select plan and Valley Health Plan – HMO plan respectively. The state’s contribution totaled \$3,985,978 for fiscal year 2008 and \$4,058,650 for fiscal year 2007. The cost of providing those benefits for thirteen retirees in the year ended August 31, 2008 and eleven retirees in the year ended August 31, 2007 was \$68, 181

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

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

and \$49,017. For 892 Blue Cross Blue Shield – Health Select Plan active employees and 77 Valley Health Plan – HMO plan active employees the cost of providing benefits was \$3,917,797 for the year ended August 31, 2008. Active employee benefits for 856 Blue Cross Blue Shield – Health Select Plan active employees and 70 Valley Health Plan – HMO Plan active employees totaled \$4,009,633 for the year ended August 31, 2007.

**Note 19 - Related Parties**

A member of the Board of Trustees and his spouse are employed at the College's depository bank and a member of the Board of Trustees provided professional services to the College's depository bank.

**Note 20 - Construction and Improvements Commitments**

Construction and Improvements commitment for August 31, 2008 were as follows:

Project	Contracted Amount	Spent to Date	Commitments
Pecan Campus	\$ 14,301,292	\$ 14,022,785	\$ 278,507
Mid Valley	1,975,112	204,628	1,770,484
Nursing Allied Health	138,143	43,267	94,876
	<u>\$ 16,414,547</u>	<u>\$ 14,270,680</u>	<u>\$ 2,143,867</u>

At August 31, 2008, the College had \$2,143,867 of remaining contractual commitments in construction and improvement projects.

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>\$ 23,928,910</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.

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**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, 2008 and August 31, 2007.

**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, 2008, 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 4, 2008, South Texas College sold for \$441,000, 4.5 acres of land to the University of Texas - Pan American. These acres are located at the College's Starr County Campus. The University of Texas - Pan American intends to build a facility on the site for its Upper Level Center, which will offer upper-level courses in several areas of study.

The College accepted a grant award from the City of McAllen in the amount of \$500,000. This award is for the period of October 1, 2008 through September 30, 2009. This grant will provide customized training for 375 new and incumbent workers and will support job creation and retention activities under the U.S. Department of Labor WIRED initiative.

The College accepted an award from the United States DOE for the College Cost Reduction and Access (CCRA) grant in the amount of \$1,518,392 for the period of October 1, 2008 through September 30, 2010.

SOUTH TEXAS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2008 and 2007

**Note 24 – Postemployment Benefits Other than Pensions**

This footnote is in accordance with GASB Statement 45.

*Plan Description.* South Texas College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employee Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State Law and may be amended by the Texas Legislature. ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

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

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

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

The college's contributions to SRHP for the years ended August 31, FY08, FY07 and FY06, were \$68,181, \$49,017 and \$38,537, respectively, which equaled the required contributions each year.

**Note 25 – Endowments**

The College is the recipient of three endowments and by College policy the net appreciation is earmarked for student scholarships. The amounts in fiscal year 2008, 2007 and 2006 were \$9,766, \$11,590 and \$8,829, respectively.

**Note 26 – Restatements**

The college determined that restatements of prior year presentation were necessary for certain items including methodology changes for tuition discounting, long-term liabilities - current and noncurrent portions, tuition revenue, invested in capital assets, net of related debt calculation methodology and uncollectible expense.



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**South Texas College**  
**Schedule A**  
**Schedule of Operating Revenues**  
**Year Ended August 31, 2008 (With Totals for the Year Ended August 31, 2007)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2008 Total	FY 2007 Total
<b>Tuition:</b>						
State funded credit courses						
In-district resident tuition	\$22,684,539	\$ -	\$22,684,539	\$ -	\$22,684,539	\$20,448,395
Out-of-district resident tuition	522,034	-	522,034	-	522,034	436,108
Non-resident tuition	1,334,039	-	1,334,039	-	1,334,039	1,030,698
TPEG state (set aside) *	1,201,603	-	1,201,603	-	1,201,603	1,144,945
State funded continuing education	309,674	-	309,674	-	309,674	295,628
TPEG non-credit (set aside) *	19,766	-	19,766	-	19,766	18,870
State funded workforce development	467,206	-	467,206	-	467,206	344,543
TPEG non-credit (set aside) *	29,822	-	29,822	-	29,822	21,992
Non-state funded continuing education	501,030	-	501,030	-	501,030	165,194
TPEG non-credit (set aside) *	31,502	-	31,502	-	31,502	-
Non-state funded workforce developme	165,488	-	165,488	-	165,488	239,556
TPEG non-credit (set aside) *	10,563	-	10,563	-	10,563	-
Total tuition	<u>27,277,266</u>	<u>-</u>	<u>27,277,266</u>	<u>-</u>	<u>27,277,266</u>	<u>24,145,929</u>
<b>Fees:</b>						
Student registration fee	4,943,588	-	4,943,588	-	4,943,588	4,424,302
Laboratory fees	741,753	-	741,753	-	741,753	630,754
Incidental fees	4,805,828	-	4,805,828	-	4,805,828	3,717,269
Total fees	<u>10,491,169</u>	<u>-</u>	<u>10,491,169</u>	<u>-</u>	<u>10,491,169</u>	<u>8,772,325</u>
<b>Scholarship allowances and discounts:</b>						
Remissions and exemptions	(6,687,924)	-	(6,687,924)	-	(6,687,924)	(4,931,278)
TPEG allowances	(1,295,109)	-	(1,295,109)	-	(1,295,109)	(771,990)
Local grants to students	(213,454)	-	(213,454)	-	(213,454)	(216,157)
Private grants to students	(185,161)	-	(185,161)	-	(185,161)	(187,505)
State grants to students	(1,568,264)	-	(1,568,264)	-	(1,568,264)	(1,588,119)
Federal grants to students	(12,666,152)	-	(12,666,152)	-	(12,666,152)	(12,826,507)
Total scholarship allowances	<u>(22,616,064)</u>	<u>-</u>	<u>(22,616,064)</u>	<u>-</u>	<u>(22,616,064)</u>	<u>(20,521,556)</u>
Total net tuition and fees	<u>15,152,371</u>	<u>-</u>	<u>15,152,371</u>	<u>-</u>	<u>15,152,371</u>	<u>12,396,698</u>
<b>Additional operating revenues:</b>						
Federal grants and contracts	202,032	34,776,351	34,978,383	-	34,978,383	31,023,956
State grants and contracts	27,399	4,264,895	4,292,294	-	4,292,294	3,068,738
Local grants and contracts	12,962	728,428	741,390	-	741,390	922,667
Nongovernmental grants and contracts	1,280,200	275,167	1,555,367	-	1,555,367	1,192,509
General operating revenues	619,471	467,627	1,087,098	-	1,087,098	1,440,230
Total additional operating revenues	<u>2,142,064</u>	<u>40,512,468</u>	<u>42,654,532</u>	<u>-</u>	<u>42,654,532</u>	<u>37,648,100</u>

(Continued)

**South Texas College**  
**Schedule A**  
**Schedule of Operating Revenues**  
**Year Ended August 31, 2008 (With Totals for the Year Ended August 31, 2007)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2008 Total	FY 2007 Total
Auxiliary Enterprises:						
Bookstore	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 400,000
Food service	-	-	-	437,557	437,557	249,566
Vending commissions	-	-	-	186,726	186,726	187,925
Wellness center	-	-	-	33,050	33,050	37,471
Child care center	-	-	-	195,645	195,645	-
General conferences	-	-	-	46,604	46,604	-
Other fees	-	-	-	1,100	1,100	-
Total auxiliary enterprises	-	-	-	1,300,682	1,300,682	874,962
 Total Operating Revenues	 <b>\$ 17,294,435</b>	 <b>\$ 40,512,468</b>	 <b>\$ 57,806,903</b>	 <b>\$ 1,300,682</b>	 <b>\$ 59,107,585</b>	 <b>\$ 50,919,760</b>

(Exhibit 2)      (Exhibit 2)

\* In accordance with Education Code 56.033, \$1,293,256 and \$1,185,807 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2008 and 2007, respectively.



**South Texas College**  
**Schedule B**  
**Schedule of Operating Expenses by Object**  
**Year Ended August 31, 2008 (With Totals for the Year Ended August 31, 2007)**

	Operating Expenses			Other Expenses	FY 2008 Total	FY 2007 Total
	Salaries and Wages	Benefits				
		State	Local			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 31,421,690	\$ -	\$ 2,881,432	\$ 2,975,686	\$ 37,278,808	\$ 33,561,661
Public service	314,191	-	29,654	37,491	381,336	328,084
Academic support	3,631,316	-	371,750	1,684,911	5,687,977	5,473,040
Student services	4,902,785	-	503,135	949,007	6,354,927	5,963,163
Institutional support	7,122,452	-	963,750	5,962,959	14,049,161	12,881,929
Operation and maintenance of plant	2,091,334	-	665,803	6,576,633	9,333,770	8,703,758
<b>Total Unrestricted Educational Activities</b>	<b>49,483,768</b>	<b>-</b>	<b>5,415,524</b>	<b>18,186,687</b>	<b>73,085,979</b>	<b>66,911,635</b>
<b>Restricted - Educational Activities</b>						
Instruction	408,589	4,125,945	68,248	409,477	5,012,259	4,291,450
Public service	779,497	16,001	191,339	1,556,476	2,543,313	1,466,935
Academic support	952,237	652,580	198,022	750,449	2,553,288	2,616,521
Student services	560,516	784,044	131,412	226,321	1,702,293	1,764,465
Institutional support	54,977	1,199,273	-	-	1,254,250	1,230,738
Operation and maintenance of plant	2,758	-	-	-	2,758	8,541
Scholarships and fellowships	-	-	-	19,501,681	19,501,681	15,558,703
<b>Total Restricted Educational Activities</b>	<b>2,758,574</b>	<b>6,777,843</b>	<b>589,021</b>	<b>22,444,404</b>	<b>32,569,842</b>	<b>26,937,353</b>
<b>Total Educational Activities</b>	<b>52,242,342</b>	<b>6,777,843</b>	<b>6,004,545</b>	<b>40,631,091</b>	<b>105,655,821</b>	<b>93,848,988</b>
<b>Auxiliary Enterprises</b>	176,229	-	60,724	418,305	655,258	422,150
<b>Depreciation Expense-Buildings and other real estate improvements</b>	-	-	-	3,129,109	3,129,109	2,862,490
<b>Depreciation Expense-Books</b>	-	-	-	269,790	269,790	249,418
<b>Depreciation Expense-Equipment and furniture</b>	-	-	-	1,993,072	1,993,072	2,173,282
<b>Total Operating Expenses</b>	<b>\$ 52,418,571</b>	<b>\$ 6,777,843</b>	<b>\$ 6,065,269</b>	<b>\$ 46,441,367</b>	<b>\$ 111,703,050</b>	<b>\$ 99,556,328</b>
					(Exhibit 2)	(Exhibit 2)

**South Texas College**  
**Schedule C**  
**Schedule of Non-Operating Revenues and Expenses**  
**Year Ended August 31, 2008 (With Totals for the Year Ended August 31, 2007)**

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2008 Total	FY 2007 Total
<b>NON-OPERATING REVENUES:</b>					
State allocations:					
Education and general state support academic	\$ 17,689,752	\$ -	\$ -	\$ 17,689,752	\$ 14,808,187
Education and general state support vocational	7,581,322	-	-	7,581,322	8,420,341
Education and general state support BAT	101,767	-	-	101,767	-
State group insurance	-	4,022,493	-	4,022,493	4,098,330
State retirement matching	-	2,755,350	-	2,755,350	2,224,835
Enrollment growth	343,631	-	-	343,631	-
Baccalaureate degree special appropriation	-	-	-	-	500,000
Hidalgo technology center special appropriation	-	-	-	-	250,000
BAT supplement	-	200,000	-	200,000	-
Professional nursing shortage reduction	-	163,493	-	163,493	10,268
<b>Total State Allocations</b>	<b>25,716,472</b>	<b>7,141,336</b>	<b>-</b>	<b>32,857,808</b>	<b>30,311,961</b>
Ad-valorem taxes	43,325,891	-	-	43,325,891	38,783,238
Gifts	-	519,842	-	519,842	351,586
Investment income	2,584,043	9,766	33,666	2,627,475	4,653,487
<b>Total Non-Operating Revenues</b>	<b>71,626,406</b>	<b>7,670,944</b>	<b>33,666</b>	<b>79,331,016</b>	<b>74,100,272</b>
<b>NON-OPERATING EXPENSES:</b>					
Interest on capital related debt	3,046,995	-	-	3,046,995	4,926,778
Other non-operating expenses	1,143,458	491,402	-	1,634,860	1,906,943
<b>Total Non-Operating Expenses</b>	<b>4,190,453</b>	<b>491,402</b>	<b>-</b>	<b>4,681,855</b>	<b>6,833,721</b>
<b>Net Non-Operating Revenues</b>	<b>\$ 67,435,953</b>	<b>\$ 7,179,542</b>	<b>\$ 33,666</b>	<b>\$ 74,649,161</b>	<b>\$ 67,266,551</b>
				(Exhibit 2)	(Exhibit 2)



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**South Texas College**  
**Schedule D**  
**Schedule of Net Assets by Source and Availability**  
**Year Ended August 31, 2008 (With Totals for the Year Ended August 31, 2007)**

	Detail by Source					Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt		
		Expendable	Non-Expendable			
Current:						
Unrestricted	\$ 38,356,697	\$ -	\$ -	\$ -		\$ 38,356,697
Board Designated	-	-	-	-		-
Restricted	-	3,367,634	-	-		3,367,634
Auxiliary enterprises	826,226	-	-	-		826,226
Loan	-	425,759	-	-		425,759
Endowment:						
Quasi:						
Unrestricted	-	-	-	-		-
Restricted	-	-	-	-		-
Endowment						
True	-	-	332,230	-		332,230
Term (per instructions at maturity)	-	-	-	-		-
Life Income Contracts	-	-	-	-		-
Annuities	-	-	-	-		-
Plant:						
Unexpended	24,146,427	-	-	-		24,146,427
Renewals	5,859,743	-	-	-		5,859,743
Debt Services	-	8,948,463	-	-		8,948,463
Investment in Plant	-	-	-	99,428,890		99,428,890
Total Net Assets, August 31, 2008	69,189,093	12,741,856	332,230	99,428,890		181,692,069
						(Exhibit 1)
Total Net Assets, August 31, 2007	67,223,004	10,912,377	-	81,439,837		159,575,218
						(Exhibit 1)
Net Increase (Decrease) in Net Assets	\$ 1,966,089	\$ 1,829,479	\$ 332,230	\$ 17,989,053		\$ 22,116,851
						(Exhibit 2)

The Plant Unexpended Fund is earmarked in the fiscal year 2009 board approved budget for construction projects

Available for Current Operations

<u>Yes</u>	<u>No</u>
\$ 38,356,697	\$ -
-	-
-	3,367,634
826,226	-
-	425,759
-	-
-	-
-	332,230
-	-
-	-
-	-
-	24,146,427
-	5,859,743
-	8,948,463
-	99,428,890
39,182,923	142,509,146
32,133,592	127,441,626
<u>\$ 7,049,331</u>	<u>\$ 15,067,520</u>

**South Texas College**  
**Schedule E**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<b>U.S. Department of Education</b>			
Direct Programs:			
FSEOG	84.007		\$ 556,926
Federal Work-Study Program	84.033		279,500
Upward Bound Program	84.047		292,189
Federal Pell Grant Program	84.063		27,437,097
Minority Science and Engineering Improvement Program	84.120		191,242
Childcare Access Means Parents In School	84.335		327,565
Academic Competitiveness Grant	84.375		104,046
National Science and Mathematics Access to Retain Talent (SMART) Grant	84.376		8,000
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl D. Perkins Vocational Education Program	84.048	84241	1,789,141
Focus on the Student Critical Thinking	84.048		64,386
Leveraging Educational Assistance Partnership	84.069A	109225	35,730
Special Leveraging Educational Assistance Partnership	84.069B	109225	49,011
Tomball College			
Contextual Learning and Integrated Curriculum	84.048	81112	19,941
Del Mar College			
Student Learning Styles Academy	84.048	81105	4,650
Texas State Technical College			
Tech Prep Education	84.243	81720-41	6,147
Hidalgo Independent School District			
Twenty-First Century Project	84.287		54,484
University Texas Pan-American			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		19,318
Region One			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		52,165
Subtotal			<u>71,484</u>
<b>Total Department of Education</b>			<b>\$ <u>31,291,539</u></b>

Pass Through To	Total Expenditures and Pass Through Disbursements
\$ -	\$ 556,926
-	279,500
-	292,189
-	27,437,097
-	191,242
-	327,565
-	104,046
-	8,000
-	1,789,141
-	64,386
-	35,730
-	49,011
-	19,941
-	4,650
-	6,147
-	54,484
-	19,318
-	52,165
-	71,484
<u>\$ -</u>	<u>\$ 31,291,539</u>

**South Texas College**  
**Schedule E**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<b>U.S. Department of Labor</b>			
Direct Programs:			
Community Based Job Training Grant	17.269		\$ 508,076
Pass-Through From:			
Texas Workforce Commission			
Employment Service/Wagner Peyser Funded Activities	17.207	2307WPB001	47,256
Workforce Investment Act - Adult Program	17.258	2308WSW000	6,501
Workforce Investment Act - Youth Activities	17.259	2308WSW000	7,036
Workforce Investment Act - Dislocated Workers	17.260	2308WSW000	8,241
Workforce Investment Act - Pilot	17.261	2306WDR000	35,588
Motivation Education & Training, Inc.			
Professional Commercial Truck Driver Training (WIA)	17.258		218,662
ACS State & Local Solutions, Inc.			
Workforce Investment Act - Adult Program	17.258		214,642
Workforce Investment Act - Dislocated Workers	17.260		23,433
Workforce Investment Act - TAA-Dislocated Workers	17.245		16,173
Lower Rio Grande Valley Workforce Development Board			
Workforce Investment Act - Adult Program	17.258	07-LAOBP-003	29,301
Workforce Investment Act - Adult Program	17.258	07-LAOBP-002	82,221
Workforce Investment Act - Youth Activities	17.259	07-OPSP-001	50,951
Good Samaritan Community Services			
Workforce Investment Act - Youth Activities	17.259	07-GSCS-STC-001	164,970
State of Texas - Office of the Governor			
H-1B Job Training Grants	17.268		575,698
Texas State Technical College			
Community Based Job Training Grant	17.269	2407SDF000	197,964
<b>Total Department of Labor</b>			<b>\$ 2,186,713</b>
<b>U.S. Department of Veterans' Affairs</b>			
Direct Programs:			
Chapter 31 Disabled Veterans/Tuition Assistance	64.125		\$ 268,278
<b>U.S. Department of Health &amp; Human Services</b>			
Direct Programs:			
Nurse Education Practice and Retention Grants	93.359		\$ 230,019
Pass-Through From:			
Texas Workforce Commission			
Temporary Assistance for Needy Families-Self Sufficiency	93.558	2307SSF000	390,045
Community Action Council of South Texas			



(Continued)

Pass Through To	Total Expenditures and Pass Through Disbursements
\$ -	\$ 508,076
-	47,256
-	6,501
-	7,036
-	8,241
-	35,588
-	218,662
-	214,642
-	23,433
-	16,173
-	29,301
-	82,221
-	50,951
-	164,970
491,561	1,067,259
-	197,964
<u>\$ 491,561</u>	<u>\$ 2,678,273</u>
\$ -	\$ 268,278
\$ -	\$ 230,019
-	390,045

**South Texas College**  
**Schedule E**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
Headstart Program	93.600		13,105.46
Hidalgo County Headstart Headstart Program	93.600		46,443
Texas Migrant Council Headstart Program	93.600		10,103
United Migrant Opportunity Services Headstart Program	93.600		423
Subtotal			<u>70,074</u>
<b>Total Department of Health &amp; Human Services</b>			<b><u>\$ 690,138</u></b>
<b>Corporation for National and Community Service</b>			
Direct Programs:			
AmeriCorps - National Service Award	94.006		<b><u>\$ 50,156</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 34,486,822</u></b>

**Note 1: Federal Assistance Reconciliation**

Federal Grants and Contracts Revenue - per Schedule A

**Total Federal Revenues per Schedule of Expenditures of Federal Awards**

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

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

**Note 3: Amounts Passed -Through by the College**

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

Laredo Community College	\$ 38,425
Texas State Technical College	\$ 206,510
University of Texas Pan American	<u>\$ 246,626</u>
Total amount passed-through	<u>\$ 491,561</u>

(Continued)

Pass Through To	Total Expenditures and Pass Through Disbursements
-	13,105.46
-	46,443
-	10,103
-	423
-	70,074
<u>\$ -</u>	<u>\$ 690,138</u>
<u>\$ -</u>	<u>\$ 50,156</u>
<u>\$ 491,561</u>	<u>\$ 34,978,383</u>
	\$ 34,978,383
	<u>\$ 34,978,383</u>

**South Texas College  
Schedule F  
Schedule of Expenditures of State Awards  
For the Year Ended August 31, 2008**

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
<b>Texas Higher Education Coordinating Board</b>		
AFDC/TANF		\$ 1,579
Certified Educational Aides		281,735
College Connection Program		28,330
Early High School Graduate		92,513
Engineering Recruitment Program		19,016
Nursing Shortage Reduction Program		163,493
P-16 College Readiness Special Advisors Program		12,821
Statewide Discipline-Based Vertical Teams		462
Texas College Workstudy Program		88,238
Texas Grant I - Initial Year		1,507,221
Texas Grant I - Renewal Year		909,635
Texas Educational Opportunity Grant - Initial Year		302,015
Texas Educational Opportunity Grant - Renewal Year		161,755
Texas Professional Nursing Scholarship		5,536
Vocational Nursing Scholarship		4,173
<b>Total Texas Higher Education Coordinating Board</b>		<b>\$ 3,578,523</b>
<b>Texas Workforce Commission</b>		
Skills Development Fund	2307SDF001	\$ 210,056
Skills Development Fund	2308SDF000	584,525
<b>Total Texas Workforce Commission</b>		<b>\$ 794,581</b>
<b>Department of Assistive and Rehabilitative Services</b>		<b>\$ 82,684</b>
<b>Office of Rural community Affairs</b>		<b>\$ 43,155</b>
<b>Total State Financial Assistance</b>		<b>\$ 4,498,942</b>
<b>Note 1: State Assistance Reconciliation</b>		
Federal Grants and Contracts Revenue - per Schedule A		\$ 4,292,294
Add: Revenue classified as Non Operating		
Professional Nursing Shortage Reduction Funding		\$ 163,493
State Award Reported in Unexpended Plant Fund		43,155
<b>Total State Revenues per Schedule of Expenditures of State Awards</b>		<b>\$ 4,498,942</b>

Notes to schedule on following page.

(Continued)

**Note 2: Inkind Match**

The Texas Workforce Commission Skills Development Fund grant received an inkind match in the amount of \$362,381 from the City of McAllen Phase 11 grant and on the job training hours from various manufacturing companies. These amounts were not included in the Schedule of Expenditures of State Awards but were included in the basic financial statements of the College.



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*...A better quality of life for our communities*



# 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.

<b>CONTENTS</b>	<b>PAGE</b>
<b>Financial Trends</b>	97-99
<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>	
<b>Revenue Capacity</b>	100-109
<i>These schedules contain information to help the reader assess the College’s most significant local revenue sources, including the property tax.</i>	
<b>Debt Capacity</b>	110-113
<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>	
<b>Demographic and Economic Information</b>	116-122
<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>	
<b>Operating and Other Information</b>	123-131
<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>	

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 2003-2008**  
(unaudited)

Net Assets	For the Fiscal Year Ended August 31,					
	2008	2007	2006	2005	2004	2003
Invested in capital, net of related debt	\$ 99,428,890	\$ 81,439,837	\$ 77,875,115	\$ 65,488,899	\$ 53,401,242	\$ 47,543,186
Restricted expendable	12,741,856	10,581,497	9,842,298	8,001,688	8,695,028	3,433,363
Restricted non-expendable	332,230	330,880	215,228	215,228	215,228	215,228
Unrestricted	69,189,093	67,223,004	52,703,700	47,788,784	42,783,441	32,435,430
<b>Total Net Assets</b>	<b>\$ 181,692,069</b>	<b>\$ 159,575,218</b>	<b>\$ 140,636,341</b>	<b>\$ 121,494,599</b>	<b>\$105,094,939</b>	<b>\$ 83,627,207</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2008 are available.

**Statistical Supplement 2**  
**Revenues by Source**  
**Fiscal Years 2003-2008**  
(unaudited)

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003
<b>Operating Revenues</b>						
Tuition and fees, net of discounts	\$ 15,152,371	\$ 12,396,698	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388	\$ 8,457,156
Federal grants and contracts	34,978,383	31,023,956	33,380,140	36,906,689	34,021,750	33,041,792
State grants and contracts	4,292,294	3,068,738	3,094,018	3,553,359	2,948,994	4,427,500
Local grants and contracts	741,390	922,667	756,312	757,398	801,324	634,491
Non-governmental grants and contracts	1,555,367	1,192,509	1,017,893	1,525,659	998,230	638,326
Auxiliary enterprises	1,300,682	874,962	906,335	838,057	733,900	653,691
Other operating revenues	1,087,098	1,440,230	1,680,707	872,885	1,518,171	856,798
<b>Total Operating Revenues</b>	<b>\$ 59,107,585</b>	<b>\$ 50,919,760</b>	<b>\$ 55,002,941</b>	<b>\$ 55,907,535</b>	<b>\$ 49,453,757</b>	<b>\$ 48,709,754</b>
<b>Non-Operating Revenues</b>						
State allocations	32,857,808	30,311,961	29,972,196	24,945,029	24,128,754	22,825,281
Ad valorem taxes	43,325,891	38,783,238	35,871,784	33,663,171	31,398,614	29,750,645
Gifts	519,842	351,586	215,177	190,148	3,265,398	186,027
Investment income	2,627,475	4,653,487	3,684,413	2,352,936	2,585,128	3,161,603
Other non-operating revenues	-	-	1,844	-	-	-
<b>Total Non-Operating Revenues</b>	<b>79,331,016</b>	<b>74,100,272</b>	<b>69,745,414</b>	<b>61,151,284</b>	<b>61,377,894</b>	<b>55,923,556</b>
<b>Total Revenues</b>	<b>\$138,438,601</b>	<b>\$125,020,032</b>	<b>\$124,748,355</b>	<b>\$117,058,819</b>	<b>\$110,831,651</b>	<b>\$104,633,310</b>

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003
<b>Operating Revenue</b>						
Tuition and fees, net of discounts	10.95%	9.92%	11.36%	9.78%	7.61%	8.08%
Federal grants and contracts	25.26%	24.82%	26.76%	31.52%	30.70%	31.58%
State grants and contracts	3.10%	2.45%	2.48%	3.04%	2.66%	4.23%
Local grants and contracts	0.54%	0.74%	0.61%	0.65%	0.72%	0.61%
Non-governmental grants and contracts	1.12%	0.95%	0.82%	1.30%	0.90%	0.61%
Auxiliary enterprises	0.94%	0.70%	0.73%	0.72%	0.66%	0.62%
Other operating revenues	0.79%	1.15%	1.33%	0.75%	1.37%	0.82%
<b>Total Operating Revenues</b>	<b>42.70%</b>	<b>40.73%</b>	<b>44.09%</b>	<b>47.76%</b>	<b>44.62%</b>	<b>46.55%</b>
<b>Non-Operating Revenues</b>						
State allocations	23.72%	24.25%	24.03%	21.31%	21.77%	21.81%
Maintenance ad valorem taxes	31.30%	31.02%	28.76%	28.76%	28.33%	28.44%
Gifts	0.38%	0.28%	0.17%	0.16%	2.95%	0.18%
Investment income	1.90%	3.72%	2.95%	2.01%	2.33%	3.02%
Other non-operating revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Non-Operating Revenues</b>	<b>57.30%</b>	<b>59.27%</b>	<b>55.91%</b>	<b>52.24%</b>	<b>55.38%</b>	<b>53.45%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2008 are available. Change in Net Assets reflected on Statistical Supplement 19.

**Statistical Supplement 3**  
**Program Expenses by Function**  
**Fiscal Years 2003-2008**  
(unaudited)

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003
<b>Operating Expenses</b>						
Instruction	\$ 42,291,067	\$ 37,853,111	\$ 36,144,166	\$ 32,107,169	\$ 29,670,904	\$ 28,715,797
Research	-	-	19,663	11,768	-	-
Public service	2,924,649	1,795,019	2,847,813	2,106,665	2,354,241	3,078,549
Academic support	8,241,265	8,089,561	7,542,624	6,707,548	4,175,859	3,952,084
Student services	8,057,220	7,727,628	6,476,443	6,021,112	5,334,153	5,021,938
Institutional support	15,303,411	14,112,667	13,255,074	11,765,777	10,611,400	11,222,528
Operations and maintenance of plant	9,336,528	8,712,299	8,473,871	7,137,221	4,746,623	4,705,159
Scholarships and fellowships	19,501,681	15,558,703	19,681,397	22,958,306	22,956,070	23,070,993
Auxiliary enterprises	655,258	422,150	438,747	411,684	346,671	380,737
Depreciation	5,391,971	5,285,190	5,165,342	4,215,249	2,647,695	3,826,761
<b>Total Operating Expenses</b>	<b>111,703,050</b>	<b>99,556,328</b>	<b>100,045,140</b>	<b>93,442,499</b>	<b>82,843,616</b>	<b>83,974,546</b>
<b>Non-Operating Expenses</b>						
Interest on capital related debt	3,046,995	4,926,778	4,662,868	3,704,377	4,606,271	4,783,540
Other non-operating expenses	1,634,860	1,906,943	1,093,561	5,949,680	2,017,952	938,790
<b>Total Non-Operating Expenses</b>	<b>4,681,855</b>	<b>6,833,721</b>	<b>5,756,429</b>	<b>9,654,057</b>	<b>6,624,223</b>	<b>5,722,330</b>
<b>Total Expenses</b>	<b>\$116,384,905</b>	<b>\$106,390,049</b>	<b>\$105,801,569</b>	<b>\$103,096,556</b>	<b>\$ 89,467,839</b>	<b>\$ 89,696,876</b>

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003
<b>Operating Expenses</b>						
Instruction	36.35%	35.58%	34.16%	31.13%	33.16%	32.01%
Research	0.00%	0.00%	0.02%	0.01%	0.00%	0.00%
Public service	2.51%	1.69%	2.69%	2.04%	2.63%	3.43%
Academic support	7.08%	7.60%	7.13%	6.51%	4.67%	4.41%
Student services	6.92%	7.26%	6.12%	5.84%	5.96%	5.60%
Institutional support	13.15%	13.27%	12.53%	11.41%	11.86%	12.51%
Operations and maintenance of plant	8.02%	8.19%	8.01%	6.92%	5.31%	5.25%
Scholarships and fellowships	16.76%	14.62%	18.60%	22.27%	25.66%	25.72%
Auxiliary enterprises	0.56%	0.40%	0.41%	0.41%	0.39%	0.42%
Depreciation	4.63%	4.97%	4.89%	4.10%	2.96%	4.27%
<b>Total Operating Expenses</b>	<b>95.98%</b>	<b>93.58%</b>	<b>94.56%</b>	<b>90.64%</b>	<b>92.60%</b>	<b>93.62%</b>
<b>Non-Operating Expenses</b>						
Interest on capital related debt	2.62%	4.63%	4.41%	3.59%	5.15%	5.33%
Other non-operating expenses	1.40%	1.79%	1.03%	5.77%	2.25%	1.05%
<b>Total Non-Operating Expenses</b>	<b>4.02%</b>	<b>6.42%</b>	<b>5.44%</b>	<b>9.36%</b>	<b>7.40%</b>	<b>6.38%</b>
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2008 are available. Change in Net Assets reflected on Statistical Supplement 19.

**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
2007	\$ 85/120	\$ 59/70	\$ 76/90	\$ 7	\$ -	\$ -	\$877/912	\$ 1,082/1,117	1.38%	1.12%
2006	85/120	59/70	76/90	6	-	-	865/900	1,070/1,105	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%

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
2007	\$ 85/120	\$ 202	\$ 202	\$ 7	\$ -	\$ -	\$2,593/2,628	\$ 2,593/2,628	0.46%	0.46%
2006	85/120	202	202	6	-	-	2,581/2,616	2,581/2,616	0.00%	0.00%
2005	85	202	202	6	-	-	2,581	2,581	3.86%	3.86%
2004	85	200	200	-	-	-	2,485	2,485	78.14%	78.14%
2003	75	110	110	-	-	-	1,395	1,395	0.72%	0.72%
2002	65	110	110	-	-	-	1,385	1,385	0.00%	0.00%
2001	65	110	110	-	-	-	1,385	1,385	0.00%	0.00%
2000	65	110	110	-	-	-	1,385	1,385	-49.25%	-49.25%
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%

\* The College's tuition per SCH varies depending on the number of hours of enrollment. Tuition rate ranges from \$59 to \$127 and the tuition rates listed are \$59 and \$70 which are applicable at twelve hours and four hours respectively, 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)

Direct Rate								
Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)	
2007-08	\$ 27,409,643,132	\$ 880,410,564	\$ 26,529,232,568	96.79%	0.1100	0.0440	0.1540	
2006-07	24,527,879,537	869,797,042	23,658,082,495	96.45%	0.1100	0.0448	0.1548	
2005-06	22,369,029,565	841,324,896	21,527,704,669	96.24%	0.1100	0.0489	0.1589	
2004-05	20,630,450,580	760,487,073	19,869,963,507	96.31%	0.1100	0.0547	0.1647	
2003-04	18,323,427,659	721,648,786	17,601,778,873	96.06%	0.1100	0.0638	0.1738	
2002-03	17,115,047,518	581,477,213	16,533,570,305	96.60%	0.1100	0.0676	0.1776	
2001-02	15,577,955,470	82,953,393	15,495,002,077	99.47%	0.0790	0.0107	0.0897	
2000-01	13,762,817,630	101,864,445	13,660,953,185	99.26%	0.0800	0.0122	0.0922	
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	

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

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

Appropriation per FTSE	Appropriation per Contact Hour
------------------------	--------------------------------

Fiscal Year	State Appropriation	FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2007-08	\$ 25,271,074	12,968	\$ 1,949	5,854,928	2,111,040	7,965,968	\$ 3.17
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

Notes:

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

(a) Source CBM001

(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			
		2008	2007	2006	2005
El Paso Production Oil & Gas	Oil & Gas	\$ 358,107,640	\$ 252,759,270	\$ 380,027,260	\$ 411,146,130
Shell Western E & G Inc.	Oil & Gas	572,030,780	-	399,792,820	375,232,590
AEP Texas Central Co.	Electric Utility	159,251,780	181,625,710	191,443,144	178,031,920
Calpine Construction Finance Co. LP	Electric Utility	113,654,620	119,471,740	144,390,920	153,265,270
Total E & P USA Inc.	Oil & Gas	-	-	154,675,460	131,093,560
Southwestern Bell Telephone	Telephone Utility	110,118,990	104,595,695	107,809,102	100,410,407
H E Butt Grocery Company	Grocery Chain	95,953,669	89,443,353	88,271,957	95,690,999
Frontera Generation LTD	Land & Improvements	99,208,230	98,233,700	102,345,890	90,009,600
Chevron U.S.A. Inc.	Oil & Gas	219,565,590	66,770,720	68,596,763	69,683,810
Universal Health Services	Hospital	88,442,154	93,134,843	98,840,598	66,846,041
Wal Mart Stores East, Inc.#452	Retail Store	95,159,294	74,757,151	74,538,560	62,685,769
Rio Grande Regional Hospital	Hospital	61,468,351	74,762,587	81,410,943	53,269,350
Trenton Street Corporation	Real Estate	72,528,462	60,688,959	55,670,370	-
Simon Property Group-McAllen No.2	Restate	51,557,233	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
Symbol Technologies	Electronic Distribution Warehouse	-	-	-	20,084,103
Calpine Hidalgo Energy Center	Electric Utility	-	-	-	-
Central Power & Light	Utility	-	-	-	-
Texaco E&P Inc	Oil & Gas	-	-	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	-	377,813,720	-	-
Total Fina Elf E&P USA Inc.	Oil & Gas	-	-	-	-
Coastal Oil & Gas USA LP	Oil & Gas	-	-	-	-
Fina Oil & Chemical Co.	Oil & Gas	-	-	-	-
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	62,130,020	70,971,140	-	-
Oryx Energy Company	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	51,796,170	47,858,470	-	-
Totals		\$ 2,210,972,983	\$ 1,756,417,395	\$ 2,036,575,856	\$ 1,896,147,181
<b>Total Taxable Assessed Value</b>		<b>\$ 26,529,232,568</b>	<b>\$ 23,658,082,495</b>	<b>\$ 21,527,707,669</b>	<b>\$ 19,869,963,507</b>

Source: First Southwest Company

Taxable Assessed Value (TAV) by Tax Year

2004	2003	2002	2001	2000	1999
\$ 257,945,570	\$ 238,620,500	\$ -	\$ -	\$ -	\$ -
312,676,610	277,608,730	307,573,600	170,864,100	213,721,140	228,750,750
159,061,790	-	-	-	-	-
201,236,130	220,009,590	149,995,060	-	-	-
101,373,240	56,880,200	-	-	-	-
111,549,586	117,854,247	124,018,998	120,809,509	123,388,824	126,904,190
79,382,262	77,991,184	75,647,356	69,686,810	64,187,999	55,611,762
125,587,000	149,900,000	183,140,600	110,000,000	45,000,000	-
83,464,440	-	-	-	-	-
66,780,559	65,385,683	-	62,298,479	65,124,162	41,793,916
82,036,294	69,701,600	70,246,857	48,712,258	77,379,469	21,261,998
39,034,063	-	-	-	-	-
-	-	-	-	-	-
-	-	-	44,920,636	-	29,463,402
-	-	-	-	-	-
37,761,780	-	-	-	-	-
20,151,803	-	-	-	-	-
45,833,280	51,987,700	-	-	-	-
-	129,265,984	118,318,324	-	106,628,221	86,774,850
-	76,564,804	91,534,004	52,730,254	80,739,244	106,269,650
-	91,599,890	-	-	-	-
-	78,002,000	-	-	-	-
-	44,926,205	83,152,890	-	-	-
-	-	291,208,027	170,060,499	113,793,750	141,920,540
-	-	-	43,298,339	40,710,335	56,824,850
-	-	-	-	-	-
-	-	-	-	-	34,863,680
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	78,752,970
-	-	-	-	-	65,647,960
-	-	-	-	-	36,671,730
-	-	-	-	-	26,238,650
-	-	-	-	-	-
<u>\$ 1,723,874,407</u>	<u>\$ 1,746,298,317</u>	<u>\$ 1,494,835,716</u>	<u>\$ 893,380,884</u>	<u>\$ 930,673,144</u>	<u>\$ 1,137,750,898</u>
<u>\$ 17,601,778,873</u>	<u>\$ 16,533,570,305</u>	<u>\$ 15,495,002,077</u>	<u>\$ 3,660,953,185</u>	<u>\$ 2,486,529,987</u>	<u>\$ 1,913,532,716</u>

(Continued)

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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2008	2007	2006	2005
El Paso Production Oil & Gas	Oil & Gas	1.45%	1.07%	1.86%	2.18%
Shell Western E & G Inc.	Oil & Gas	-	-	1.96%	1.99%
AEP Texas Central Co.	Electric Utility	0.64%	0.77%	0.94%	0.95%
Calpine Construction Finance Co. LP	Electric Utility	0.46%	0.50%	0.71%	0.81%
Total E & P USA Inc.	Oil & Gas	-	-	0.76%	0.70%
Southwestern Bell Telephone	Telephone Utility	0.44%	0.44%	0.53%	0.53%
H. E. Butt Grocery Company	Grocery Chain	0.39%	0.38%	0.43%	0.51%
Frontera Generation LTD	Land & Improvements	0.40%	0.42%	0.50%	0.48%
Chevron U.S.A. Inc.	Oil & Gas	0.89%	0.28%	0.34%	0.37%
Universal Health Services	Hospital	0.36%	0.39%	0.48%	0.36%
Wal Mart Stores East, Inc.#452	Retail Store	0.38%	0.32%	0.36%	0.33%
Rio Grande Regional Hospital	Hospital	0.25%	0.32%	0.40%	0.28%
Trenton Street Corporation	Real Estate	0.29%	0.26%	0.27%	-
Simon Property Group-McAllen No.2	Real Estate	0.21%	0.18%	0.22%	0.24%
Magic Valley Elec Coop	Electric Utility	-	-	0.22%	-
Texas Cable Partners	Communication Utility	-	-	-	0.23%
Symbol Technologies	Electronic Distribution Warehouse	-	-	-	0.11%
Calpine Hidalgo Energy Center	Electric Utility	-	-	-	-
Central Power & Light	Utility	-	-	-	-
Texaco E&P Inc	Oil & Gas	-	-	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Shell Western E&P Inc.	Oil & Gas	2.31%	1.60%	-	-
Total Fina Elf E&P USA Inc.	Oil & Gas	-	-	-	-
Coastal Oil & Gas USA LP	Oil & Gas	-	-	-	-
Fina Oil & Chemical Co.	Oil & Gas	-	-	-	-
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	0.25%	0.30%	-	-
Oryx Energy Company	Oil & Gas	-	-	-	-
Newfield Exploration Company	Oil & Gas	0.21%	0.20%	-	-
<b>Totals</b>		<b>8.93%</b>	<b>7.43%</b>	<b>9.98%</b>	<b>10.07%</b>

Source: First Southwest Company

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year

2004	2003	2002	2001	2000	1999
1.52%	1.45%	-	-	-	-
1.84%	1.69%	2.16%	1.38%	2.10%	1.92%
0.94%	-	-	-	-	-
1.18%	1.34%	1.05%	-	-	-
0.60%	0.35%	-	-	-	-
0.66%	0.72%	0.87%	0.98%	1.21%	1.07%
0.47%	0.47%	0.53%	0.56%	0.63%	0.47%
0.74%	0.91%	1.28%	0.89%	0.44%	-
0.49%	-	-	-	-	-
0.39%	0.40%	-	0.50%	0.64%	0.35%
0.48%	0.42%	0.49%	0.39%	0.76%	0.18%
0.23%	-	-	-	-	-
-	-	-	-	-	-
-	-	-	0.36%	-	0.25%
-	-	-	-	-	-
0.22%	-	-	-	-	-
0.12%	-	-	-	-	-
0.27%	0.32%	-	-	-	-
-	0.78%	0.83%	-	1.05%	0.73%
-	0.46%	0.64%	0.43%	0.79%	0.89%
-	0.56%	-	-	-	-
-	0.47%	-	-	-	-
-	0.27%	0.58%	-	-	-
-	-	2.04%	1.37%	1.12%	1.19%
-	-	-	0.35%	0.40%	0.48%
-	-	-	-	-	-
-	-	-	-	-	0.29%
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	0.66%
-	-	-	-	-	0.55%
-	-	-	-	-	0.31%
-	-	-	-	-	0.22%
-	-	-	-	-	-
10.15%	10.61%	10.47%	7.21%	9.14%	9.56%

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

Fiscal Year Ended August 31,	Tax Year	(A) Levy	(B) **Cumulative Levy Adjustments	(C) Adjusted Tax Levy (A+B)	(D) Collections - Year of Levy
2008	2007	\$ 40,856,871	\$ 884,807	\$ 41,741,679	\$ 38,370,024
2007	2006	36,625,083	378,821	37,003,904	34,032,590
2006	2005	34,208,247	292,401	34,500,648	31,237,216
2005	2004	32,727,562	278,946	33,006,508	29,774,669
2004	2003	30,593,312	37,964	30,631,276	27,811,364
2003	2002	29,365,081	(2,552)	29,362,529	26,476,977
2002	2001	13,899,515	10,550	13,910,065	12,438,824
2001	2000	12,596,365	(45,316)	12,551,049	11,324,283
2000	1999	11,488,087	156,665	11,644,752	10,360,442
1999	1998	10,936,870	34,649	10,971,519	9,744,197

Source: Hidalgo County and Starr County Tax Assessor/Collector and College's records.

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

(C) As of August 31st of the current reporting year.

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

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

(G) Represents current year collections of prior years levies.

Total collections = D + F + G

Notes:

\* Includes rollback total collections

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

(E) Percentage (D/A)	(F) Prior Collections of Prior Levies	(G) Current Collections of Prior Levies	(H) Total Collections (D+F+G)	(I) Cumulative Collections of Adjusted Levy (H/C)	(J) Outstanding Delinquent Taxes (C-H)	(K) Percent of Delinquent Taxes to Tax Levy (J/C)
93.91%	\$ -	\$ -	\$ 38,370,024	91.92%	\$ 3,371,655	8.08%
92.92%	-	1,456,159 *	35,488,749	95.91%	1,515,155	4.09%
91.31%	1,615,246 *	449,809	33,302,271	96.53%	1,198,377	3.47%
90.98%	2,013,812	260,517	32,048,998	97.10%	957,510	2.90%
90.91%	1,886,911	173,789	29,872,064	97.52%	759,212	2.48%
90.16%	2,164,053	117,688	28,758,718	97.94%	603,811	2.06%
89.49%	1,168,726	42,207	13,649,757	98.13%	260,309	1.87%
89.90%	960,755	32,635	12,317,672	98.14%	233,376	1.86%
90.18%	1,081,539	21,848	11,463,830	98.45%	180,923	1.55%
89.09%	1,062,074	16,141	10,822,412	98.64%	149,108	1.36%

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

For the Year Ended August 31,

	2008	2007	2006	2005
<b>General Bonded Debt</b>				
South Texas College District Tax Bonds, Series 1996	\$ -	\$ -	\$ -	\$ 800,000
Public Property Finance Contractual Obligation Bond, Series 1999	510,000	750,000	3,920,000	4,140,000
South Texas College District Tax Bonds, Series 2002	27,605,000	31,580,000	58,925,000	62,270,000
South Texas College District Tax Bonds, Series 2003	16,920,000	18,240,000	19,525,000	20,770,000
South Texas College District Tax Bonds, Series 2004	13,315,000	14,450,000	14,689,996	14,979,996
South Texas College Maintenance Tax Refunding Bonds, Series 2007	2,955,000	2,965,000	-	-
South Texas College District Tax Bonds, Series 2007	23,119,991	23,344,991	-	-
Notes	-	-	-	-
Less: Funds restricted for debt service	(8,948,463)	(7,125,560)	(6,233,133)	(5,479,373)
Net general bonded debt	\$ 75,476,528	\$ 84,204,431	\$ 90,826,863	\$ 97,480,623
<b>Other Debt</b>				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Outstanding Debt	\$ 75,476,528	\$ 84,204,431	\$ 90,826,863	\$ 97,480,623
<b>General Bonded Debt Ratios</b>				
Per Capita (a)	\$ 92.87	\$ 111.62	\$ 117.81	\$ 130.93
Per FTSE (b)	5,820	7,088	8,021	8,493
As a percentage of Taxable Assessed Value (c)	0.28%	0.36%	0.42%	0.49%
As a percentage of personal income (d)	0.56%	0.75%	0.82%	0.94%
<b>Total Outstanding Debt Ratios</b>				
Per Capita (a)	\$ 92.87	\$ 111.62	\$ 117.81	\$ 130.93
Per FTSE (b)	5,820	7,088	8,021	8,493
As a percentage of Taxable Assessed Value (c)	0.28%	0.36%	0.42%	0.49%
As a percentage of personal income (d)	0.56%	0.75%	0.82%	0.94%

Notes:

- (a) Ratios calculated using current year per capita from Statistical Supplement 12
- (b) Ratios calculated using the FTSE from Statistical Supplement 14
- (c) Ratios calculated using the current Taxable Assessed Value Statistical Supplement 10
- (d) Ratios calculated using District Personal Income from Statistical Supplement 12

For the Year Ended August 31,

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
\$	1,550,000	\$ 17,745,000	\$ 18,270,000	\$ 18,770,000	\$ 19,230,000	\$ 19,505,000
	4,355,000	4,560,000	4,755,000	4,945,000	5,130,000	5,200,000
	65,250,000	67,935,000	71,230,000	-	-	-
	21,990,000	22,845,000	-	-	-	-
	15,264,996	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(4,414,505)	(2,485,235)	(248,725)	(1,074,711)	(580,534)	(453,107)
\$	<u>103,995,491</u>	<u>\$ 110,599,765</u>	<u>\$ 94,006,275</u>	<u>\$ 22,640,289</u>	<u>\$ 23,779,466</u>	<u>\$ 24,251,893</u>
\$	-	-	-	-	-	-
	-	-	-	-	-	300,000
	-	-	-	-	-	-
\$	<u>103,995,491</u>	<u>\$ 110,599,765</u>	<u>\$ 94,006,275</u>	<u>\$ 22,640,289</u>	<u>\$ 23,779,466</u>	<u>\$ 24,551,893</u>
\$	154.57	\$ 167.40	\$ 140.21	\$ 38.28	\$ 39.55	\$ 40.52
	9,754	10,780	10,066	2,694	2,982	3,203
	0.59%	0.67%	0.61%	0.17%	0.19%	0.20%
	1.15%	1.29%	1.12%	0.31%	0.34%	0.37%
\$	154.57	\$ 167.40	\$ 140.21	\$ 38.28	\$ 39.55	\$ 41.03
	9,754	10,780	10,066	2,694	2,982	3,242
	0.59%	0.67%	0.61%	0.17%	0.19%	0.21%
	1.15%	1.29%	1.12%	0.31%	0.34%	0.37%



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

For the Year Ended August 31,

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Taxable Assessed Value	\$ 26,529,232,568	\$ 23,658,082,495	\$ 21,527,704,669	\$ 19,869,963,507
<b>General Obligation Bonds</b>				
Statutory Tax Levy Limit for Debt Service	\$ 132,646,163	\$ 118,290,412	\$ 107,638,523	\$ 99,349,818
Less: Funds Restricted for Repayment of General Obligation Bonds	(8,948,463)	(7,125,560)	(6,233,133)	(5,479,373)
Total Net General Obligation Debt	\$ 123,697,700	\$ 111,164,852	\$ 101,405,390	\$ 93,870,445
Current Year Debt Service Requirements	(11,147,686)	(11,135,516)	(10,947,644)	(10,743,226)
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 112,550,014	\$ 100,029,336	\$ 90,457,746	\$ 83,127,219
Net Current Requirements as a % of Statutory Limit	1.66%	3.39%	4.38%	5.30%

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

For the Year Ending August 31,

2004	2003	2002	2001	2000	1999
\$ 17,601,778,873	\$ 16,533,570,305	\$ 15,495,002,077	\$ 3,660,953,185	\$ 2,486,529,987	\$ 1,913,532,716
\$ 88,008,894	\$ 82,667,852	\$ 77,475,010	\$ 68,304,766	\$ 62,432,650	\$ 59,567,664
(4,414,505)	(2,485,235)	(248,724)	(1,074,711)	(580,534)	453,107
\$ 83,594,389	\$ 80,182,617	\$ 77,226,285	\$ 67,230,055	\$ 61,852,116	\$ 60,020,771
(10,521,954)	(10,246,291)	(2,069,960)	(2,070,718)	(1,909,063)	(1,412,510)
\$ 73,072,435	\$ 69,936,326	\$ 75,156,325	\$ 65,159,337	\$ 59,943,053	\$ 58,608,261
6.94%	9.39%	2.35%	1.46%	2.13%	3.13%

**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						District Median Household Money Income			Hidalgo County Personal Income Per Capita (5)	
2008	\$ 812,734	\$ 29,234	(6)	\$	20,341	6	\$	24,788	*	\$	18,751	*
2007	756,956	27,226	*		19,418	*		23,322	*		18,080	*
2006	770,962	26,393	*		18,897	*		22,645			17,409	
2005	744,499	24,808	(3)		17,843	(3)		21,326			16,738	
2004	672,804	26,375	(3)		19,775	(3)		23,075			15,706	
2003	660,706	25,937	(3)		19,185	(3)		22,561			15,062	
2002	670,474	24,449	(3)		17,828	(3)		21,139			14,737	
2001	591,478	24,115	(3)		17,324	(3)		20,720			14,430	
2000	601,183	24,855	(3)		17,835	(3)		21,345			13,586	
1999	598,450	22,746	(3)		17,059	(3)		19,903			12,870	

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

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)
\$	14,185 *	\$	16,468 *	\$	13,384,104	7.90%	10.90%	9.40%	5.10%	6.10%
	13,578 *		15,829 *		11,981,857	6.20%	8.10%	7.15%	4.30%	4.70%
	12,971		15,190		11,710,913	7.10%	10.40%	8.75%	5.10%	4.60%
	12,364		14,551		10,331,412	7.30%	9.80%	8.55%	5.20%	4.90%
	11,373		13,540		9,109,430	11.50%	14.10%	12.80%	5.80%	5.40%
	11,079		13,071		8,635,758	13.10%	12.60%	12.85%	6.80%	6.00%
	10,045		12,571		8,387,629	13.30%	19.30%	16.30%	6.30%	5.80%
	10,076		12,253		7,228,452	13.10%	19.60%	16.35%	4.80%	4.70%
	9,564		11,575		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%

**Statistical Supplement 13**  
**Principal Employers**  
**Last Three Fiscal Years**  
(unaudited)

<b>Employer</b>	<b>2008</b>		<b>2007</b>		<b>2006</b>	
	<b>Number of Employees</b>	<b>Percentage of Total Employment</b>	<b>Number of Employees</b>	<b>Percentage of Total Employment</b>	<b>Number of Employees</b>	<b>Percentage of Total Employment</b>
Edinburg Consolidated I.S.D.	3,600	1.65%	3,600	1.71%	3,600	1.77%
Wal-Mart*	3,460	1.59%	1,760	0.83%	1,000+	0.49%
McAllen Independent School District	3,451	1.58%	3,451	1.64%	3,595	1.77%
Edinburg Regional Medical Center	3,000	1.37%	3,000	1.42%	3,000	1.48%
University of Texas Pan American	2,850	1.31%	2,850	1.35%	2,842	1.40%
Hidalgo County	2,211	1.01%	2,211	1.04%	2,211	1.09%
Mission CISD	2,140	0.98%	-	-	1,955	0.96%
City of McAllen	1,801	0.83%	1,801	0.85%	1,489	0.73%
McAllen Medical Center	1,700	0.78%	1,700	0.80%	2,800	1.38%
South Texas College	1,689	0.77%	1,664	0.78%	-	-
US Customs and Border Patrol	-	-	1,609	0.76%	-	-
Rio Grande I.S.D.	-	-	-	-	1,000+	0.49%
<b>Totals</b>	<b>25,902</b>	<b>11.87%</b>	<b>23,646</b>	<b>11.18%</b>	<b>23,492</b>	<b>11.56%</b>

Source:

Real Estate Center Market Overview 2008 McAllen-Edinburg-Mission

McAllen Economic Development Corporation

\*Partial information received from retail store.

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

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Faculty</b>										
Full-Time	437	428	409	396	379	355	349	283	253	187
Part-Time	252	229	244	227	210	186	219	227	266	259
Total	689	657	653	623	589	541	568	510	519	446
<b>Percent</b>										
Full-Time	63.4%	65.1%	62.6%	63.6%	64.3%	65.6%	61.4%	55.5%	48.7%	41.9%
Part-Time	36.6%	34.9%	37.4%	36.4%	35.7%	34.4%	38.6%	44.5%	51.3%	58.1%
<b>Staff and Administrators</b>										
Full-Time	596	574	541	523	479	450	438	410	296	329
Part-Time	404	475	470	455	232	188	201	314	151	192
Total	1,000	1,049	1,011	978	711	638	639	724	447	521
<b>Percent</b>										
Full-Time	59.6%	54.7%	53.5%	53.5%	67.4%	70.5%	68.5%	56.6%	66.2%	63.1%
Part-Time	40.4%	45.3%	46.5%	46.5%	32.6%	29.5%	31.5%	43.4%	33.8%	36.9%
FTSE per Full-time Faculty	29.7	27.9	27.7	29.0	28.1	28.9	26.8	29.7	31.5	40.5
FTSE per Full-Time Staff Member	21.8	20.8	20.9	21.9	22.3	22.8	21.3	20.5	26.9	23.0
Student FTE	12,968	11,921	11,323	11,478	10,662	10,260	9,339	8,403	7,974	7,572
Average Annual Faculty Salary*	\$ 43,811	\$ 38,540	\$ 37,064	\$ 36,187	\$ 34,733	\$ 34,766	\$ 33,114	\$ 30,376	\$ 28,487	\$ 28,834

\*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 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	12,295	62.07%	11,254	60.96%	10,950	64.97%	11,902	68.80%	11,081	71.57%
31-60 hours	4,144	20.92%	4,154	22.50%	4,141	24.57%	3,904	22.57%	3,158	20.40%
> 60 hours	3,369	17.01%	3,052	16.54%	1,763	10.46%	1,494	8.63%	1,244	8.03%
<b>Total</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>	<b>16,854</b>	<b>100.00%</b>	<b>17,300</b>	<b>100.00%</b>	<b>15,483</b>	<b>100.00%</b>

Semester Hour Load	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	179	0.90%	140	0.76%	102	0.61%	93	0.54%	78	0.50%
3-5 semester hours	4,314	21.78%	4,072	22.06%	3,611	21.43%	3,493	20.19%	2,895	18.70%
6-8 Semester hours	4,897	24.72%	4,297	23.28%	3,805	22.58%	4,063	23.49%	3,722	24.04%
9-11 semester hours	3,484	17.59%	3,343	18.11%	3,074	18.24%	3,137	18.13%	2,982	19.26%
12-14 semester hours	6,173	31.16%	5,949	32.23%	5,667	33.62%	5,911	34.17%	5,303	34.25%
15-17 semester hours	696	3.51%	587	3.18%	529	3.14%	529	3.06%	467	3.02%
18 & over	65	0.34%	72	0.38%	66	0.38%	74	0.42%	36	0.23%
<b>Total</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>	<b>16,854</b>	<b>100.00%</b>	<b>17,300</b>	<b>100.00%</b>	<b>15,483</b>	<b>100.00%</b>

Average course load                      8.57                                      9.0                                      8.7                                      8.7                                      8.8

Tuition Status	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	19,191	96.89%	17,811	96.48%	16,540	98.14%	16,949	97.97%	15,164	97.94%
Texas Resident (out-of-District)	617	3.11%	304	1.65%	310	1.84%	351	2.03%	319	2.06%
Non-Resident Tuition	-	0.00%	345	1.87%	4	0.02%	-	0.00%	-	0.00%
<b>Total</b>	<b>19,808</b>	<b>100.00%</b>	<b>18,460</b>	<b>100.00%</b>	<b>16,854</b>	<b>100.00%</b>	<b>17,300</b>	<b>100.00%</b>	<b>15,483</b>	<b>100.00%</b>

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

Gender	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	11,553	58.32%	10,920	59.15%	10,006	59.37%	10,546	60.96%	9,598	61.99%
Male	8,255	41.68%	7,540	40.85%	6,848	40.63%	6,754	39.04%	5,885	38.01%
Total	19,808	100%	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%

Ethnic Origin	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	628	3.17%	614	3.33%	590	3.50%	578	3.34%	615	3.97%
Hispanic	18,542	93.61%	17,333	93.89%	15,995	94.90%	16,440	95.03%	14,617	94.41%
African American	56	0.28%	44	0.24%	28	0.17%	12	0.07%	10	0.06%
Asian	232	1.17%	209	1.13%	178	1.06%	149	0.86%	129	0.83%
Foreign	132	0.67%	81	0.44%	57	0.33%	116	0.67%	107	0.69%
Native American	15	0.08%	11	0.06%	6	0.04%	5	0.03%	5	0.04%
Unknown	203	1.02%	168	0.91%	-	-	-	-	-	-
Total	19,808	100%	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%

Age	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	1,829	9.23%	3,814	20.66%	4,545	26.97%	4,430	25.61%	3,297	21.29%
18 -21	8,643	43.63%	6,785	36.76%	6,703	39.77%	6,581	38.04%	5,863	37.87%
22 - 24	3,315	16.74%	2,530	13.71%	1,540	9.14%	1,787	10.33%	1,804	11.65%
25 - 35	4,329	21.85%	3,829	20.74%	2,928	17.37%	3,238	18.72%	3,228	20.85%
36 - 50	1,499	7.57%	1,330	7.20%	1,030	6.11%	1,149	6.64%	1,157	7.47%
51 & over	189	0.95%	172	0.93%	108	0.64%	115	0.66%	134	0.87%
Unknown	4	0.02%	-	-	-	-	-	-	-	-
Total	19,808	100.00%	18,460	100.00%	16,854	100.00%	17,300	100.00%	15,483	100.00%

Average Age	24	23	22	22	23
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**Statistical Supplement 17**  
**Transfers to Senior Institutions**  
**Students as of Fall 2007**  
(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	2,753	192	103	3,048	75.52%
2 University of Texas - Austin	206	2	2	210	5.20%
3 Texas A&M University - College Station	193	2	9	204	5.05%
4 University of Texas - San Antonio	127	3	3	133	3.30%
5 Texas A&M University - Kingsville	143	5	4	152	3.77%
6 Texas State University	103	1	3	107	2.66%
7 Texas A&M University - Corpus Christi	25	0	0	25	0.62%
8 University of Houston	13	0	0	13	0.32%
9 University of North Texas	13	0	0	13	0.32%
10 University of Texas - Brownsville	21	1	0	22	0.55%
11 University of Texas -El Paso	1	1	0	2	0.05%
12 Sam Houston State University	8	0	0	8	0.20%
13 Stephen F. Austin State University	4	0	0	4	0.10%
14 Texas Tech University	18	0	1	19	0.47%
15 Texas A&M International University	28	1	0	29	0.72%
16 Sul Ross State University	8	0	0	8	0.20%
17 Sul Ross State University- Rio Grande College	1	0	0	1	0.02%
18 Texas A&M University - Galveston	4	0	0	4	0.10%
19 Texas Women's University	6	0	0	6	0.15%
20 University of Texas - Permian Basin	1	0	0	1	0.02%
21 West Texas A&M University	2	0	0	2	0.05%
22 Angelo State University	2	0	0	2	0.05%
23 Tarleton State University	1	0	0	1	0.02%
24 Texas Southern University	1	0	0	1	0.02%
25 University of Houston - Downtown	2	0	0	2	0.05%
26 University of Texas Health Science Center – San Antonio	4	0	0	4	0.10%
27 Texas A&M University System Health Science Center	3	1	0	4	0.10%
28 Texas Tech University Health Science Center	1	0	0	1	0.02%
29 University of Houston - Clear Lake	2	0	0	2	0.05%
30 University of Houston - Victoria	2	0	0	2	0.05%
31 University of Texas - Arlington	4	0	0	4	0.10%
32 Prairie View A&M University	2	0	0	2	0.05%
<b>Total</b>	<b>3,702</b>	<b>209</b>	<b>125</b>	<b>4,036</b>	<b>100.00%</b>

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

	Fiscal Year				
	2008	2007	2006	2005	2004
Academic Buildings	15	15	14	14	13
Square footage	495,797	495,797	447,744	447,744	385,814
Libraries	3	5	5	5	5
Square footage	54,958	54,958	63,877	63,877	67,266
Number of Volumes	130,167	132,064	123,318	106,956	97,524
Administrative and support buildings	10	11	9	9	9
Square footage	171,891	171,891	112,023	112,023	80,379
Dining Facilities	3	5	5	5	5
Square footage	23,839	23,839	21,379	21,379	21,379
Average daily customers	702	624	579	519	536
Athletic Facilities	2	2	1	1	1
Square footage	14,697	14,697	7,413	7,413	7,413
Fitness Center	2	-	-	-	-
Plant Facilities	1	1	1	1	1
Square footage	11,754	11,754	11,754	11,754	9,500
Transportation					
Cars	1	1	4	4	4
Light Trucks/Vans	22	25	20	16	16

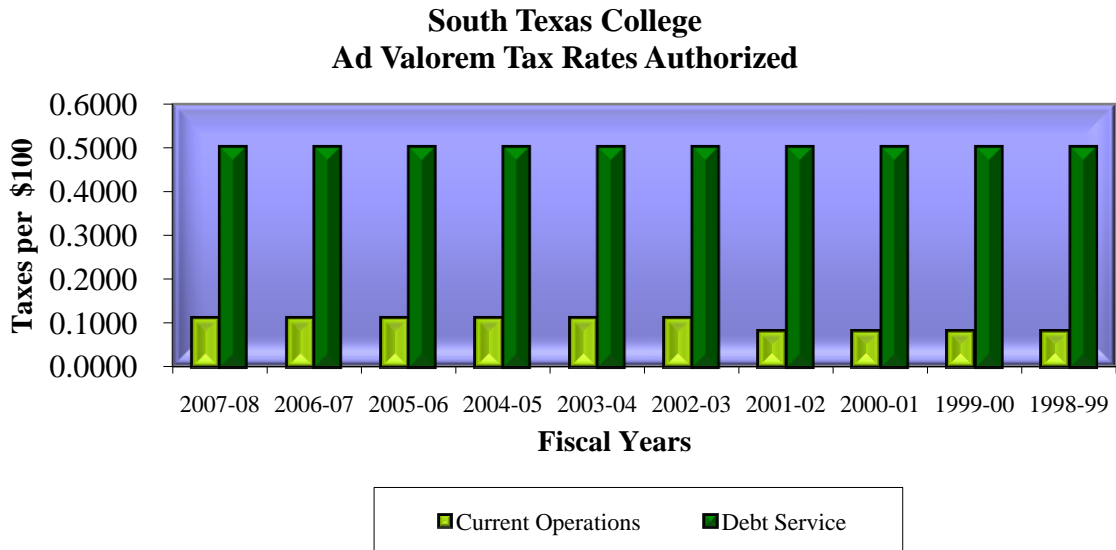
**Statistical Supplement 19**  
**Changes in Net Assets**  
**Last Six Fiscal Years**  
(unaudited)

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Operating Revenues</b>					
Tuition and fees (net of discounts)	\$ 15,152,371	\$ 12,396,698	\$ 14,167,536	\$ 11,453,488	\$ 8,431,388
Federal grants and contracts	34,978,383	31,023,956	33,380,140	36,906,689	34,021,750
State grants and contracts	4,292,294	3,068,738	3,094,018	3,553,359	2,948,994
Local grants and contracts	741,390	922,667	756,312	757,398	801,324
Non-governmental grants and contracts	1,555,367	1,192,509	1,017,893	1,525,659	998,230
Auxiliary enterprises	1,300,682	874,962	906,335	838,057	733,900
Other operating revenues	1,087,098	1,440,230	1,680,707	872,885	1,518,171
<b>Total Operating Revenues</b>	<b>\$ 59,107,585</b>	<b>\$ 50,919,760</b>	<b>\$ 55,002,941</b>	<b>\$ 55,907,535</b>	<b>\$ 49,453,757</b>
<b>Operating Expenses</b>					
Instruction	\$ 42,291,067	\$ 37,853,111	\$ 36,144,166	\$ 32,107,169	\$ 29,670,904
Research	-	-	19,663	11,768	-
Public service	2,924,649	1,795,019	2,847,813	2,106,665	2,354,241
Academic support	8,241,265	8,089,561	7,542,624	6,707,548	4,175,859
Student services	8,057,220	7,727,628	6,476,443	6,021,112	5,334,153
Institutional support	15,303,411	14,112,667	13,255,074	11,765,777	10,611,400
Operations and maintenance of plant	9,336,528	8,712,299	8,473,871	7,137,221	4,746,623
Scholarships and Fellowships	19,501,681	15,558,703	19,681,397	22,958,306	22,956,070
Auxiliary enterprises	655,258	422,150	438,747	411,684	346,671
Depreciation	5,391,971	5,285,190	5,165,342	4,215,249	2,647,695
<b>Total Operating Expenses</b>	<b>\$ 111,703,050</b>	<b>\$ 99,556,328</b>	<b>\$ 100,045,140</b>	<b>\$ 93,442,499</b>	<b>\$ 82,843,616</b>
<b>Operating Loss</b>	<b>(52,595,465)</b>	<b>(48,636,568)</b>	<b>(45,042,199)</b>	<b>(37,534,964)</b>	<b>(33,389,859)</b>
<b>Non-Operating Revenues (Expenses)</b>					
State allocations	\$ 32,857,808	\$ 30,311,961	\$ 29,972,196	\$ 24,945,029	\$ 24,128,754
Ad-Valorem taxes					
Taxes for maintenance & operations	30,941,916	27,564,774	24,854,665	22,405,071	19,805,773
Taxes for debt service	12,383,975	11,218,464	11,017,119	11,258,100	11,592,841
Gifts	519,842	351,586	215,177	190,148	3,265,398
Investments income (net of investment expenses)	2,627,475	4,653,487	3,684,413	2,352,936	2,585,128
Interest on capital related debt	(3,046,995)	(4,926,778)	(4,662,868)	(3,704,377)	(4,606,271)
Other non-operating revenues (expenses)	(1,634,860)	(1,906,943)	(1,091,717)	(5,949,680)	(2,017,952)
<b>Net Non-Operating Revenues</b>	<b>\$ 74,649,161</b>	<b>\$ 67,266,551</b>	<b>\$ 63,988,985</b>	<b>\$ 51,497,227</b>	<b>\$ 54,753,671</b>
Income before capital contributions	22,053,696	18,629,983	18,946,786	13,962,263	21,363,812
Capital contributions	63,155	308,894	194,956	2,437,397	103,920
Increase in net assets	22,116,851	18,938,877	19,141,742	16,399,660	21,467,732
NET ASSETS, BEGINNING OF YEAR	159,575,218	140,636,341	121,494,599	105,094,939	83,627,207
NET ASSETS, END OF YEAR	\$ 181,692,069	\$ 159,575,218	\$ 140,636,341	\$ 121,494,599	\$ 105,094,939

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2008 are available.

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

Fiscal Year	Current Operations	Debt Service	Total
2007-08	0.1100	0.5000	0.6100
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



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

<u>Governmental Subdivision</u>	<u>Percent Applicable to STC</u>	<u>Tax Year 2007</u>	<u>Tax Year 2006</u>	<u>Tax Year 2005</u>	<u>Tax Year 2004</u>
South Texas College	100.00%	\$0.154000	\$0.154800	\$0.158900	\$0.164700
<b>HIDALGO COUNTY</b>					
<b>Cities:</b>					
Alamo	100.00%	0.592850	0.592850	0.553800	0.553800
Alton	100.00%	0.499900	0.426600	0.426600	0.409600
Donna	100.00%	0.989999	0.989999	0.989138	0.991648
Edcouch	100.00%	0.899000	0.899000	0.773400	0.776100
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	100.00%	0.741851	0.792720	0.810000	0.691735
Granjeno	100.00%	0.281000	0.304900	0.275478	0.283700
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.560100	0.586200	0.565200	0.597900
La Villa	100.00%	0.772400	0.851600	0.785800	0.781000
McAllen	100.00%	0.421300	0.421300	0.421300	0.421300
Mercedes	100.00%	0.850000	0.870000	0.870000	0.870000
Mission	100.00%	0.556600	0.556600	0.558900	0.539800
Palmview	100.00%	0.352146	0.337009	0.334301	0.307025
Penitas	100.00%	0.275000	0.300000	0.300000	0.300000
Pharr	100.00%	0.683120	0.683120	0.683120	0.683120
Progreso	100.00%	0.422200	0.413900	0.389600	0.373600
San Juan	100.00%	0.699300	0.699300	0.699368	0.681369
Sullivan City	100.00%	0.326000	0.300000	0.300000	0.300000
Weslaco	100.00%	0.696700	0.699500	0.699500	0.699500
<b>School Districts:</b>					
Donna ISD	100.00%	1.200000	1.530000	1.660000	1.660000
Edcouch-Elsa ISD	100.00%	1.258000	1.543400	1.600000	1.600000
Edinburg ISD	100.00%	1.115200	1.445200	1.575100	1.595100
Hidalgo ISD	100.00%	1.320000	1.540000	1.610000	1.590000
La Joya ISD	100.00%	1.252000	1.582000	1.642000	1.642000
La Villa ISD	100.00%	1.224800	1.517800	1.626700	1.606700
McAllen ISD	100.00%	1.145000	1.478000	1.615500	1.540000
Mercedes ISD	100.00%	1.290000	1.570000	1.660000	1.660000
Mission ISD	100.00%	1.180000	1.457400	1.663200	1.569100
Monte Alto ISD	100.00%	1.186000	1.427300	1.546000	1.566400
PSJA ISD	100.00%	1.211300	1.519400	1.613534	1.613534
Progreso ISD	100.00%	1.239000	1.604600	1.654000	1.654000
Sharyland ISD	100.00%	1.185000	1.545100	1.565000	1.565000
South Texas ISD	100.00%	0.049200	0.039200	0.039200	0.039200
Valley View ISD	100.00%	1.255200	1.548800	1.548900	1.548900
Weslaco ISD	100.00%	1.104700	1.341800	1.430000	1.430000

Tax Year 2003	Tax Year 2002	Tax Year 2001	Tax Year 2000	Tax Year 1999	Tax Year 1998
\$0.173800	\$0.177600	\$0.089700	\$0.092200	\$0.092000	\$0.091800
0.522337	0.536390	0.536390	0.536390	0.539400	0.635270
0.429600	0.399000	0.405600	0.405600	0.405600	0.405600
1.039828	1.037270	1.037270	1.034660	1.020000	1.020000
0.797200	0.784860	0.784860	0.790000	0.796630	0.752240
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.751050	0.753399	0.753399	0.753399	0.732820	0.732820
0.275500	0.253431	0.253100	0.259006	0.250000	0.230650
0.351400	0.351400	0.351400	0.351400	0.351400	0.000000
0.646500	0.660400	0.670800	0.676700	0.680000	0.680000
0.761000	0.817500	0.778700	0.778700	0.763700	0.763700
0.421300	0.421300	0.421300	0.421300	0.421300	0.421300
0.870000	0.840000	0.850000	0.860000	0.880000	0.890500
0.550000	0.550000	0.620000	0.620000	0.620000	0.620000
0.310717	0.308097	0.311902	0.307066	0.324660	0.324660
0.300000	0.293400	0.293400	0.300000	0.300000	0.000000
0.683120	0.690000	0.662310	0.642310	0.642310	0.630000
0.387300	0.365400	0.365400	0.365400	0.365400	0.365400
0.683102	0.687546	0.687546	0.687546	0.712860	0.722860
0.300000	0.000000	0.000000	0.000000	0.000000	0.000000
0.699500	0.735900	0.779100	0.785000	0.785000	0.785900
1.660000	1.560000	1.490000	1.600000	1.500000	1.560000
1.600000	1.600000	1.600000	1.600000	1.540000	0.000000
1.599300	1.551600	1.411100	1.552000	1.530000	1.555000
1.590000	1.570000	1.570000	1.570000	1.570000	0.000000
1.569900	1.569900	1.528000	1.455800	1.556000	1.556000
1.586700	1.566700	1.427600	1.576300	1.585000	1.585000
1.540000	1.542500	1.542500	1.580000	1.530000	1.530000
1.620000	1.620000	1.590000	1.590000	1.510000	1.510000
1.584100	1.584100	1.534100	1.534100	1.505000	1.505000
1.577600	1.580600	1.545900	1.540000	1.450000	1.450000
1.611538	1.622068	1.621665	1.630000	1.590000	1.590000
1.654000	1.688000	1.590000	1.580000	1.580000	1.550000
1.555000	1.540000	1.540000	1.540000	1.460000	1.460000
0.039200	0.039200	0.039200	0.037200	0.037200	0.037200
1.480000	1.480000	1.470000	1.440000	1.420000	0.000000
1.430000	1.430000	1.430000	1.430000	1.397500	1.397500

(Continued)



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

Governmental Subdivision	Percent Applicable to STC	Tax Year 2007	Tax Year 2006	Tax Year 2005	Tax Year 2004
<b>HIDALGO COUNTY</b>					
<b>Special Districts:</b>					
Hidalgo County	100.00%	0.590000	0.590000	0.590000	0.590000
Drainage Dist. #1	100.00%	0.049200	0.043100	0.043500	0.043500
Road District #5	100.00%	0.000000	0.000000	0.000000	0.000000
EMS District #1	100.00%	0.014700	0.015700	0.016700	0.017500
EMS District #2	100.00%	0.028000	0.027400	0.026200	0.024700
EMS District #3	100.00%	0.008600	0.010300	0.011500	0.011500
EMS District #4	100.00%	0.022800	0.024100	0.024100	0.024100
Donna Irrigation #1	100.00%	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	59.73%	0.000000	0.540000	0.550000	0.550000
Engleman Water District #6	100.00%	0.270000	0.274600	0.290000	0.290000
Mercedes #9	100.00%	0.000000	0.000000	0.000000	0.000000
Valley Acres	100.00%	0.000000	0.000000	0.000000	0.000000
<b>STARR COUNTY</b>					
<b>Cities:</b>					
Roma	100.00%	0.453780	0.394940	0.394940	0.394940
Rio Grande City	100.00%	0.292292	0.292292	0.290000	0.000000
<b>School Districts</b>					
Rio Grande City ISD	100.00%	1.418900	1.599800	1.594600	1.566000
Roma ISD	100.00%	1.234090	1.521000	1.594900	1.619700
San Isidro ISD	100.00%	1.040000	1.370000	1.500000	1.500000
<b>Special Districts:</b>					
Starr County Memorial Hospital District	100.00%	0.196300	0.133400	0.115300	0.111400
Starr County	100.00%	0.514200	0.441000	0.446000	0.446000
F&M & FC	100.00%	0.185000	0.168200	0.168400	0.168400

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

(Continued)

<u>Tax Year</u> 2003	<u>Tax Year</u> 2002	<u>Tax Year</u> 2001	<u>Tax Year</u> 2000	<u>Tax Year</u> 1999	<u>Tax Year</u> 1998
0.590000	0.590000	0.519500	0.500700	0.446700	0.446700
0.043500	0.045600	0.045600	0.037600	0.038400	0.041000
0.000000	0.000000	0.000000	0.000000	0.010900	0.019500
0.018300	0.018300	0.018900	0.019100	0.020000	0.022500
0.027500	0.027500	0.027500	0.027500	0.027500	0.028300
0.012500	0.012500	0.012500	0.015000	0.015000	0.015000
0.024100	0.025700	0.025300	0.025400	0.025500	0.026700
0.210000	0.200000	0.200000	0.000000	0.017000	0.021000
0.560000	0.000000	0.000000	0.000000	0.000000	0.000000
0.335700	0.335700	0.335700	0.335700	0.329000	0.327900
0.000000	0.000000	0.000000	0.190000	0.210000	0.240000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
0.377500	0.380000	0.363770	0.317430	0.280000	0.230000
0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
1.566000	1.513900	1.513900	1.544600	1.469300	1.469300
1.594100	1.595900	1.570000	1.591700	1.500000	1.500000
1.500000	1.478900	1.500000	1.500000	1.500000	1.500000
0.124200	0.115100	0.122800	0.156800	1.588000	0.158800
0.468300	0.436800	0.420300	0.476700	0.476700	0.443200
0.161100	0.148900	0.147200	0.175300	0.175300	0.162900

**Statistical Supplement 22**  
**Computation of Direct and Overlapping Debt**  
**August 31, 2008**  
(unaudited)

Overlapping Agencies	Outstanding Bonds	As of	Applicable to Direct	
			Percent	Amount
Alamo, City of	\$ 5,246,911	09/30/03	100.00%	\$ 5,246,911
Donna ISD	68,430,000 *	08/31/08	100.00%	68,430,000
Donna, City of	2,067,282	09/30/07	100.00%	2,067,282
Edcouch-Elsa ISD	51,082,265	08/31/07	100.00%	51,082,265
Edinburg CISD	93,927,181	11/30/07	100.00%	93,927,181
Edinburg, City of	40,624,561	09/30/06	100.00%	40,624,561
Elsa, City of	678,394 *	03/31/08	100.00%	678,394
Hidalgo Co.	169,180,000 *	03/31/08	100.00%	169,180,000
Hidalgo Co. DD #1	27,718,859	12/31/06	100.00%	27,718,859
Hidalgo Co. ID #5	None	03/31/08	100.00%	-
Hidalgo ISD	45,870,000 *	03/31/08	100.00%	45,870,000
Hidalgo, City of	5,545,000 *	03/31/08	100.00%	5,545,000
La Grulla, City of	-	09/30/05	100.00%	-
La Joya, ISD	240,241,962 *	03/31/08	100.00%	240,241,962
La Joya, City of	-	09/30/05	100.00%	-
La Villa ISD	6,189,033	08/31/07	100.00%	6,189,033
Lyford CISD	10,689,997 *	03/31/08	100.00%	10,689,997
McAllen ISD	123,954,665 *	03/31/08	100.00%	123,954,665
McAllen, City of	4,385,000 *	03/31/08	100.00%	4,385,000
Mercedes ISD	60,056,158	08/31/07	100.00%	60,056,158
Mercedes, City of	8,836,251	09/30/07	100.00%	8,836,251
Mission, CISD	103,625,617	11/30/07	100.00%	103,625,617
Mission, City of	27,180,000 *	03/31/08	100.00%	27,180,000
Monte Alto ISD	2,615,000 *	03/31/08	100.00%	2,615,000
Pharr, City of	16,925,851	09/30/07	100.00%	16,925,851
Pharr-San Juan-Alamo ISD	199,180,000 *	03/31/08	100.00%	199,180,000
Progreso ISD	25,495,000 *	03/31/08	100.00%	25,495,000
Rio Grande City CISD	103,875,308	08/31/07	100.00%	103,875,308
Roma ISD	48,866,097	08/31/07	100.00%	48,866,097

<u>Overlapping Agencies</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Applicable to Direct</u>	
			<u>Percent</u>	<u>Amount</u>
Roma, City of	-	08/31/07	100.00%	\$ -
San Juan, City of	15,567,474	09/30/07	100.00%	15,567,474
Sharyland ISD	76,869,994 *	03/31/08	100.00%	76,869,994
Starr Co	5,296,053 *	03/31/08	100.00%	5,296,053
Valley View ISD	42,604,501 *	03/31/08	100.00%	42,604,501
Weslaco ISD	56,987,999 *	03/31/08	100.00%	56,987,999
Weslaco, City of	27,203,130	07/01/07	100.00%	27,203,130
Total Net Overlapping Debt:				\$ 1,717,015,543
South Texas College		11/30/07		85,914,124
<b>Total Direct and Overlapping Debt:</b>				<b>\$ 1,802,929,667</b>

\*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, 2008 and 2007 and have issued our report thereon dated December 9, 2008. 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 9, 2008.

Texas Public Funds Investment Act

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

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



LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
December 9, 2008



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, 2008. 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, 2008.

### 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 federal 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 noncompliance with a type of compliance requirement of a federal program 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 federal 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 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 compliance 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 compliance that we consider to be material weaknesses, as defined above.

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



LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
December 9, 2008

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

To the Board of Trustees  
South Texas College

Members of the Board:

Compliance

We have audited 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, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Texas State Single Audit Circular and which is described in the accompanying schedule of findings and questioned costs as item 2008-1.

### 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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 compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

*Long Chilton, LLP*

LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
December 9, 2008

SOUTH TEXAS COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2008

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**Section I - Summary of Auditor's Results**

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*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 federal 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 federal 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

*State Awards*

Internal control over major state programs:

- Material weakness (es) identified?

\_\_\_ yes X no

- Significant deficiency (ies) identified that are not considered to be material weaknesses?

X yes \_\_\_ none reported

SOUTH TEXAS COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 For the Year Ended August 31, 2008

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**Section I - Summary of Auditor's Results**

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*State Awards (Continued)*

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

Unqualified

Any audit findings disclosed that are required to  
 be reported in accordance with State of Texas  
 Single Audit Circular

X  yes      no

Identification of major programs:

Federal major programs:

CFDA Number(s)

Name of Federal or State Program

84.007

Student Financial Aid Cluster

84.033

FSEOG

84.063

Federal College Workstudy

84.375

Pell Grant

84.376

Academic Competitiveness Grant (ACG)

National Science and Mathematics Access to

Retain Talent (SMART) Grant

17.268

H1B Job Training Grants

State major programs:

Texas Grant Initial Year

Texas Educational Opportunity Grant – Initial  
 Year

Skills Development Fund #13

Skills Development Fund #14

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

Federal	\$ 1,049,351
State	\$ 300,000

Auditee qualified as low-risk auditee?

X  yes      no

SOUTH TEXAS COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 For the Year Ended August 31, 2008

**Section III – Federal/State Award Findings and Questioned Costs**

**State**

<b><u>PROGRAM</u></b>	<b><u>DESCRIPTION</u></b>
Texas Workforce Commission: Skills Development Fund #13	
Reference No.: 2008-1	Incomplete Documentation
Criteria:	Section VI of the grant contract states: "...STC requires that the following records be maintained and delivered to it: (a) Invoices for those Trainees trained by Provider stating the number of instruction hours provided, (b) Course Outline, (c) Daily Attendance Records signed by Trainees and Instructors specifying start/end times, (d) Trainee Tests/Assessment Results, (e) Evaluation of the Course/Instructor by Trainees." Payment of training provided to Trainees based upon contact hours should be reconciled with the sign in sheets which document the actual training received by the individuals billed by the Provider under the grant.
Condition Found:	During the testing of Skills Grant 13, we had difficulty in reconciling the amounts billed by Trainee on invoices submitted to the sign in sheets verifying Trainee attendance. The documentation that was attached was disorganized which makes it difficult for the Business Office to review and process for payment. For three invoices in particular, we found that back-up was not present for all of the charges being billed. This took several weeks for the grant administrators to look into and reconcile and one invoice was already paid based upon incomplete documentation while the other two invoices are still pending payment as requested documentation has not been received. We noted an instance on another invoice where the college over-paid because of duplicate Trainees listed.
Effect:	The College is delayed in paying for training of participants because of missing documentation. Additionally, the College may pay an incorrect amount because of improper documentation.
Questioned Cost:	None.
Recommendation:	We recommend for grants such as Skills 13 which require the College to track participants and other information, the College reconcile the participants on a regular basis to the grant. Additionally, complete documentation should be organized in a manner that makes it easier for the Business Office to review and process for payment. We recommend that the College withhold payment for any invoices until all supporting documentation is received.

SOUTH TEXAS COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(CONTINUED)*  
For the Year Ended August 31, 2008

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**Section II – Financial Statement Findings**

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None.

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**Section III – Federal/State Award Findings and Questioned Costs**

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**Federal**

None.



SOUTH TEXAS COLLEGE  
SCHEDULE OF PRIOR FINDINGS FEDERAL AND STATE  
For the Year Ended August 31, 2008

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**Schedule of Status of Prior Year Findings - Federal**

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No prior year findings

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**Schedule of Status of Prior Year Findings - State**

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No prior year findings

SOUTH TEXAS COLLEGE  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2008

State

PROGRAM

**Texas Workforce Commission  
Skills Development #13**

Reference 2008-1

CORRECTIVE ACTION

The Partnership Office will review and strengthen procedures for preparing and submitting documentation to the Business Office, including reconciliation of participant information to ensure compliance with grant requirements. The Partnership Office will work closely with the Business Office to strengthen procedures and controls to ensure accurate payments.

