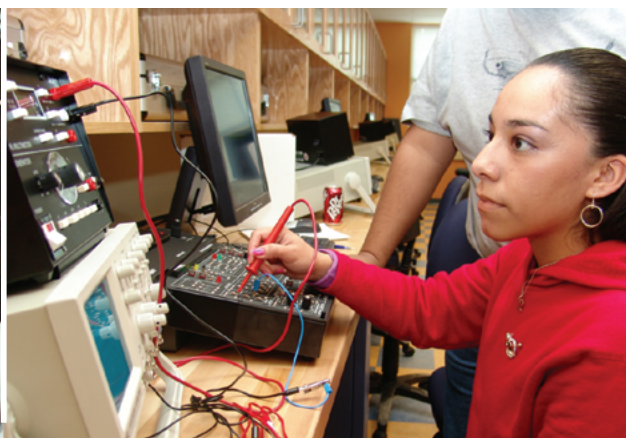


ALAMO COMMUNITY COLLEGE DISTRICT

San Antonio, Texas

ANNUAL FINANCIAL REPORT

For the Years Ended
AUGUST 31, 2008 and 2007



ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

ANNUAL FINANCIAL REPORT

For the Years Ended August 31, 2008 and 2007

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**ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas**

ANNUAL FINANCIAL REPORT

For the Years Ended August 31, 2008 and 2007

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**ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas**

ANNUAL FINANCIAL REPORT

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ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

ORGANIZATIONAL DATA
August 31, 2008

Board of Trustees

Officers

Denver McClendon	Chairperson
Gary Beitzel	Vice-Chairperson
Marcelo S. Casillas	Secretary
Anna U. Bustamante	Assistant Secretary

Members Term Expires

Anna U. Bustamante	2010
Denver McClendon	2010
Dr. Bernard K. Weiner	2010
Charles J. Conner	2012
Dr. Gene Sprague	2012
Roberto Zárate	2012
Gary Beitzel	2014
Marcelo S. Casillas	2014
James A. Rindfuss	2014

Principal Administrative Officers

Dr. Bruce H. Leslie	Chancellor
James N. McLaughlin	Vice Chancellor for Finance and Administration
Dr. Federico Zaragoza	Vice Chancellor of Economic and Workforce Development
Martha McCabe, JD	General Counsel
Dr. Thomas S. Cleary	Vice Chancellor for Planning, Performance & Info. Systems
Dr. Kristine Clark	Vice Chancellor for Academic Success
Dr. Adelina Silva	Vice Chancellor for Student Success
Roland DuBay	Executive Director of Institutional Advancement
Dr. Eric Reno	President, Northeast Lakeview College
Dr. Jackie Claunch	President, Northwest Vista College
Dr. Ana Guzman	President, Palo Alto College
Dr. Robert Zeigler	President, San Antonio College
Dr. Adena Loston	President, St. Philip's College
Leo Zuniga	Associate Vice Chancellor of Communications
Carol Riley, CPA	District Ethics and Compliance Officer
Diane E. Snyder, CPA	Associate Vice Chancellor of Finance and Fiscal Services
Mary Nell Bressel, CPA	District Controller
Patricia M. Major, CPA, CIA, CGAP	District Director of Internal Audit

FINANCIAL SECTION

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Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report

To the Board of Trustees
Alamo Community College District
San Antonio, Texas

We have audited the accompanying statements of net assets of Alamo Community College District (the "District") as of August 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 2008 and 2007, and the changes in its 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 1, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

SAN ANTONIO • AUSTIN

100 N.E. Loop 410, Suite 1100 • San Antonio, Texas 78216 • P 210.828.6281 • T 800.879.4966 • F 210.826.8606 • www.padgett-cpa.com

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The Management's Discussion and Analysis ("MD&A") is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedules required by the Texas Higher Education Coordinating Board and the supplementary information, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis. The federal schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the state schedule is required by the Texas Governor's Office of Budget and Planning, *Uniform Grant Management Standards*, which includes the *State of Texas Single Audit Circular*. The schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
December 1, 2008

Management's Discussion and Analysis

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ALAMO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Unaudited)

This discussion and analysis of the Alamo Community College District's (the District) basic financial statements provides an overview of the District's financial activities for the years ended August 31, 2008 and 2007 (Fiscal Years 2008 and 2007, respectively) and identifies changes in its financial position for these years. The discussion and analysis provides summary level financial information; therefore, it should be read in conjunction with the accompanying basic financial statements.

Financial Highlights for 2008

- The District's net assets at August 31, 2008 are reported at \$278.5 million. Approximately 61.9% of the net assets amount reflects the investment in capital assets net of related debt.
- The District's operating loss is \$156.5 million.
- Net assets increased \$32.2 million.
- Total liabilities increased \$98.9 million.

Financial Highlights for 2007

- The District's net assets at August 31, 2007 are reported at \$246.3 million. Approximately 63.2% of the net assets amount reflects the investment in capital assets net of related debt.
- The District's operating loss is \$144.2 million.
- Net assets increased \$45.5 million.
- Total liabilities increased \$403.3 million.

BASIC FINANCIAL STATEMENTS

These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - Management's Discussion and Analysis for Public Colleges and Universities*. Financial statements presented prior to the implementation of GASB Statements No. 34 and 35 focused on the accountability of funds (fund groups), while the current statements focus on the financial condition of the District, results of operations, and cash flows of the District as a whole. Three financial statements are presented: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows.

One of the most important questions asked about the District's finances is whether or not the District's financial position has improved as a result of the year's activities. The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows present information that is useful in addressing this question and in assessing the District's financial health.

ALAMO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Unaudited)

BASIC FINANCIAL STATEMENTS (Continued)

Statements of Net Assets

The Statements of Net Assets present the District's assets, liabilities, and net assets as of the end of the fiscal year. The Statements are prepared under the accrual basis of accounting in which revenues and assets are recognized when earned, and expenses and liabilities are recognized when incurred regardless of when cash is received or paid. The information presented is useful in determining the assets available to continue the operation of the District as well as how much the District owes to vendors, bond holders, and other entities at the end of the year. The District's net assets - the difference between assets and liabilities - can be a factor in assessing the District's financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Net Assets provide complementary information regarding the components of these net asset changes (revenues, expenses, other net asset changes). Nonfinancial information such as enrollment and contact hours of instruction generated should also be considered when assessing the District's financial condition.

The Statements of Net Assets include assets, liabilities and net assets. Current liabilities are generally those liabilities which are due within one year and current assets are those assets which are available to satisfy current liabilities. Noncurrent assets include restricted cash and cash equivalents, capital assets, long-term investments, and other assets not classified as current. Noncurrent liabilities include bonds payable and other long-term commitments.

Net assets are presented in three major categories. Invested in Capital Assets Net of Related Debt represents the District's net investment in property, plant and equipment net of accumulated depreciation and amortization on the assets and the related outstanding debt used to construct, purchase, or renovate them. Restricted net assets are classified as expendable and nonexpendable. Restricted nonexpendable net assets are permanent endowment corpus which is only available for investment purposes. Restricted expendable net assets are available for expenditure but must be spent in accordance with the restrictions of donors and other external entities. Unrestricted net assets are available for any lawful purpose of the District. While maintaining its financial health is crucial to the long-term viability of the District, the primary mission of a public community college is to provide education, research and public service. Therefore, net assets are accumulated only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs. Further detail concerning assets, liabilities, and net assets is presented in the Statements of Net Assets and notes to the financial statements.

Statements of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented in the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets. Operating revenues are generated from the services provided to students and other customers of the District. Operating expenses are incurred in the production of the goods and services which result in operating revenues. The utilization of long-lived assets is included in operating expenses as depreciation and amortization, which amortizes the cost of an asset over its expected useful life. All other activity is classified as non-operating revenues, expenses, gains and losses. Since ad valorem property taxes and state appropriations are classified as non-operating revenues, Texas public community colleges will generally reflect an operating deficit before taking into account other support. However, total revenues and total expenses should be considered in assessing the change in the District's financial position.

ALAMO COMMUNITY COLLEGE DISTRICT

**Management's Discussion and Analysis
(Unaudited)**

BASIC FINANCIAL STATEMENTS (Continued)

When total revenues exceed total expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. Further detail is presented in the Statements of Revenues, Expenses and Changes in Net Assets and notes to the financial statements.

Statements of Cash Flows

The Statements of Cash Flows provides information about the cash receipts and cash payments of an entity during a period (the change in cash and cash equivalents as shown in the Statements of Net Assets). The Statements of Cash Flows also helps users to determine (1) the entity's ability to meet its obligations as they come due and (2) the need for external financing.

These statements present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities. For additional detail concerning these classifications see the Statements of Cash Flows.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

In order to show the trends for the two years shown in the Statements of Net Assets (Exhibit 1), a three year summary for the years ended August 31, 2006 through 2008 is presented below. The District's net assets (assets less liabilities) increased by 13.1%, or \$32.2 million, and by 22.7%, or \$45.5 million, during Fiscal Years

**Condensed Schedule of Net Assets
(in millions)**

	Fiscal Year			Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
Assets					
Cash and cash equivalents	\$ 242.8	\$ 171.1	\$ 107.6	\$ 71.7	\$ 63.5
Accounts Receivable & Notes Receivable, Net	8.4	13.2	13.2	(4.8)	-
Long-term investments	212.4	400.4	95.0	(188.0)	305.4
Endowment investments	13.4	15.1	13.5	(1.7)	1.6
Deferred charges and other	10.4	9.9	4.6	0.5	5.3
Capital Assets	676.6	412.8	330.6	263.8	82.2
Accumulated Depreciation and Amortization	(137.2)	(126.8)	(117.6)	(10.4)	(9.2)
Total Assets	1,026.8	895.7	446.9	131.1	448.8
Liabilities					
Current Liabilities	122.1	89.4	77.4	32.7	12.0
Noncurrent Liabilities	626.2	560.0	168.7	66.2	391.3
Total Liabilities	748.3	649.4	246.1	98.9	403.3
Net Assets					
Invested in Capital Assets, Net of Related Debt	172.4	155.7	124.9	16.7	30.8
Restricted: Nonexpendable	1.3	1.3	1.3	-	-
Expendable	13.2	7.0	8.5	6.2	(1.5)
Unrestricted	91.6	82.3	66.1	9.3	16.2
Total Net Assets	\$ 278.5	\$ 246.3	\$ 200.8	\$ 32.2	\$ 45.5

ALAMO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Unaudited)

CONDENSED COMPARATIVE FINANCIAL INFORMATION (Continued)

2008 and 2007, respectively. Unrestricted fund balance is made up of unrestricted plant funds, unrestricted endowment, unrestricted loan funds, auxiliary funds, board-designated funds, and unencumbered unrestricted funds. For a more complete breakdown of fund balance by source and fund balance available for operations turn to Schedule D, Schedule of Net Assets by Source and Availability.

Total assets reached the \$1 billion mark, increasing by 15%, or \$131.1 million during Fiscal Year 2008 and by 100%, or \$448.8 million, during Fiscal Year 2007. In Fiscal Year 2008, the major changes in assets were the increase in cash and cash equivalents, \$71.7 million, net capital assets, \$253.4 million, offset by a reduction in long-term investments of \$188.0 million. These changes are associated with the issuance of the final installment of the November 2005 \$450 million voter-approved bond program. Investments and cash and cash equivalents associated with the issuance of bonds will decrease and capital assets will increase as bond proceeds are expended on approved construction projects. The major changes in assets for Fiscal Year 2007 were the increases in cash and cash equivalents, \$63.5 million, net capital assets, \$73.0 million, and long-term investments, \$305.4 million associated with the issuance of bonds.

Total liabilities increased by 15%, or \$98.9 million, during Fiscal Year 2008 and 164%, or \$403.3 million, during Fiscal Year 2007. The major factor in the Fiscal Year 2007 increase in total liabilities was the issuance of revenue and tax notes. The major factor in the Fiscal Year 2007 increase in total liabilities was an increase in bonds payable due to the issuance of debt related to the November 2005 voter authorization for general obligation debt.

In order to show the trends for the two years shown in the Statements of Revenues, Expenses and Changes in Net Assets (Exhibit 2), a summary of three years of data for the years ended August 31, 2006 through 2008 is presented below in table and chart form.

Condensed Schedule of Revenues, Expenses and Changes in Net Assets (in millions)

	Fiscal Year			Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
Operating Revenues (see detail below)	\$ 145.2	\$ 133.6	\$ 127.9	\$ 11.6	\$ 5.7
Operating Expenses (see detail below)	301.7	277.8	267.8	23.9	10.0
Operating Loss	(156.5)	(144.2)	(139.9)	(12.3)	(4.3)
Non-operating Revenues (Expenses):					
State Appropriations	87.3	83.5	82.2	3.8	1.3
Ad Valorem Taxes	118.4	103.8	72.9	14.6	30.9
Investment Income	22.5	19.6	6.5	2.9	13.1
Interest on Capital-Related Debt	(29.5)	(15.0)	(6.6)	(14.5)	(8.4)
Other Non-Operating Revenues (Expenses)	(10.5)	(2.5)	(0.3)	(8.0)	(2.2)
Income Before Other Revenues, Expenses Gains and Losses	31.7	45.2	14.8	(13.5)	30.4
Capital Contributions and Additions to Permanent Endowments	0.5	0.3	0.1	0.2	0.2
Increase in Net Assets	32.2	45.5	14.9	(13.3)	30.6
Net Assets - Beginning of Year	246.3	200.8	185.9	45.5	14.9
Net Assets - End of Year	\$ 278.5	\$ 246.3	\$ 200.8	\$ 32.2	\$ 45.5

ALAMO COMMUNITY COLLEGE DISTRICT

**Management's Discussion and Analysis
(Unaudited)**

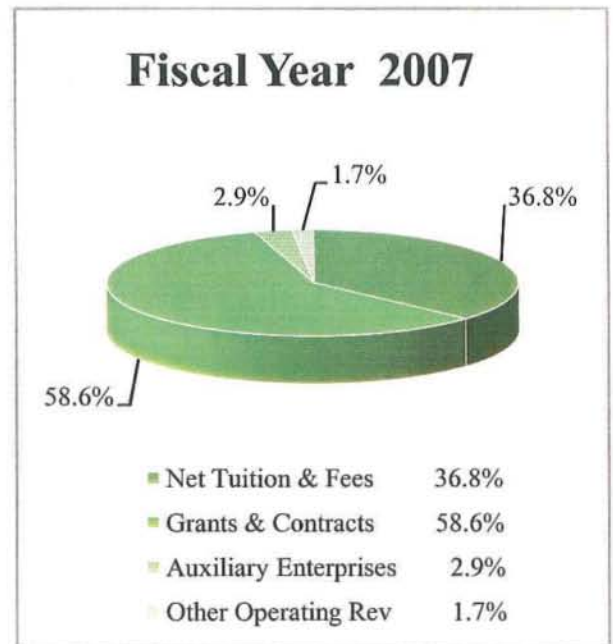
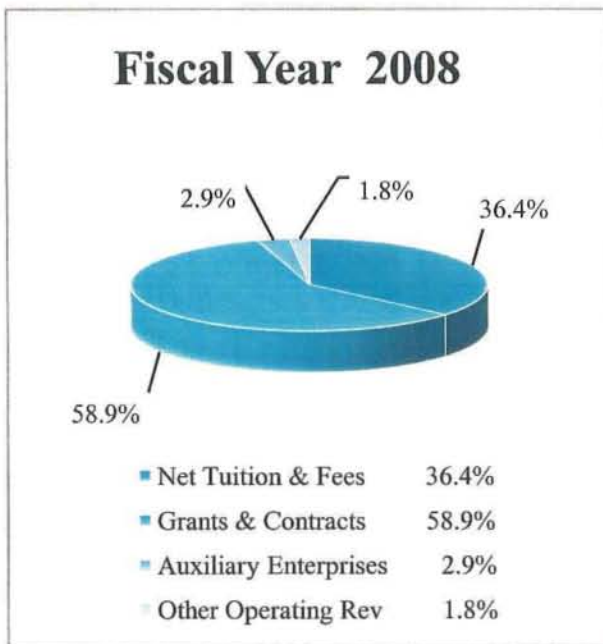
CONDENSED COMPARATIVE FINANCIAL INFORMATION (Continued)

Operating Revenues
(in millions)

	2008		2007		2006		Change 2007 to 2008	Change 2006 to 2007
	Amount	% of Total	Amount	% of Total	Amount	% of Total		
Net Tuition and Fees	\$ 52.8	36.4%	\$ 49.2	36.8%	\$ 45.3	35.4%	\$ 3.6	\$ 3.9
Grants and Contracts	85.5	58.9%	78.3	58.6%	76.7	60.0%	7.2	1.6
Auxiliary Enterprises	4.2	2.9%	3.8	2.9%	3.6	2.8%	0.4	0.2
Other Operating Revenues	2.7	1.8%	2.3	1.7%	2.3	1.8%	0.4	0
Total Operating Revenues	\$ 145.2	100.0%	\$ 133.6	100.0%	\$ 127.9	100.0%	\$ 11.6	\$ 5.7

Key factors influencing operating revenues:

- Tuition and fee revenue increased \$3.6 million and \$3.9 million, in Fiscal Years 2008 and 2007, respectively. In Fiscal Year 2008, enrollment increased 2.2% to 34,173 full-time student equivalents and in-district tuition rates increased by \$2 per semester hour. In-district tuition and fee rates for 12 hours increased 4.7% to \$715. In Fiscal year 2007 full-time student equivalents increased 0.5% to 33,428 and in-district tuition rates increases of \$2 per semester hour. In-district tuition and fee rates for 12 hours increased 6.7% to \$683.
- Grants and contracts increased \$7.2 million in Fiscal Year 2008 of which \$5.2 million was due to increases in Pell grants and \$1.3 in state grants. These increases are attributed to the developing College Connection programs with high schools which help educate students on available programs and provide funding to qualified students. Grants and contracts increased \$1.6 million in Fiscal Year 2007 due to increases in Pell and other federal grants, partially offset by state contract reductions from Texas Workforce Commission.



ALAMO COMMUNITY COLLEGE DISTRICT

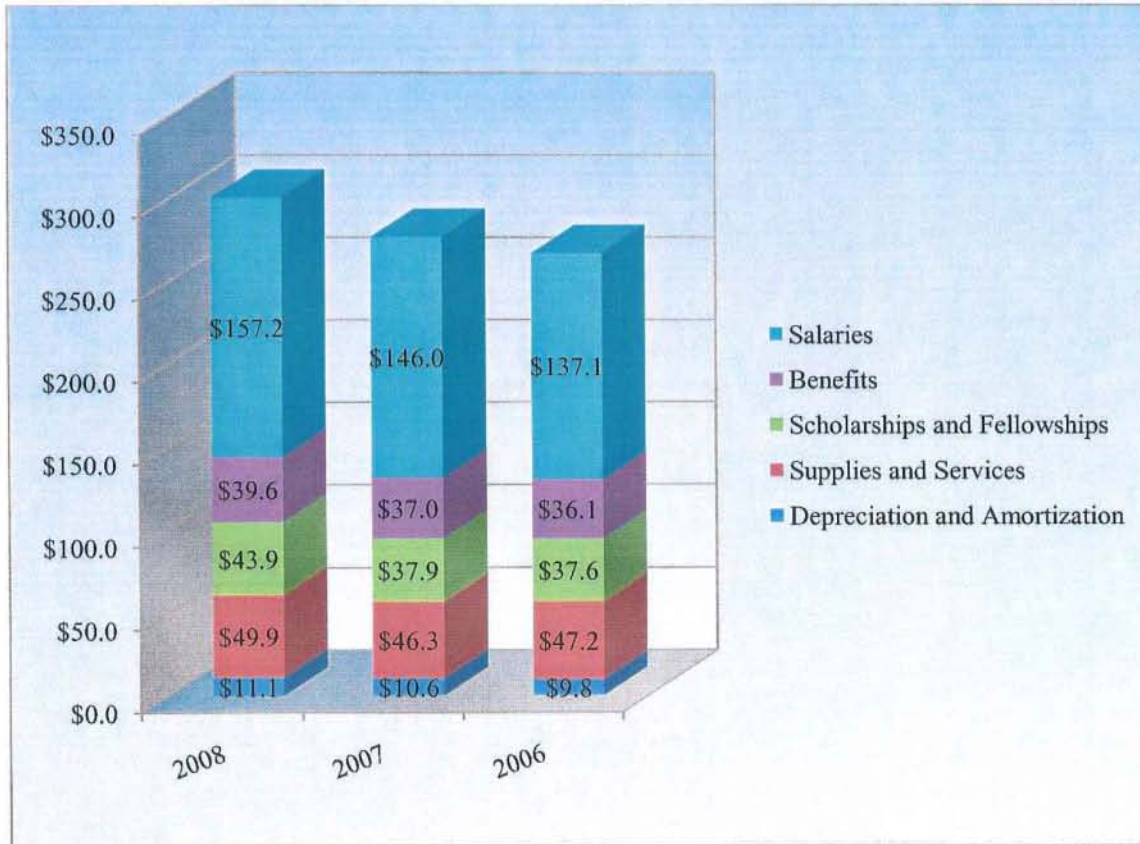
**Management's Discussion and Analysis
(Unaudited)**

CONDENSED COMPARATIVE FINANCIAL INFORMATION (Continued)

Operating expenses are presented below in both a natural and a functional classification (see Schedule B for detail on the relationship between the two classifications):

**Operating Expenses
Natural Classification
(in millions)**

	Fiscal Year			Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
Salaries	\$ 157.2	\$ 146.0	\$ 137.1	\$ 11.2	\$ 8.9
Benefits	39.6	37.0	36.1	2.6	0.9
Scholarships and Fellowships	43.9	37.9	37.6	6.0	0.3
Supplies and Services	49.9	46.3	47.2	3.6	(0.9)
Depreciation and Amortization	11.1	10.6	9.8	0.5	0.8
Total Operating Expenses	\$ 301.7	\$ 277.8	\$ 267.8	\$ 23.9	\$ 10.0



ALAMO COMMUNITY COLLEGE DISTRICT

**Management's Discussion and Analysis
(Unaudited)**

CONDENSED COMPARATIVE FINANCIAL INFORMATION (Continued)

Factors influencing operating expenses by natural classification include the following:

- Salaries and benefits costs increased \$13.8 million and \$9.8 million for Fiscal Years 2008 and 2007, respectively. In Fiscal Year 2008, salary increases of 3 to 4.5% were approved, the administrative infrastructure of Northeast Lakeview College continued to grow, and the District strengthened its administrative structure. These increases were offset by reductions in the number of full-time faculty and full-time staff and administration positions of 28, and 51 positions, respectively. With the reductions full-time faculty stands at 1,024 and full-time staff and administration stands at 1,763. There was a significant reduction of 146 part-time faculty positions and 43 part-time staff and administrative positions. In Fiscal Year 2007, salaries increased due to filling of vacant positions, establishing the administrative infrastructure of Northeast Lakeview College, and the hiring of 60 additional full-time faculty positions, and 94 full-time staff and administration positions. With the new additions full-time faculty stood at 1,052 and full-time staff and administration stood at 1,814. There was a reduction of 41 part-time faculty positions.
- Scholarship expense reflects the amount disbursed to a student after a scholarship award is credited to the student's accounts in payment of tuition and fees. Scholarship expense increased for Fiscal Year 2008 and 2007 as more funds were available and more financial aid was disbursed to the students.
- Depreciation and amortization expense increases result when current year depreciation and amortization for assets acquired during the previous year exceeds the decrease in depreciation and amortization due to assets that became fully depreciated in the prior year and the removal of used/obsolete assets from service (Fiscal Year 2008 & 2007).
- Expenses for supplies and services increased in order to support instruction and the needs of the colleges and the institution as a whole. Significant items are detailed under Institutional Support at Operating Expenses by Functional Classification.

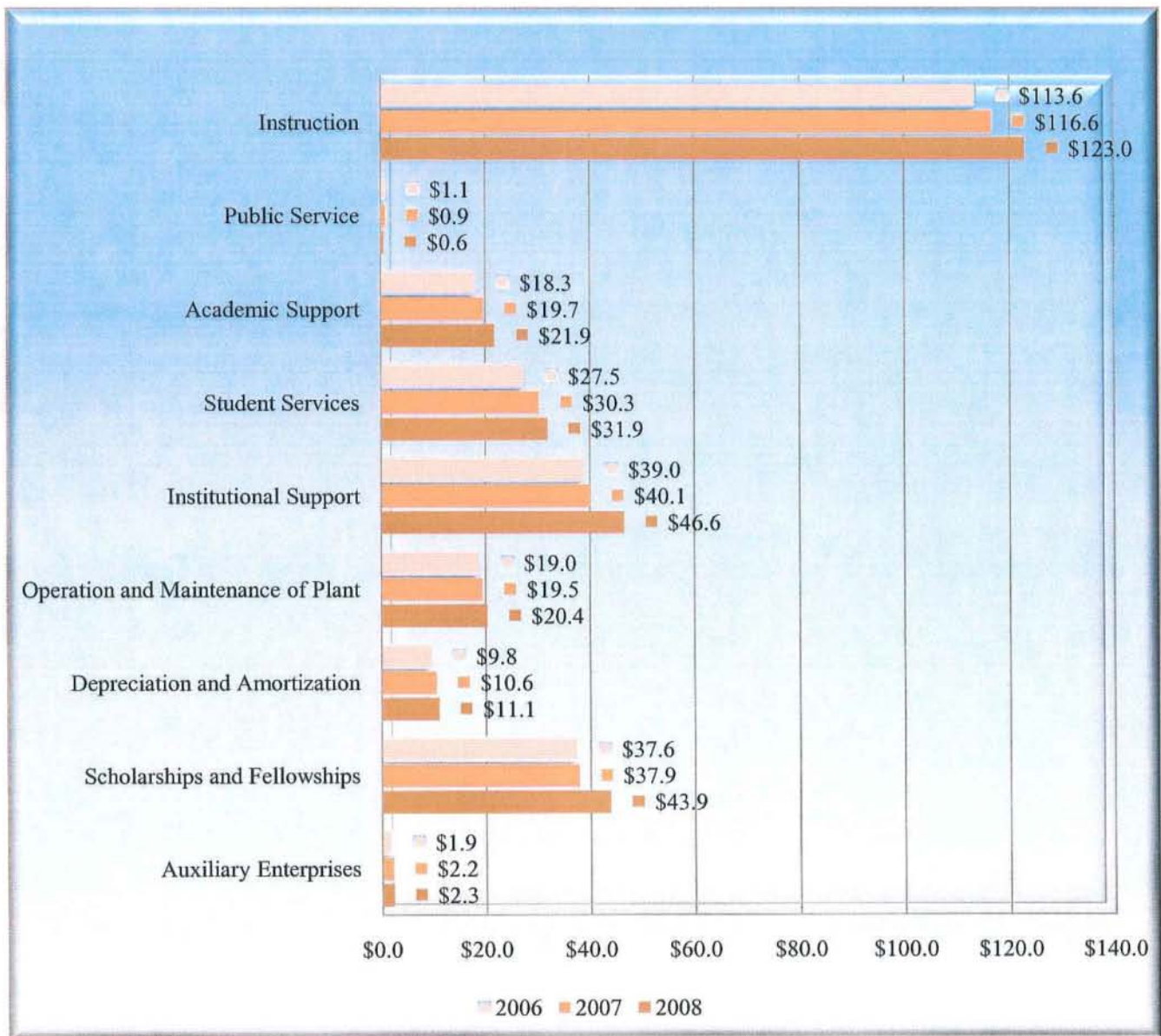
	Fiscal Year			Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
Instruction	\$ 123.0	\$ 116.6	\$ 113.6	\$ 6.4	\$ 3.0
Public Service	0.6	0.9	1.1	(0.3)	(0.2)
Academic Support	21.9	19.7	18.3	2.2	1.4
Student Services	31.9	30.3	27.5	1.6	2.8
Institutional Support	46.6	40.1	39.0	6.5	1.1
Operation and Maintenance of Plant	20.4	19.5	19.0	0.9	0.5
Depreciation and Amortization	11.1	10.6	9.8	0.5	0.8
Scholarships and Fellowships	43.9	37.9	37.6	6.0	0.3
Total Educational and General	299.4	275.6	265.9	23.8	9.7
Auxiliary Enterprises	2.3	2.2	1.9	0.1	0.3
Total Operating Expenses	<u>\$ 301.7</u>	<u>\$ 277.8</u>	<u>\$ 267.8</u>	<u>\$ 23.9</u>	<u>\$ 10.0</u>

ALAMO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
(Unaudited)

CONDENSED COMPARATIVE FINANCIAL INFORMATION (Continued)

Operating Expenses-Functional Classification
(in millions)



ALAMO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Unaudited)

CONDENSED COMPARATIVE FINANCIAL INFORMATION (Continued)

- Instruction increases of \$6.4 and \$3.0 million in Fiscal Years 2008 and Fiscal Year 2007, respectively due to new instructional initiatives at Northeast Lakeview College, and growth in Northwest Vista College enrollment, offset by reductions at San Antonio, St. Philip's and Palo Alto Colleges. Employees also received salary increases between 3 to 4.5% for Fiscal Year 2008 and between 4 to 5% for Fiscal Year 2007.
- Public Service and Academic Support increased \$1.9 million in Fiscal Year 2008 and \$1.2 million in Fiscal Year 2007. The main increases in 2008 were the establishment of the Northeast Lakeview College's Learning Resource Center.
- Student Services increased for Fiscal Year 2008 and 2007 due to the opening of Northeast Lakeview College and District wide student activity fees specifically designated for student services. In 2007, Student Services increased due to functional shifting in federal contracts from Academic Support to Student Services.
- Institutional Support increased in Fiscal Year 2008 \$6.5 million due to strengthening of administrative structures, software and software maintenance expenses, increase in public relations/marketing expenses, and salary increases mentioned above. Institutional Support in Fiscal Year 2007 increased due to various factors: increases in salaries, filling of open positions, and increases in Northeast Lakeview College of \$0.7 million for establishing the administrative infrastructure of the new College, offset by nonrecurring legal settlement in Fiscal Year 2006.
- Scholarships and Depreciation and Amortization: See Schedule B -- Schedule of Operating Expenses by Object (natural and functional classifications).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Changes in net capital assets are the result of acquisitions, improvements, deletions, and changes in accumulated depreciation and amortization. The District had \$539.4 million and \$286.0 million invested in capital assets at August 31, 2008 and 2007 respectively, net of accumulated depreciation and amortization of \$137.2 million and \$126.8 million. Depreciation and amortization charges totaled \$11.1 million and \$10.6 million in 2008 and 2007, respectively (see Schedule B – Schedule of Operating Expenses by Object). Details of these assets for Fiscal Years 2008, 2007 and 2006 are shown below.

ALAMO COMMUNITY COLLEGE DISTRICT

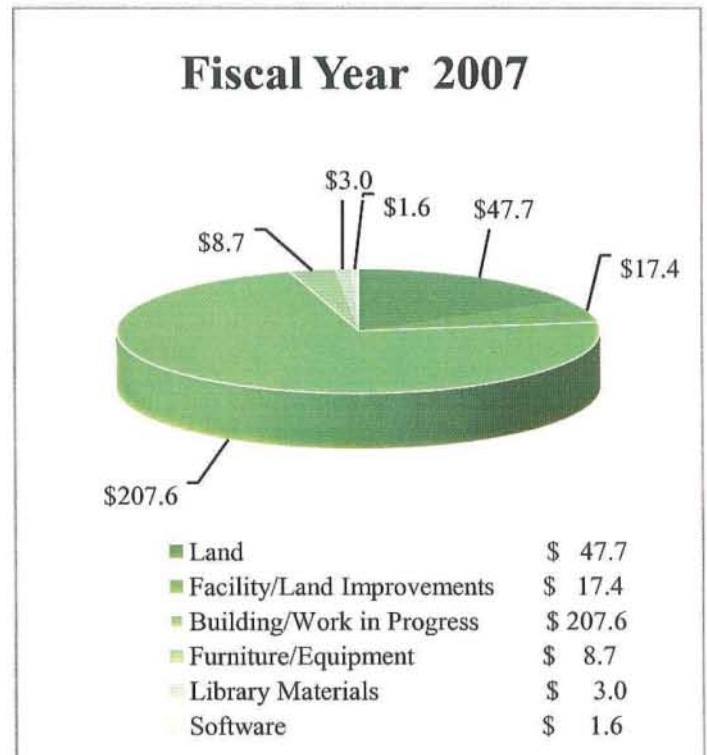
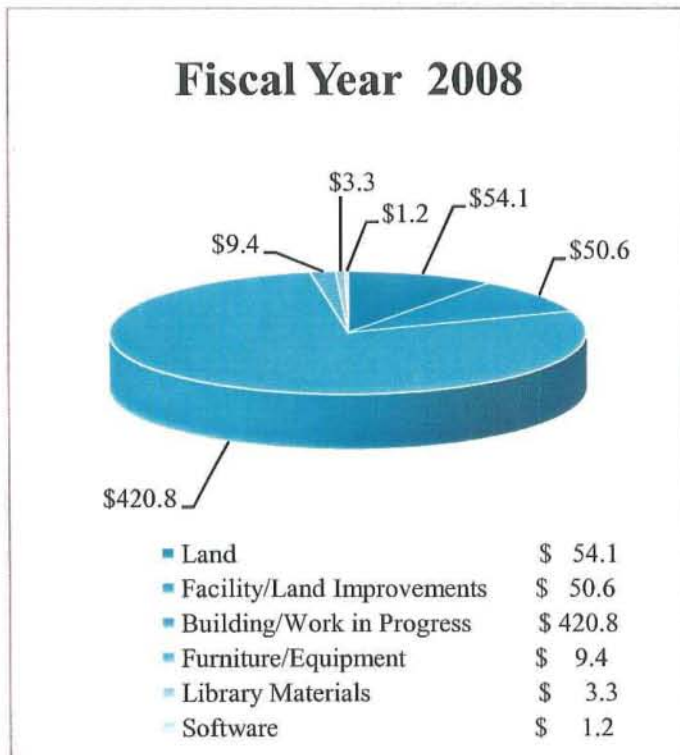
**Management's Discussion and Analysis
(Unaudited)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

**Capital Assets, Net, at Year End
(in millions)**

	Fiscal Year			Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
Land	\$ 54.1	\$ 47.7	\$ 36.1	\$ 6.4	\$ 11.6
Facility and land improvements	50.6	17.4	17.7	33.2	(0.3)
Buildings and Work in Progress	420.8	207.6	147.3	213.2	60.3
Furniture and Equipment	9.4	8.7	7.8	0.7	0.9
Software	1.2	1.6	1.3	(0.4)	0.3
Library Materials	3.3	3.0	2.8	0.3	0.2
Total Capital Assets	\$ 539.4	\$ 286.0	\$ 213.0	\$ 253.4	\$ 73.0

**Capital Assets, Net, at Year End
(in millions)**



ALAMO COMMUNITY COLLEGE DISTRICT

**Management's Discussion and Analysis
(Unaudited)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Major capital additions completed, or in progress, during Fiscal Years 2008 and 2007 included:

<u>Fiscal Year 2008</u>	
▪ District Land Purchase	\$ 4.1 million
▪ San Antonio College Land Purchase	1.7 million
▪ San Antonio College Nursing and Academic Complex	40.8 million
▪ San Antonio College Parking Garage	14.9 million
▪ Palo Alto College Veterinarian Tech Bldg	6.0 million
▪ Northwest Vista College Academic/Learning Ctr.	26.6 million
▪ Northeast Lakeview College Academic/Career Tech	37.2 million
▪ District Wide Construction in Progress	72.3 million

<u>Fiscal Year 2007</u>	
▪ San Antonio College Land Purchase	\$ 4.3 million
▪ Palo Alto College Building Renovations	1.9 million
▪ District Wide Distance Learning	1.7 million
▪ District Wide Construction in Progress	62.1 million

In accordance with GASB Statements No. 34 and 35, the District does not record the cost of capital assets as an expense at the time of acquisition or completion of the asset but rather shows the expense systematically over the expected life of the asset as depreciation and amortization expense. The amount shown in the accounting records for the value of the asset will decrease each year until the asset is fully depreciated or removed from service. As a result, the amount of capital assets shown in the Statements of Net Assets may decrease from one year to another even though new assets have been acquired during the year. Capital assets subject to depreciation and amortization include improvements to land (such as parking lots and signage), buildings, library books, furniture and equipment. Land is not depreciated. The District has entered into several contracts for construction and various other renovation projects financed by bond proceeds. As of August 31, 2008, and 2007, the District was committed for approximately \$168,822,000, and \$293,102,000, respectively. For additional information concerning the District's capital assets, see Note 6 to the basic financial statements.

Debt

The District had \$623.3 million and \$550.7 million in outstanding debt at August 31, 2008 and 2007, respectively. Outstanding debt increased by \$72.6 million and by \$366.0 million in Fiscal Years 2008 and 2007, respectively. The table below summarizes these amounts by type of debt instrument.

ALAMO COMMUNITY COLLEGE DISTRICT

**Management's Discussion and Analysis
(Unaudited)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

**Outstanding Debt at Year End
(in millions)**

	Fiscal Year			Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
General Obligations Bonds	\$ 430.4	\$ 435.8	\$ 75.2	\$ (5.4)	\$ 360.6
Revenue Bonds	76.2	74.3	67.6	1.9	6.7
Notes Payable	0.7	1.2	1.6	(0.5)	(0.4)
Tax Notes	116.0	39.4	40.3	76.6	(0.9)
Total Outstanding Debt	\$ 623.3	\$ 550.7	\$ 184.7	\$ 72.6	\$ 366.0

The District's general obligation debt is payable from the proceeds of a continuing, direct ad valorem tax levied against all taxable property within the District. Revenue bonds are special obligations of the District that are payable solely from and will be equally and ratably secured by an irrevocable first lien on pledged revenues. The pledged revenues include, but are not limited to, general fee, pledged tuition, pledged auxiliary revenue, and general fund investment income. Notes payable obligations are paid from operating funds. The following bond issues were introduced in 2008 and 2007:

Fiscal Year 2008:

Combined Fee Revenue and Refunding Bonds, Series 2007

- \$5,150,000, all bonds authorized issued September 18, 2007
- To purchase land, and to acquire, construct, improve, enlarge, and equip District facilities

Maintenance Tax Notes, Series 2007

- \$81,110,000, all Notes authorized issued September 18, 2007
- To purchase equipment, vehicles and renovating various facilities

Fiscal Year 2007:

Limited Tax Bonds, Series 2006A

- \$49,580,000, all bonds authorized issued September 14, 2006
- To construct, renovate, acquire and equip new and existing facilities

Combined Fee Revenue and Refunding Bonds, Series 2007

- \$27,175,000, all bonds authorized issued March 8, 2007
- To refund \$17,900,000 of Series 2001 Combined Fee Revenue Refunding Bonds; and to construct, renovate, and equip academic buildings and acquire sites

Limited Tax Bonds, Series 2007

- \$271,085,000, all bonds authorized issued April 5, 2007
- To construct, renovate, acquire and equip new and existing facilities

ALAMO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Limited Tax Bonds, Series 2007A

- \$63,490,000, all bonds authorized issued August 21, 2007
- To construct, renovate, acquire and equip new and existing facilities

The increase in total debt of \$72.6 million in Fiscal Year 2008 and by \$366.0 million in Fiscal Year 2008 is due to the issuance of general obligation debt and the issuance of maintenance tax notes. The general obligation debt issued represents issuance of the November 2005 voter-approved general obligation authorization of \$450 million.

The District's bond ratings assigned by Moody's Investors Service and Standard and Poor's Rating Services are "Aa2" and "AA", respectively for the District's general obligation bonds. The ratings assigned to the District's revenue bonds by Moody's Investors Services and Standard and Poor's Rating Services are "Aa3" and "AA-",

respectively. More detailed information about the District's long-term liabilities is presented in Notes 7 and 8 to the basic financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The District's economic condition is influenced by the economic positions of the State of Texas, Bexar and surrounding counties and the City of San Antonio. The Federal Reserve Bank of Dallas, in its Metro Business-Cycle Index: San Antonio, indicated the local economy had grown 2.5% from August 2007 to August 2008. In the same period last year the economy grew 4.4%. The slowdown is reflective of both national and international economic conditions. State appropriations of formula funding for contact hours for the biennium beginning September 1, 2008 are greater by 3.7% than the previous biennium ending August 31, 2008. State appropriations increased by 7.6% for employee health benefits considering the Governor's Veto of June 2007 which called for a 50% reduction in the biennial amount appropriated by the Legislature for the funding of employee health benefits. The fact remains, however, that the state appropriation was 72% of the recommendation made by the Higher Education Coordinating Board.

Closing the Gaps, quality higher education, and workforce preparation are the topics for discussion at the State level and the State Legislature, Legislative Board, and the Coordinating Board all agree that community colleges are critical to the success of those priorities. History indicates that, while projected formula funding has increased 74% from Fiscal Year 1984 to Fiscal Year 2008, the formula funding share of the District's operating budget has decreased from 69% to 28% in the same time span. In the last ten years, to lessen the impact, tuition and fee revenues have risen 170% and tax revenues, exclusive of debt service, have risen 123%.

The District, however, is positioned to lessen the impact of the declining share of state appropriations with a taxable base projected to increase at a rate of 10.4% for the fiscal year ending August 2009. The District's total tax rate that includes 3 cents to pay for a \$450 million construction program and the rate set at 13.5855 cents per \$100 of property valuation represents 54% of the approved statutory tax limit of 25 cents. With the 10.4% increase in property valuations a tax rate increase of one-tenth of one cent will generate additional revenue of \$938,000 per year. The District is aware of numerous demands that may be placed on this viable revenue source that has grown from 8% of the budget in 1984 to 31% in fiscal year ending 2008. Prudent use of this resource is

ALAMO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Unaudited)

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE (Continued)

required in view of the fact that tax increment financing projects continue to be presented and tax freezes for senior and disabled citizens have been approved that will forgive tax revenues for purposes other than those directly benefiting the primary mission of education. The tax freezes may impact revenues as much as \$8.3 million to \$15.5 million during the next six year period. The taxing authority of the District has also been committed to a long-term debt service tax rate increase of no more than 3 cents per \$100 of property valuation due to the election on November 8, 2005 in which the citizens of Bexar County approved a general obligation bonded debt issuance of \$450 million to finance new and improved facilities.

The District is also able to mitigate the impact of changing state appropriations because of its lower tuition rates which are less than half those of the local state supported four year institutions. The substantial tuition increases experienced by students in state supported and private four year institutions are causing many students to consider the in-district tuition rate of \$51 per semester hour offered by the District. An increase of \$1 per hour in the tuition rate will produce annual revenue of \$1.2 million based on current enrollment information.

Other factors that will impact the District's economic future are the anticipated increases in operating expenditures resulting from the growth in enrollments; addition of new facilities and facility improvements; the results of the salary and compensation studies, as well as the decisions that need to be made as a result of the facilities assessment study that identified numerous and substantial preventive maintenance needs.

Basic Financial Statements

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**ALAMO COMMUNITY COLLEGE DISTRICT
EXHIBIT 1**

**Statements of Net Assets
August 31, 2008 and 2007**

	2008	2007
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 101,268,992	\$ 98,549,325
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$5,557,785 and \$4,947,137 at 8/31/08 and 8/31/07	8,247,681	13,020,088
Notes Receivable, Net of Allowance for Doubtful Accounts of \$143,898 and \$74,337 at 8/31/08 and 8/31/07	170,640	175,144
Other Assets	736,760	587,447
Total Current Assets	110,424,073	112,332,004
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	141,564,603	72,594,529
Endowment Investments	13,390,136	15,067,321
Other Long Term Investments	212,368,343	400,411,675
Deferred Charges	9,576,610	9,290,770
Capital Assets (Net)	539,447,698	285,970,971
Total Noncurrent Assets	916,347,390	783,335,266
TOTAL ASSETS	1,026,771,463	895,667,270
LIABILITIES		
Current Liabilities:		
Accounts Payable	35,302,322	17,071,380
Accrued Liabilities	30,546,778	21,953,494
Funds Held for Others	375,091	375,433
Deferred Revenues	32,006,960	29,257,635
Current Portion of Long-Term Liabilities	23,920,475	20,709,495
Total Current Liabilities	122,151,626	89,367,437
Noncurrent Liabilities	626,185,311	560,027,443
TOTAL LIABILITIES	748,336,937	649,394,880
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	172,395,461	155,640,876
Restricted for:		
Nonexpendable		
Student Aid	1,292,568	1,292,474
Instructional Programs	6,000	6,000
Expendable		
Student Aid	3,028,552	3,096,997
Instructional Programs	636,691	318,554
Loans	-	79,525
Capital Projects	1,088,627	1,506,925
Debt Service	8,430,656	2,048,437
Unrestricted	91,555,971	82,282,602
TOTAL NET ASSETS (Schedule D)	\$ 278,434,526	\$ 246,272,390

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

**ALAMO COMMUNITY COLLEGE DISTRICT
EXHIBIT 2**

**Statements of Revenues, Expenses, and Changes in Net Assets
August 31, 2008 and 2007**

	2008	2007
OPERATING REVENUES:		
Tuition and Fees (Net of discounts of \$34,943,131 and \$32,018,426, respectively)	\$ 52,796,547	\$ 49,198,458
Federal Grants and Contracts	76,748,485	70,734,851
State Grants and Contracts	7,195,598	5,920,330
Local Grants and Contracts	1,117,289	897,264
Non-Governmental Grants and Contracts	483,217	787,202
Investment Income - Program Restricted	157,634	184,120
Auxiliary Enterprises	4,235,520	3,753,744
Other Operating Revenues	2,495,852	2,166,890
Total Operating Revenues (Schedule A)	145,230,142	133,642,859
OPERATING EXPENSES:		
Instruction	122,966,920	116,588,444
Public Service	591,068	890,763
Academic Support	21,931,034	19,693,202
Student Services	31,937,293	30,326,149
Institutional Support	46,670,775	40,130,538
Operation and Maintenance of Plant	20,380,567	19,485,368
Scholarships and Fellowships	43,887,182	37,912,644
Auxiliary Enterprises	2,311,971	2,161,326
Depreciation and Amortization	11,072,020	10,601,090
Total Operating Expenses (Schedule B)	301,748,830	277,789,524
Operating Loss	(156,518,688)	(144,146,665)
NON-OPERATING REVENUES/(EXPENSES):		
State Appropriations	87,317,846	83,500,050
Ad Valorem Taxes		
Taxes for Maintenance and Operations	79,277,313	70,079,189
Taxes for General Obligation Bonds	39,164,358	33,700,242
Gifts	140,874	580,836
Investment Income	22,533,428	19,612,623
Interest on Capital Related Debt	(29,550,614)	(14,993,279)
Other Non-Operating Revenues/(Expenses)	(10,751,687)	(3,223,595)
Net Non-Operating Revenues (Schedule C)	188,131,518	189,256,066
Income Before Other Revenues	31,612,830	45,109,401
OTHER REVENUES:		
Capital Grants and Gifts	549,306	358,286
Total Other Revenues	549,306	358,286
Increase in Net Assets	32,162,136	45,467,687
NET ASSETS:		
Net Assets - Beginning of Year	246,272,390	200,804,703
Net Assets - End of Year	\$ 278,434,526	\$ 246,272,390

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

ALAMO COMMUNITY COLLEGE DISTRICT
EXHIBIT 3

Statements of Cash Flows
August 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Students and Other Customers	\$ 60,162,095	\$ 51,875,076
Receipts from Grants and Contracts	87,730,344	81,737,288
Collection of Loans to Students	75,423	140,816
Other Receipts	3,185,707	2,378,003
Payments to or on Behalf of Employees	(177,375,758)	(163,436,915)
Payments to Suppliers for Goods and Services	(46,106,616)	(45,560,848)
Payments for Scholarships and Fellowships	(43,887,182)	(38,588,075)
Payment for Loans to Students	(146,062)	(18,786)
Net Cash Provided (Used) by Operating Activities	(116,362,049)	(111,473,441)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from State Appropriations	67,846,696	65,409,379
Receipts from Ad Valorem Taxes for Maintenance and Operations	79,117,513	69,952,223
Receipts from Gifts and Grants (Other than Capital)	140,874	580,836
Payments to Student Organizations and Other Agency Transactions	(342)	(326)
Net Cash Provided (Used) by Noncapital Financing Activities	147,104,741	135,942,112
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds on Issuance of Capital Debt	86,260,000	411,330,000
Bond Issuance Costs	253,456	2,929,485
Receipts from Ad Valorem Taxes for Debt Service	39,226,584	33,423,469
Receipts from Capital Grant Contracts, Grants and Gifts	49,000	49,000
Payments for Capital Assets	(250,255,887)	(64,181,787)
Payments on Capital Debt - Principal	(13,640,591)	(45,398,079)
Payments on Capital Debt - Interest	(34,306,334)	(8,468,274)
Net cash Provided (Used) by Capital and Related Financing Activities	(172,413,772)	329,683,814
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investments	258,812,545	70,202,999
Interest on Investments	23,640,304	16,381,281
Purchase of Investments	(69,092,028)	(377,152,317)
Net Cash Provided (Used) by Investing Activities	213,360,821	(290,568,037)
INCREASE IN CASH AND CASH EQUIVALENTS	71,689,741	63,584,448
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	171,143,854	107,559,406
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 242,833,595	\$ 171,143,854
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (156,518,688)	\$ (144,146,665)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	11,072,020	10,601,090
Allowance for doubtful accounts	739,569	1,202,282
Non-cash State Appropriations - On-Behalf Payments	19,471,150	18,090,671
Changes in Assets and Liabilities:		
Receivables (Net)	3,098,679	805,284
Other Assets	(149,313)	(605,434)
Accounts Payable	3,409,359	1,582,339
Deferred Revenue	2,677,896	1,470,795
Compensated Absences	473,970	432,629
Workers' Compensation Accrual	96,651	(479,217)
Early Retirement Liability	(367,890)	(354,730)
Utility Escrow	(294,813)	(194,515)
Loans to Students	(70,639)	122,030
Net Cash Used by Operating Activities	\$ (116,362,049)	\$ (111,473,441)

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

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ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Alamo Community College District (the "District") was established in 1945 in accordance with the laws of the State of Texas. It serves the educational needs of Bexar County and surrounding communities through its colleges and educational centers. The District operates five colleges including San Antonio College, St. Philip's College, Palo Alto College, Northwest Vista College and Northeast Lakeview College.

The District is considered to be a special-purpose primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While the District receives funding from local, state, and federal sources and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed 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*. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 unless they conflict with or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989 unless specifically adopted by the GASB. For financial reporting purposes the District is considered a special-purpose government engaged only in business-type activities.

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 §56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount ("TPEG Allowances"). When the award is used for purposes other than tuition and fees, the amount is recorded as a scholarship expense.

Title IV Higher Education Act (HEA) Program Funds

Certain Title IV HEA Program funds are received by the District to pass through to students. These funds are received by the District and recorded as revenue. When a student uses the award for tuition and fees, the amount is recorded as tuition discount ("Federal Grants to Students"). When the award is used for purposes other than tuition and fees, the amount is recorded as a scholarship expense.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Tuition Discounts

The District also awards scholarships to qualifying students. When these funds are used for tuition and fees the awards are recorded as tuition discount (“Remissions and Exemptions” and “Scholarship Allowances”). State funds received by the District for scholarship awards to students are recorded as revenue, and as tuition discount when used by the student for tuition and fees (“State Grants to Students”). When these awards are used for purposes other than tuition and fees, the amounts are recorded as scholarship expense.

Basis of Accounting

The District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when they have been reduced to a legal or contractual obligation to pay, regardless of the timing of related cash flows. Encumbrances outstanding as of August 31, 2008 do not lapse at year-end.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for current operating funds for the fiscal year beginning September 1. On August 21, 2007, the District’s Board of Trustees adopted the annual budget, which is prepared on the accrual basis of accounting. Copies of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor’s Office of Budget and Planning by December 1 of each year.

Cash and Cash Equivalents

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents that are externally restricted as to their use are classified as noncurrent assets in the Statements of Net Assets.

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 based on market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Public funds investment pools (TexPool) comprised of \$219,059,659 and \$159,644,816 as of August 31, 2008 and 2007, respectively are considered to be cash and cash equivalents. Long-term investments have an original maturity of one year or greater at the time of purchase.

Capital Assets

Capital assets are stated at cost. Donated capital assets are stated at estimated fair market value at the date of donation. Library books, regardless of cost, and items of equipment and software with an individual cost of \$5,000 or more and an estimated useful life in excess of one year or more are capitalized. Infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value or extend the life of the asset are charged to operating expense in the year in which the expense is incurred.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets using the following conventions: (1) full-year following the year of purchase or substantial completion, generally 40 years for buildings, 20 years for facility and other land improvements, 5 years for software, and 15 years for library books; and (2) prorated for the first year based on month placed in service, 3 to 10 years for machinery, vehicles and other equipment.

Capitalization of Interest Cost

The District applies the provisions of Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Costs" ("FAS 34"), and Statement of Financial Accounting Standards No. 62, "Capitalization of Interest Costs in situations involving certain tax-exempt borrowings and certain gifts and grants ("FAS 62"), an amendment of FASB Statement No. 34", which requires the District to capitalize the interest and fees associated with the borrowings that the District has entered into for the acquisition of assets.

These standards require that the interest cost offset by interest earnings on the related construction proceeds be capitalized as a part of each project unless the net effect is not considered material. Accordingly, no interest cost has been capitalized as the interest earned has approximately equaled the interest cost to the District.

Deferred Revenues

Unrestricted tuition, fees, and other revenues received, related to the period after each fiscal year has been deferred. Restricted revenues are recognized when the expenses have occurred and all obligations have been fulfilled for the recording of those expenses.

Deferred Charges

Deferred charges are expenses paid in advance that pertain to subsequent fiscal years. Unrestricted deferred charges, such as exemptions, have been netted against deferred revenues. Restricted charges where all obligations have been fulfilled are treated as expenses in the period incurred.

Deferred charges classified as noncurrent assets include long-term prepayments of expenses subject to amortization, including the cost of issuing bonds issuance costs and loss on defeasance of bonds.

Estimates

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

Operating and Non-operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA (Business-Type Activity) and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are student tuition and fees net of scholarship discounts and allowances; federal, state, local and private grants and contracts; and other revenues of a similar nature.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The major non-operating revenues are state appropriations, property tax collections, investment income, and gifts. Operating expenses include the cost of providing instruction, student services and support, administrative expenses, and depreciation and amortization on capital assets. The operations of campus bookstore and food service are not performed by the District.

Net Assets

Invested in Capital Assets, Net of Related Debt: This category represents the District's total investment in capital assets, net of related outstanding debt and accumulated depreciation and amortization.

Restricted Net Assets, Nonexpendable: Net assets, such as endowment and similar type funds, which are subject to externally-imposed stipulations that they be maintained permanently by the District.

Restricted Net Assets, Expendable: Net assets which the District is legally or contractually obligated to spend in accordance with external restrictions.

Unrestricted Net Assets: Unrestricted net assets are resources that are not subject to any external restrictions and may be used at the discretion of the governing board for any lawful purpose of the District.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Comparative Information

Comparative information for the prior year has been presented to provide an understanding of changes in financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Prior Period Restatement

As of September 1, Net Assets as previously reported was restated as follows:

	2007	2006
September 1, Net Assets as Previously Reported	\$ 248,142,450	\$ 201,583,628
Restatements:		
Prior Year Accumulated Depreciation and Amortization Understated	(1,779,785)	(1,415,637)
Prior Year Accrued Interest Payable Overstated	752,368	636,712
Prior Year Refund of Utilities Expense	196,216	-
Prior Year Overstatement of Work in Progress	(1,038,859)	-
September 1, Net Assets as Restated	\$ 246,272,390	\$ 200,804,703

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The result of the restatements and reclassifications on Statement of Net Asset components for Fiscal Year 2007 is as follows:

	2007		Difference
	As Restated	Previously Reported	
Assets			
Cash and cash equivalents	\$ 171,143,854	\$171,143,854	\$ -
Accounts Receivable & Notes Receivable, Net	13,195,232	16,895,667	(3,700,435)
Long-term investments	400,411,675	400,411,675	-
Endowment investments	15,067,321	15,067,321	-
Deferred charges and other	9,878,217	12,353,454	(2,475,237)
Capital Assets	412,801,035	414,385,473	(1,584,438)
Accumulated Depreciation	(126,830,064)	(125,050,279)	(1,779,785)
Total Assets	<u>895,667,270</u>	<u>905,207,165</u>	<u>(9,539,895)</u>
Liabilities			
Current Liabilities	89,367,437	96,913,717	(7,546,280)
Noncurrent Liabilities	560,027,443	560,150,998	(123,555)
Total Liabilities	<u>649,394,880</u>	<u>657,064,715</u>	<u>(7,669,835)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	155,640,876	158,409,922	(2,769,046)
Restricted: Nonexpendable	1,298,474	1,298,474	-
Expendable	7,050,438	6,298,070	752,368
Unrestricted	82,282,602	82,135,984	146,618
Total Net Assets	<u>\$ 246,272,390</u>	<u>\$248,142,450</u>	<u>\$ (1,870,060)</u>

The result of the restatements and reclassifications on functional categories of expenses for Fiscal Year 2007 is as follows:

	2007		Difference
	As Restated	Previously Reported	
OPERATING EXPENSES:			
Instruction	116,588,444	116,588,444	-
Public Service	890,763	890,763	-
Academic Support	19,693,202	18,047,206	1,645,996
Student Services	30,326,149	30,326,149	-
Institutional Support	40,130,538	41,726,936	(1,596,398)
Operation and Maintenance of Plant	19,485,368	19,681,584	(196,216)
Scholarships and Fellowships	37,912,644	37,912,644	-
Auxiliary Enterprises	2,161,326	2,161,326	-
Depreciation	10,601,090	10,236,942	364,148
Total Operating Expenses (Schedule B)	<u>277,789,524</u>	<u>277,571,994</u>	<u>217,530</u>
NON-OPERATING REVENUES/(EXPENSES):			
State Appropriations	83,500,050	83,500,050	-
Ad Valorem Taxes			-
Taxes for Maintenance and Operations	70,079,189	70,079,189	-
Taxes for General Obligation Bonds	33,700,242	33,700,242	-
Gifts	580,836	580,836	-
Investment Income	19,612,623	19,612,623	-
Interest on Capital Related Debt	(14,993,279)	(15,108,935)	115,656
Other Non-Operating Revenues/(Expenses)	(3,223,595)	(2,234,334)	(989,261)
Net Non-Operating Revenues (Schedule C)	<u>189,256,066</u>	<u>190,129,671</u>	<u>(873,605)</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

3. AUTHORIZED INVESTMENTS

The Board of Trustees of the District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code) as amended. The District is authorized to invest its non-endowment funds in obligations and instruments as defined in the Act. Such investments include (1) obligations of the U.S. government or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The District's investment policy also allows the investment of endowment funds in the following instruments: (1) preferred and common stocks, (2) bonds, and (3) debentures or obligations of corporations or other institutions.

4. DEPOSITS AND INVESTMENTS

The carrying amount of the District's deposits at August 31, 2008 and 2007 was \$23,724,536 and \$11,451,388, respectively. Total bank balances at August 31, 2008 and 2007 equaled \$32,524,963 and \$16,874,233, respectively. FDIC insures \$100,000 of the District's bank deposits, and the remaining balance is collateralized with securities.

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

	August 31,	
	2008	2007
Bank Deposits: Demand Deposits	\$ (91,716)	\$ 1,855,428
Money Market	23,816,252	9,595,960
Total Bank Deposits	23,724,536	11,451,388
TexPool Deposits	219,059,659	159,644,816
Petty Cash on Hand	49,400	47,650
Total Cash and Cash Equivalents	\$ 242,833,595	\$ 171,143,854

TexPool is not evidenced by securities in physical form. It is managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pools both seek to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

The daily operations of TexPool are managed by Federated Investors under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (Continued)

The fair value of investments as of August 31, 2008, and 2007, is disclosed below. Fair values of U.S. Government Securities have been calculated using values published by Bloomberg, L.P. Endowment fund fair values have been provided by the District's investment fund managers at Cullen/Frost Asset Management, Stralem & Company, Brandywine Global Investment Management, LLC, and at Sage Advisory Services, Ltd. Company.

Investments as reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

Type of Security	Fair Value at August 31,	
	2008	2007
Flex Repurchase Agreements	\$ 188,203,813	\$ 335,206,325
U.S. Government Securities:		
FHLB Coupon Notes	9,803,036	30,250,840
FNMA Coupon Notes	9,381,064	11,520,460
FHLMC Coupon Notes	2,989,170	15,950,800
FFCB Coupon Notes	1,991,260	7,483,250
Endowment Funds:		
Corporate Stock-Common	9,947,139	10,761,808
Bonds/Mortgage-backed Securities	2,791,396	2,761,005
Money Market Funds	651,601	1,544,508
Total	\$ 225,758,479	\$ 415,478,996

Reconciliation of Deposits and Investments Between Note 3 and Exhibit 1:

	Fair Value August 31,	
	2008	2007
Total Cash and Cash Equivalents	\$ 242,833,595	\$ 171,143,854
Total Investments	225,758,479	415,478,996
Total	\$ 468,592,074	\$ 586,622,850
<i>Per Exhibit 1:</i>		
Cash and Cash Equivalents	\$ 101,268,992	\$ 98,549,325
Restricted Cash and Cash Equivalents	141,564,603	72,594,529
Endowment Investments	13,390,136	15,067,321
Other Long-Term Investments	212,368,343	400,411,675
Total	\$ 468,592,074	\$ 586,622,850

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – Interest rate risk is the risk of changes in the market rate of interest that could adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the District’s investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of various fund types if the District is investing for those funds. The District actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The District further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities.

The weighted average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in terms of years, weighted to reflect the dollar size of individual investments within an investment type. The overall portfolio weighted average maturity is derived by dollar-weighting the WAM for each investment type. The District has selected WAM as the primary method for reporting interest rate risk.

The District had the following investments and maturities at August 31, 2008 and 2007:

Investment Type	2008		2007	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Flex Repurchase Agreements	\$ 188,203,813	0.352	\$ 335,206,325	1.256
FNMA	9,381,064	0.031	11,520,460	0.011
FHLB	9,803,036	0.024	30,250,840	0.038
FHLMC	2,989,170	0.012	15,950,800	0.007
FFCB Discount Notes	1,991,260	0.012	7,483,250	0.003
TexPool	219,059,659	0.059	159,644,816	0.025
	<u>\$ 431,428,002</u>		<u>\$ 560,056,491</u>	
Portfolio weighted average maturity		0.490		1.340

Credit Risk – In accordance with state law and the District’s investment policy, investments in the investment pools are limited to AAA or AAAM by at least one nationally recognized rating agency. Investments in federal agency securities are limited to AAA. At August 31, 2008 the District’s FHLB, FNMA, FFHLC and FFCB Coupon Notes were all rated AAA, and the District’s investment in TexPool was rated AAAM. The Flexible Repurchase Agreements which are held by Depfa Bank has been rated Aa3. At August 31, 2007 the District’s FHLB, FNMA, FHLMC and FFCB Discount Notes were all rated AAA, and the District’s investment in TexPool was rated AAAM. The Flexible Repurchase Agreements are collateralized with securities rated A1 and A by Moody’s and Standard and Poor’s long-term ratings, respectively.

Concentration of Credit Risk – The District’s endowment investment policy limits investments in that portfolio to no more than 20% of any one industry, no more than 5% in any one corporation and no more than 1% of any one corporation’s outstanding stock. The District does not place any other limitation on the investments in which they may invest. Endowment investments were within limitations set by District policy.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (Continued)

The District is required to disclose investments in any investment type that represents 5% or more of the investments. At August 31, 2008, the District had invested its non-endowment funds in Flexible Repurchase Agreements (43.6%) and in TexPool (50.8%). At August 31, 2007, the District had invested its non-endowment funds in Flexible Repurchase Agreements (59.9%), TexPool (28.5%), and in Federal Home Loan Bank coupon notes (5.4%).

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's endowment investments of \$13,390,136 and \$15,067,321 as of August 31, 2008 and 2007, respectively are held by the investment's counterparty, not in the name of the District. The District does not limit the amount of endowment investments held by a counterparty not in the District's name.

The District Board of Trustees has established an endowment spending policy with the objectives of maintaining the purchasing power of the endowment funds while providing a reasonable, predictable, stable, and sustainable level of income to support current needs. A spending rate of 5% of the average of the three prior fiscal year-end market values has been established. If the market value of an individual endowment falls below the corpus value of that endowment, the spending policy will not apply.

5. DERIVATIVES

Derivatives are investment products which may be a security or contract which derives its value from another security, currency, commodity or index, regardless of the source of funds used. The District did not invest in derivatives and held no derivative securities for the years ended August 31, 2008 and 2007.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSET ACTIVITY

For The Year Ended August 31, 2008

	Balance 9/1/2007	Increases	Decreases	Balance 8/31/2008
<u>Not Depreciated:</u>				
Land	\$ 47,725,804	\$ 6,374,452	\$ -	\$ 54,100,256
Construction in Progress	70,063,268	250,119,101	177,803,876	142,378,493
Subtotal	<u>117,789,072</u>	<u>256,493,553</u>	<u>177,803,876</u>	<u>196,478,749</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings and Building Improvements	213,794,496	146,362,940	-	360,157,436
Other Real Estate Improvements	39,735,747	35,538,940	-	75,274,687
Total Buildings and Other Real Estate Improvements	<u>253,530,243</u>	<u>181,901,880</u>	<u>-</u>	<u>435,432,123</u>
Software	2,212,657	61,597	-	2,274,254
Furniture, Machinery, and Equipment	23,490,662	3,656,057	810,077	26,336,642
Library Books	15,778,401	658,269	303,473	16,133,197
Total Buildings and Other Capital Assets	<u>295,011,963</u>	<u>186,277,803</u>	<u>1,113,550</u>	<u>480,176,216</u>
<u>Accumulated Depreciation and Amortization:</u>				
Buildings and Building Improvements	76,282,791	5,425,021	-	81,707,812
Other Real Estate Improvements	22,395,341	2,353,096	-	24,748,437
Total Buildings and Other Real Estate Improvements	<u>98,678,132</u>	<u>7,778,117</u>	<u>-</u>	<u>106,456,249</u>
Software	577,830	442,531	-	1,020,361
Furniture, Machinery, and Equipment	14,767,180	2,511,705	391,345	16,887,540
Library Books	12,806,922	339,667	303,472	12,843,117
Total Accumulated Depreciation	<u>126,830,064</u>	<u>11,072,020</u>	<u>694,817</u>	<u>137,207,267</u>
Net Capital Assets	<u>\$ 285,970,971</u>	<u>\$431,699,336</u>	<u>\$178,222,609</u>	<u>\$ 539,447,698</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSET ACTIVITY (Continued)

For The Year Ended August 31, 2007

	Balance 9/1/2006	Increases	Decreases	Balance 8/31/2007
<u>Not Depreciated:</u>				
Land	\$ 36,082,962	\$ 11,642,842	\$ -	\$ 47,725,804
Construction in Progress	7,957,154	65,051,223	2,945,109	70,063,268
Subtotal	<u>44,040,116</u>	<u>76,694,065</u>	<u>2,945,109</u>	<u>117,789,072</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings and Building Improvements	210,849,387	2,945,109	-	213,794,496
Other Real Estate Improvements	37,231,399	2,504,348	-	39,735,747
Total Buildings and Other Real Estate Improvements	<u>248,080,786</u>	<u>5,449,457</u>	<u>-</u>	<u>253,530,243</u>
Software	1,600,383	612,274	-	2,212,657
Furniture, Machinery, and Equipment	21,495,290	3,785,547	1,790,175	23,490,662
Library Books	15,437,657	469,156	128,412	15,778,401
Total Buildings and Other Capital Assets	<u>286,614,116</u>	<u>10,316,434</u>	<u>1,918,587</u>	<u>295,011,963</u>
<u>Accumulated Depreciation and Amortization:</u>				
Buildings and Building Improvements	71,536,875	4,745,916	-	76,282,791
Other Real Estate Improvements	19,570,520	2,824,821	-	22,395,341
Total Buildings and Other Real Estate Improvements	<u>91,107,395</u>	<u>7,570,737</u>	<u>-</u>	<u>98,678,132</u>
Software	257,753	320,077	-	577,830
Furniture, Machinery, and Equipment	13,681,902	2,376,409	1,291,131	14,767,180
Library Books	12,601,467	333,867	128,412	12,806,922
Total Accumulated Depreciation	<u>117,648,517</u>	<u>10,601,090</u>	<u>1,419,543</u>	<u>126,830,064</u>
Net Capital Assets	<u>\$ 213,005,715</u>	<u>\$ 76,409,409</u>	<u>\$3,444,153</u>	<u>\$ 285,970,971</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM LIABILITIES

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

	Balance 09/01/2007	Additions	Reductions	Balance 08/31/08	Current Portion
Leases, Bonds and Notes					
Notes Payable	\$ 1,156,496	\$ -	\$ 465,591	\$ 690,905	\$ 483,788
General Obligation Bonds	435,818,778	-	5,425,000	430,393,778	11,095,000
Revenue Bonds Tax Notes	74,270,000	5,150,000	3,240,000	76,180,000	3,280,000
Tax Notes	39,410,000	81,110,000	4,510,000	116,010,000	4,340,000
Total Leases, Bonds, and Notes	550,655,274	86,260,000	13,640,591	623,274,683	19,198,788
Other Long-Term Liabilities					
Compensated Absences	7,873,834	1,072,037	598,067	8,347,804	569,232
Early Retirement	367,890	5,566	373,456	-	-
Deferred Revenues	95,240	-	71,429	23,811	23,811
Workers' Compensation Claims	432,103	811,278	714,627	528,754	528,754
Utility Escrow	877,079	855,712	1,150,525	582,266	582,266
Premium on Bonds Payable	11,455,367	1,278,191	602,666	12,130,892	602,394
Accrued Bond Interest Payable	7,307,179	237,621	5,129,570	2,415,230	2,415,230
Arbitrage Liability	1,672,972	1,129,374	-	2,802,346	-
Total Other Long-Term Liabilities	30,081,664	5,389,779	8,640,340	26,831,103	4,721,687
Total Long-Term Liabilities	\$ 580,736,938	\$ 91,649,779	\$ 22,280,931	\$ 650,105,786	\$ 23,920,475

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

	Balance 09/01/2006	Additions	Reductions	Balance 08/31/07	Current Portion
Leases, Bonds and Notes					
Notes Payable	\$ 1,604,575	\$ -	\$ 448,079	\$ 1,156,496	\$ 465,591
General Obligation Bonds	75,153,778	384,155,000	23,490,000	435,818,778	5,425,000
Revenue Bonds Tax Notes	67,645,000	27,175,000	20,550,000	74,270,000	3,060,000
Tax Notes	40,320,000	-	910,000	39,410,000	1,640,000
Total Leases, Bonds, and Notes	184,723,353	411,330,000	45,398,079	550,655,274	10,590,591
Other Long-Term Liabilities					
Compensated Absences	7,441,205	1,072,590	639,961	7,873,834	677,168
Early Retirement	722,620	19,464	374,194	367,890	367,890
Deferred Revenues	166,668	-	71,428	95,240	71,428
Workers' Compensation Claims	911,320	575,474	1,054,691	432,103	290,978
Utility Escrow	1,071,594	601,359	795,874	877,079	877,079
Premium on Bonds Payable	3,263,870	8,857,618	666,121	11,455,367	527,182
Accrued Bond Interest Payable	2,959,425	7,935,992	3,588,238	7,307,179	7,307,179
Arbitrage Liability	-	1,672,972	-	1,672,972	-
Total Other Long-Term Liabilities	16,536,702	20,735,469	7,190,507	30,081,664	10,118,904
Total Long-Term Liabilities	\$ 201,260,055	\$ 432,065,469	\$ 52,588,586	\$ 580,736,938	\$ 20,709,495

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

8. DEBT AND LEASE OBLIGATIONS

Debt service requirements at August 31, 2008 were as follows (amounts in 000's):

For The Year Ended August 31,	General Obligation		Revenue Bonds		Maintenance Tax Notes		Total Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 11,095	\$ 20,076	\$ 3,280	\$ 3,388	\$ 4,340	\$ 5,395	\$ 18,715	\$ 28,859
2010	7,580	19,625	3,405	3,257	4,510	5,220	15,495	28,102
2011	7,599	19,640	3,560	3,105	4,695	5,041	15,854	27,786
2012	8,240	19,001	3,715	2,943	4,880	4,852	16,835	26,796
2013	8,625	18,606	3,885	2,772	5,095	4,638	17,605	26,016
2014-2118	49,995	86,194	20,480	11,149	29,220	19,438	99,695	116,781
2019-2023	63,735	72,453	24,285	6,078	33,440	11,819	121,460	90,350
2024-2028	80,410	55,777	11,365	1,349	29,830	2,868	121,605	59,994
2029-2033	100,750	35,438	2,205	179	-	-	102,955	35,617
2034-2037	92,365	10,292	-	-	-	-	92,365	10,292
Total	\$ 430,394	\$357,102	\$ 76,180	\$ 34,220	\$ 116,010	\$ 59,271	\$ 622,584	\$ 450,593

Debt service requirements at August 31, 2007 were as follows (amounts in 000's):

For The Year Ended August 31,	General Obligation		Revenue Bonds		Maintenance Tax Notes		Total Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 5,425	\$ 25,746	\$ 3,060	\$ 3,264	\$ 1,640	\$ 1,714	\$ 10,125	\$ 30,724
2009	11,095	20,075	3,165	3,152	1,700	1,652	15,960	24,879
2010	7,580	19,625	3,285	3,024	1,765	1,588	12,630	24,237
2011	7,599	19,640	3,435	2,878	1,835	1,519	12,869	24,037
2012	8,240	19,001	3,585	2,722	1,910	1,446	13,735	23,169
2013-2117	47,620	88,558	19,220	11,060	10,850	5,915	77,690	105,533
2018-2022	60,735	75,461	22,465	6,364	10,970	3,352	94,170	85,177
2023-2027	76,830	59,356	14,695	1,439	8,740	849	100,265	61,644
2028-2032	96,330	39,855	1,360	104	-	-	97,690	39,959
2033-2037	114,365	15,529	-	-	-	-	114,365	15,529
Total	\$ 435,819	\$382,846	\$ 74,270	\$ 34,007	\$ 39,410	\$ 18,035	\$ 549,499	\$ 434,888

Rental payments of \$951,582 and \$1,049,698 under operating leases and rental agreements were included in operating expenses for the years ended August 31, 2008 and 2007, respectively.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

9. BONDS AND NOTES PAYABLE

	2008	2007
General Obligation Refunding Bonds, Series 1998 , issued to refund \$9,000,000 of Series 1992 General Obligation Bonds. Issued February 19, 1998 for \$9,387,590; all authorized bonds have been issued. Source of revenue for debt service - ad valorem taxes.	\$ 955,000	\$ 1,925,000
Combined Fee Revenue and Refunding Bonds, Series 2001 , issued to refund \$1,346,101 of Series 1985 Combined Fee Revenue Refunding Bonds and \$20,910,000 of Series 1994 Combined Fee Revenue Bonds; and to construct, renovate, and equip academic buildings and acquire sites. Issued September 19, 2001 for \$53,615,000; all authorized bonds have been issued. Source of revenue for debt service - pledged revenues including tuition, general fee, parking fee, bookstore and food service commissions and general fund investment income.	28,845,000	30,265,000
General Obligation Refunding Bonds, Series 2002 , issued to refund \$2,000,000 of Series 1992 General Obligation Bonds. Issued August 15, 2002 for \$1,998,778; all authorized bonds have been issued. Source of revenue for debt service - ad valorem taxes.	1,133,778	1,133,778
General Obligation Refunding Bonds, Series 2002A , issued to refund \$25,605,000 of Series 1993 General Obligation Bonds. Issued December 12, 2002 for \$25,060,000; all authorized bonds have been issued. Source of revenue for debt service - ad valorem taxes.	2,430,000	6,395,000
Combined Fee Revenue and Refunding Bonds, Series 2003 , issued to refund \$346,955 of Series 1985 Combined Fee Revenue Refunding Bonds and \$8,830,000 of Series 1994 Combined Fee Revenue Bonds; and to construct, renovate, and equip academic buildings and acquire sites. Issued September 23, 2003 for \$10,655,000; all authorized bonds have been issued. Source of revenue for debt service - Pledged revenues including tuition, general fee, parking fee, bookstore and food service commissions and general fund investment income.	6,660,000	7,660,000
Combined Fee Revenue Bonds, Series 2004 , issued to purchase land, and to acquire construct, improve, enlarge, and equip District facilities. Issued August 11, 2004 for \$7,235,000; all authorized bonds have been issued. Source of revenue for debt service - Pledged revenues including tuition, general fee, parking fee, general fund investment income, bookstore and food service commissions.	6,695,000	6,880,000

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

9. BONDS AND NOTES PAYABLE (Continued)

	2008	2007
Maintenance Tax Notes, Series 2004 , issued to purchase equipment, vehicles and renovating various facilities. Issued August 11, 2004 for \$8,155,000; all authorized notes have been issued. Source of revenue for debt service – ad valorem taxes.	4,700,000	5,040,000
Maintenance Tax Notes, Series 2005 , issued to purchase equipment, vehicles and renovating various facilities. Issued September 20, 2005 for \$7,450,000; all authorized notes have been issued. Source of revenue for debt service – ad valorem taxes.	4,005,000	4,265,000
Combined Fee Revenue Bonds, Series 2005 , issued to purchase land and to acquire, construct, improve, enlarge, and equip District facilities. Issued September 20, 2005 for \$2,435,000; all authorized bonds have been issued. Source of revenue for debt service - pledged revenues including tuition, general fee, parking fee, general fund investment income, bookstore and food service commissions.	2,140,000	2,290,000
Maintenance Tax Notes, Series 2006 , issued to purchase equipment, vehicles and renovating various facilities. Issued April 20, 2006 for \$30,435,000; all authorized notes have been issued. Source of revenue for debt service – ad valorem taxes.	29,065,000	30,105,000
Limited Tax Bonds, Series 2006 , issued to construct, renovate, acquire and equip new and existing facilities. Issued April 20, 2006 for \$60,710,000; all authorized bonds have been issued. Source of revenue for debt service - ad valorem taxes.	42,210,000	42,210,000
Limited Tax Bonds, Series 2006A , issued to construct, renovate, acquire and equip new and existing facilities. Issued September 14, 2006 for \$49,580,000; all authorized bonds have been issued. Source of revenue for debt service - ad valorem taxes.	49,580,000	49,580,000

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

9. BONDS AND NOTES PAYABLE (Continued)

	2008	2007
<p>Combined Fee Revenue and Refunding Bonds, Series 2007, issued to refund \$17,900,000 of Series 2001 Combined Fee Revenue Refunding Bonds; and to construct, renovate, and equip academic buildings and acquire sites. Issued March 8, 2007 for \$27,175,000; all authorized bonds have been issued. Source of revenue for debt service - pledged revenues including tuition, general fee, parking fee, general fund investment income, bookstore and food service commissions.</p>	26,870,000	27,175,000
<p>Limited Tax Bonds, Series 2007, issued to construct, renovate, acquire and equip new and existing facilities. Issued April 5, 2007 for \$271,085,000; all authorized bonds have been issued. Source of revenue for debt service - ad valorem taxes.</p>	271,085,000	271,085,000
<p>Limited Tax Bonds, Series 2007A, issued to construct, renovate, acquire and equip new and existing facilities. Issued August 21, 2007 for \$63,490,000; all authorized bonds have been issued. Source of revenue for debt service - ad valorem taxes.</p>	63,000,000	63,490,000
<p>Combined Fee Revenue and Refunding Bonds, Series 2007, issued to purchase land and to acquire, construct, improve, enlarge, and equip District facilities. Issued September 18, 2007 for \$5,150,000; all authorized bonds have been issued. Source of revenue for debt service - pledged revenues including tuition, general fee, parking fee, general fund investment income, bookstore and food service commissions.</p>	4,970,000	-
<p>Maintenance Tax Notes, Series 2007, issued to purchase equipment, vehicles and renovating various facilities. Issued September 18, 2007 for \$81,110,000; all authorized notes have been issued. Source of revenue for debt service - ad valorem taxes.</p>	78,240,000	-
<p>Total Bonds and Notes Payable</p>	\$ 622,583,778	\$ 549,498,778

Bonds payable are due in annual installments varying from \$115,000 to \$16,365,000 with interest rates from 3.0 to 5.675% with the final installment due in fiscal year 2037.

For the year ended August 31, 2008, the revenue pledged as security for revenue bond debt service includes a portion of tuition and general fee revenue, \$29.5 million, investment income, \$4.3 million, and auxiliary revenue, \$3.5 million. For the year ended August 31, 2007, the revenue pledged as security for revenue bond debt service includes a portion of tuition and general fee revenue, \$26.8 million, investment income, \$5.0 million, and auxiliary revenue, \$3.2 million.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

10. DEFEASANCE OF DEBT

The District refunded certain outstanding bonds in the year ended August 31, 2007, which have been recorded in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. In February 2007, the District issued \$27.175 million of Combined Fee Revenue and Refunding Bonds Series 2007. The bonds were issued to refund outstanding Series 2001 revenue bonds and to provide funds to purchase land, acquire, construct, improve, enlarge, and equip district facilities. The bonds pay interest on November 1 and May 1 of each year and are slated to mature in Fiscal Year 2026. Bonds will be repaid using pledged revenues including tuition, general fee, parking fees, investment income, net bookstore and food service commissions.

The bonds issued for the refunding were issued at an average interest rate of 4.311% to advance refund a principal amount of \$17.9 million of the District's Combined Fee Revenue and Refunding Bonds, Series 2001, with an average interest rate of 5.139%. The net proceeds of \$18.9 million (after deduction of \$316,114 for issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2001 series bonds. As a result, these 2001 series bonds are considered to be defeased and the liability for these bonds has been removed from the District's Statements of Net Assets. The advanced refunding resulted in an accounting loss of \$1.3 million, which will be amortized over the life of the bonds and decrease the District's total debt service payments over the next 18 years by \$790,111 to produce an economic gain with a net present value of \$553,842 (the difference between the present value of the debt service payments on the old and new debt).

Defeased bonds outstanding at August 31, 2008 and 2007 are as follows:

Bond Issue	Year Refunded	Par Value Outstanding	
		August 31,	
		2008	2007
Combined Fee Revenue Bonds Series 2001	2007	\$ 17,900,000	\$ 17,900,000

11. EMPLOYEES' RETIREMENT PLANS

The District requires all full-time employees to participate in either the Teacher Retirement System of Texas or in the optional retirement program. Faculty, administrators, counselors and librarians may enroll in either the Teacher Retirement System of Texas or the optional retirement program. Secretarial, clerical and professional employees are limited to participation in the Teacher Retirement System of Texas. Employees who are eligible to participate in the optional retirement program have ninety days from the date of their employment to select the optional retirement program. Employees who previously had the opportunity to participate in the optional retirement program but declined must remain with the Teacher Retirement System of Texas for the duration of their employment in the Texas education system.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

11. EMPLOYEES' RETIREMENT PLANS (Continued)

Teacher Retirement System of Texas

Plan Description. The Alamo Community College District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2008 and 2007 and a state contribution rate of 6.58% for fiscal year 2008 and 6.0% for fiscal year 2007. 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 6.00% for fiscal year 2007.

For the years ended August 31, 2008 and 2007, respectively, contributions to the Teacher Retirement System amounted to \$10,316,176 and \$9,296,694, of which \$5,324,476 and \$4,798,293 was made by employees, \$4,006,880 and \$3,712,275 was made by the State of Texas, \$512,299 and \$419,980 was made by other grantor agencies and \$472,521 and \$366,146 was made by the District. Total payroll for employees covered by the System for the years ended August 31, 2008 and 2007, respectively, was \$83,195,010 and \$74,973,350.

Optional Retirement Plan

Plan Description. The state has also established an optional retirement program 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 and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. 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. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

11. EMPLOYEES' RETIREMENT PLANS (Continued)

For the years ended August 31, 2008 and 2007, respectively, contributions to the optional retirement program amounted to \$7,194,785 and \$7,028,889, of which \$3,290,237 and \$3,244,976 was made by employees, \$3,215,641 and \$2,894,537 was made by the State of Texas, \$37,548 and \$26,309 was made by other grantor agencies and \$651,359 and \$863,067 was made by the District. Total payroll of employees participating in the optional retirement program for the years ended August 31, 2008 and 2007 was \$49,477,282 and \$48,796,561.

12. DEFERRED COMPENSATION PROGRAM

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The employee's investments are held in tax deferred annuity plans pursuant to Internal Revenue Code Section 403(b). As of August 31, 2008 and 2007, the District had 624 and 583 employees participating in the program, respectively. A total of \$3,209,094 and \$2,784,002 in payroll deductions had been invested in approved plans during the Fiscal Years 2008 and 2007, respectively.

In April 2006 the District added a deferred compensation plan to the employer benefit package. Full-time employees can begin participating in the plan on their first day of employment. An employee can contribute up to maximum of \$15,500 (\$20,500 for participants over 50 years of age) for 2008. As of August 31, 2008, the District had 95 employees participating in the program. A total of \$320,063 in payroll deductions had been invested in approved plans during Fiscal Year 2008. As of August 31, 2007, the District had 58 employees participating in the program. A total of \$178,679 in payroll deductions had been invested in approved plans during Fiscal Year 2007.

13. COMPENSATED ABSENCES

The District's full-time employees earn eight hours of sick leave and from seven to twelve hours of annual leave per month depending on their length of employment with the District. The District's policy is that an employee may carry accrued annual leave forward from one fiscal year to another with a maximum of 288 hours for employees with 16 years of service. Sick leave balances may accumulate indefinitely with no maximum. Employees who successfully complete the ninety-day initial employment period and terminate their employment are entitled to payment for accumulated annual leave up to the maximum allowed. Effective September 1, 1987, payment for unused sick leave at termination date is limited to all or to a portion of the days accumulated prior to September 1, 1987 subject to limitations depending upon length of service and type of termination.

The District recognizes the accrued liability for annual and sick leave as a long-term liability in the Statements of Net Assets (see Note 7). The District's reporting of accrued liabilities for compensated absences is in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The current portion of the liability is that which is projected to be paid during the next fiscal year based on historical experience. The total accrued at August 31, 2008 of \$8,347,804 was allocated \$4,625,576 to sick leave and \$3,722,228 to annual leave. The total accrued at August 31, 2007 of \$7,873,834 was allocated \$4,831,130 to sick leave and \$3,042,704 to annual leave.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS AND CONTINGENCIES

On August 31, 2008, various lawsuits and claims involving ACCD were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

The District has entered into several contracts for construction and various other renovation projects. As of August 31, 2008, and 2007, the District was committed for approximately \$168,822,000, and \$293,102,000, respectively.

Encumbrances in the general fund of \$3.6 million and \$3.7 million for the years ended August 31, 2008 and 2007, respectively, will be provided for from the prior year's fund balances.

15. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Accounts Receivable at August 31, 2008 and 2007 were as follows:

	August 31,	
	2008	2007
Tuition and Fees Receivable (net of allowance for doubtful accounts of \$2,155,675 and \$2,015,237 in 2008 and 2007)	\$ 2,175,745	\$ 3,082,474
Taxes Receivable (net of allowance for doubtful accounts of \$3,166,160 and \$2,730,920 in 2008 and 2007)	1,820,841	1,826,696
Contracts and Grants Receivable	2,348,052	4,533,807
Interest Receivable	1,059,015	2,165,891
Other Receivables (net of allowance for doubtful accounts of \$235,950 and \$200,980 in 2008 and 2007)	<u>844,028</u>	<u>1,411,220</u>
Total	<u>\$ 8,247,681</u>	<u>\$ 13,020,088</u>

Other receivables represent amounts due from external entities, employees and students, including returned checks receivable, travel advances, and other miscellaneous receivables.

Accounts Payable and Accrued Liabilities at August 31, 2008 and 2007 were as follows:

	August 31,	
	2008	2007
Payable to Vendors	\$ 35,810,498	\$ 26,169,513
Salaries and Benefits Payable	1,607,017	1,538,336
Bank Overdraft	6,549,174	8,093,801
Construction Retainage Payable	<u>21,267,411</u>	<u>3,223,224</u>
Total	<u>\$ 65,234,100</u>	<u>\$ 39,024,874</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

16. FUNDS HELD FOR OTHERS

The District holds funds for certain students as well as student and staff organizations. These amounts are reflected in the Statements of Net Assets as funds held for others in the amount of \$375,091 as of August 31, 2008 and \$375,433 as of August 31, 2007.

17. CONTRACT AND GRANT AWARDS

Contract and grant revenue for which funds have been expended is included in the Statements of Revenues, Expenses and Changes in Net Assets. Contract and grant awards for which funds have been expended but not yet collected are included in Accounts Receivable in the Statements of Net Assets. Contract and grant awards for which funds have been received but not yet expended are included in Deferred Revenue in the Statements of Net Assets. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, including multi-year awards or funds awarded during Fiscal Years 2008 and 2007 respectively, for which funds had not been received or expended, totaled \$16,020,531 and \$13,287,955. Of this amount, \$10,659,261 and \$11,761,385 was from federal and \$5,361,270 and \$1,526,570 from state contract and grant awards for the years ended August 31, 2008 and 2007.

18. SELF-INSURED AND RISK MANAGEMENT PLANS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District fully insures its buildings, structures, contents and equipment with the purchase of commercial insurance.

Effective February 1, 1991 the District began its Workers' Compensation Self-Insurance Fund (the Fund) administered by a third party administrator. Through this plan, the District self-insures workers' compensation claims up to \$300,000 per occurrence. Individual losses of over \$300,000 are covered by a Specific Excess Insurance policy up to the maximum statutory benefit per occurrence. Additionally, \$2.6 million of fund balance has been designated by the District to cover losses in excess of those covered by insurance and the Fund. The Fund pays the premium for the Specific Excess Insurance policy and assumes all workers' compensation claims and expenses not covered by the policy. The District transfers the workers' compensation standard premium calculated for the District into the Fund.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

18. SELF-INSURED AND RISK MANAGEMENT PLANS (Continued)

Claims and administrative expenses are paid from the Fund and the balance is reserved towards future claims. The accrued liability in the Fund presented below represents a provision for unpaid expected claims of \$528,754 and \$432,103 at August 31, 2008 and 2007, respectively. These liabilities are generally based on actual valuation and the present value of unpaid expected claims. The discount rate used to calculate the present value of liabilities was 4% for August 31, 2008 and 2007.

Fiscal Year	Beginning of Year Liability	Additions	Deductions	End of Year Liability
2007	\$ 911,320	575,474	(1,054,691)	\$ 432,103
2008	\$ 432,103	811,278	(714,627)	\$ 528,754

19. POST RETIREMENT, HEALTH CARE, AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state pays certain health care and life insurance benefits for retired employees. Employees may become eligible for those benefits if they reach normal retirement age while working for the District. The District also provides some additional life insurance for retirees. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year.

The state recognizes the cost of providing these benefits for active employees and retirees by expending the annual insurance premiums. The state's contribution per eligible employee or retiree was between \$319.73 and \$704.52 per month for the year ended August 31, 2008, and totaled \$12,248,629 and \$11,483,859 for the years ended August 31, 2008 and 2007, respectively. The state's cost of providing these benefits for 677 retirees was \$3,079,440 and for 2,612 active employees was \$9,452,193 for the year ended August 31, 2008. The state's cost of providing these benefits for 643 retirees was \$2,972,059 and for 2,364 active employees was \$8,511,800 for the year ended August 31, 2007.

Contributions by the State of Texas on behalf of the District's employees for group insurance benefits are recorded as state appropriations even though the funds do not flow through the District's accounts. An equal amount has been recognized in the appropriate functional expense categories.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

20. AD VALOREM TAX

The District's ad valorem property tax is levied each October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

General information follows for the years ended August 31,

	<u>2008</u>	<u>2007</u>
Assessed Valuation of the District	\$ 97,395,174,879	\$ 82,560,091,116
Less: Exemptions	(7,007,075,783)	(5,436,124,534)
Tax Increment Financings	<u>(319,047,050)</u>	<u>(84,972,545)</u>
Net Assessed Valuation of the District	<u>\$ 90,069,052,046</u>	<u>\$ 77,038,994,037</u>

Authorized and Assessed Tax Rates Fiscal Year 2008:

	<u>Current</u>			
	<u>Operations</u>	<u>Debt Service</u>	<u>Total</u>	
Tax Rate per \$100 Valuation Authorized	\$ -	\$ -	\$ 0.250000	
Tax Rate per \$100 Valuation Assessed	\$ 0.089800	\$ 0.044750	\$ 0.134550	

Authorized and Assessed Tax Rates Fiscal Year 2007:

	<u>Current</u>			
	<u>Operations</u>	<u>Debt Service</u>	<u>Total</u>	
Tax Rate per \$100 Valuation Authorized	\$ -	\$ -	\$ 0.250000	
Tax Rate per \$100 Valuation Assessed	\$ 0.092300	\$ 0.044750	\$ 0.137050	

Tax Collection Detail Fiscal Year 2008:

<u>Taxes Collected</u>	<u>Current</u>			
	<u>Operations</u>	<u>Debt Service</u>	<u>Total</u>	
Current Taxes Collected	\$ 77,169,876	\$ 38,458,146	\$ 115,628,022	
Tax Increment Financing Payment	(476,845)	-	(476,845)	
Delinquent Taxes Collected	1,247,398	453,023	1,700,421	
Penalties & Interest Collected	<u>1,210,582</u>	<u>315,414</u>	<u>1,525,996</u>	
Total Collections	<u>\$ 79,151,011</u>	<u>\$ 39,226,583</u>	<u>\$ 118,377,594</u>	

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

20. AD VALOREM TAX (Continued)

Tax Collection Detail Fiscal Year 2007:

Taxes Collected	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 68,041,096	\$ 32,988,828	\$ 101,029,924
Tax Increment Financing Payment	(341,480)	-	(341,480)
Delinquent Taxes Collected	1,265,068	469,795	1,734,863
Penalties & Interest Collected	1,114,505	241,619	1,356,124
Total Collections	<u>\$ 70,079,189</u>	<u>\$ 33,700,242</u>	<u>\$ 103,779,431</u>

Taxes levied for the years ended August 31, 2008 and 2007 are \$117,688,619 and \$102,947,673, respectively. Property taxes attach as an enforceable lien on property as of January 1 following the October 1 levy. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. The use of tax proceeds is restricted to either operations or debt service expenditures. Tax collections for the years ended August 31, 2008 and 2007 were 98.08% and 98.14%, respectively, of the current tax levy. The allowance for uncollectible taxes is based upon historical experience in collecting property taxes.

21. INCOME TAXES

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The District had no unrelated business income tax liability for the years ended August 31, 2008 and 2007.

22. RELATED PARTIES

The Alamo Community College District Foundation, Inc. is organized under the Texas Non-Profit Corporation Act and is a tax-exempt institution under Section 501(c)(3) of the Internal Revenue Code. Its purpose is to maintain, develop, increase and extend the facilities and services of the District and to provide broader educational service opportunities to its students, staff and faculty. The Foundation board is separate from that of the District. The District neither appoints a voting majority nor does it fund or have the obligation to pay debt related to this foundation. The Foundation solicits donations and acts as a coordinator of gifts made by other parties.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

22. RELATED PARTIES (Continued)

Complete financial statements of Alamo Community College District Foundation can be obtained from the administrative office of the Alamo Community College District. The purpose of the Foundation is to support funding initiatives of the District, including remitting proceeds of funding initiatives of the District. The Foundation remitted gifts of \$612,969 and \$599,804 to the District during the years ended August 31, 2008 and 2007, respectively. At December 31, 2007 and 2006, the Foundation had no amounts due to the District for restricted funds received during the years then ended which had not been remitted as of December 31, 2007 and 2006.

The majority of the Foundation's operation and fundraising expenses are paid for by the District. No accruals have been made in the Foundation's financial statements to provide for these revenues and expenses for the years ended December 31, 2007 and 2006.

23. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

The college's contributions to SRHP for the years ended August 31, 2008, 2007, and 2006, were \$67,266, \$-0-, and \$29,487, respectively, which equaled the required contributions each year.

ALAMO COMMUNITY COLLEGE DISTRICT
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NOTES TO FINANCIAL STATEMENTS

24. OTHER OPERATING REVENUES

"Other Operating Revenues" (Exhibit 2 and Schedule A) include rental income, paper recycling revenue, Virtual College of Texas provider fees, revenue from various fund raising activities, and other revenues not applicable to any other revenue category.

25. ARBITRAGE REBATE UNDER TAX REFORM ACT OF 1986

The Tax Reform Act of 1986 enacted Section 148(f) of the Internal Revenue Code relating to arbitrage rebate requirements. This section generally provides that in order for interest on any issue of obligations to be excluded from gross income (i.e. tax-exempt) the issuer must rebate to the United States the sum of (1) the excess of the amount earned on all "nonpurpose investments" acquired with "gross proceeds" of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

The U.S. Department of Treasury temporary regulations and the District's bond covenants require the District to calculate annually, on the anniversary date of each bond issue subject to rebate, the arbitrage rebate amount. The due date of the rebate is five years from the date of issue. The amount reserved for arbitrage is reflected as part of noncurrent liabilities in the amount of \$2,802,346 and \$1,672,792 as of August 31, 2008, and 2007, respectively.

26. FINANCING AND JOINT USE AGREEMENT PALO ALTO COLLEGE NATATORIUM

The District and the City of San Antonio entered into an agreement May 17, 1989 to jointly finance and share the use of the then proposed Palo Alto College Natatorium. In consideration for the City's contribution to the construction and maintenance costs of the Natatorium the District agreed to permit City use of the Natatorium for the duration of the useful life of the facility. The proportionate shares of cost of construction and maintenance to the District and the City are 51% and 49%, respectively. Annual contributions by the District and the City toward the Major Repair, Replacement and Capital Improvement Fund (Fund) are \$51,000 and \$49,000, respectively. Contributions to the Fund may be suspended once the fund balance reaches \$1,000,000. Annual contributions must resume when the unobligated balance of the Fund falls below \$750,000. The amount available for major repairs is \$938,276 and \$817,340 as of August 31, 2008, and 2007, respectively.

27. FINANCING AND JOINT USE AGREEMENT ST. PHILIP'S LITERACY CENTER

The District and the City of San Antonio entered into an agreement on November 30, 1992 to jointly finance and share the use of the then proposed St. Philip's Literacy Center. In consideration for the City's contribution to the construction and maintenance costs of the Literacy Center, the District agreed to permit City use of the Literacy Center for a period of forty years from the date of substantial completion of the facility. The Literacy Center opened in June, 1997. The monthly operating cost of the Center which includes custodial services, maintenance and utilities is shared equally by the District and City.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

28. CITY OF SAN ANTONIO UTILITY ESCROW SETTLEMENT AND INTERLOCAL AGREEMENT

The District and the City of San Antonio entered into a Settlement and Interlocal Agreement (the Agreement) on May 2, 2001, for the disposition of amounts escrowed for the payment of the gas and electric utility fees charged by City Public Service and designated for the City of San Antonio. The Agreement established a Building Account in the amount of \$2,981,572, the amount of the District's Utility Escrow as of December 31, 1999. The Building Account is established for the development of an Advanced Technology Center on the premises of the Port Authority of San Antonio. The funds will be used for finish out, improvements and the purchase of equipment. The Building Account balance was \$-0- as of August 31, 2008 and 2007.

The Agreement additionally established an Education and Training account. The funds from this account are to provide funding for classroom hours and customized training for City of San Antonio employees and designated City of San Antonio program participants and for any other lawful purpose in furtherance of the City of San Antonio Economic Development Strategies and Workforce Development to be provided by the District. The District agrees to deposit and maintain in the Education and Training Account, 14% of the monthly electric and natural gas billed by City Public Service from the date of the Agreement through the termination of the Agreement on March 31, 2016. The Education and Training Account balance was \$582,266 and \$877,079 as of August 31, 2008 and 2007, respectively, and is reflected in the District's Statements of Net Assets as a long-term liability (see Utility Escrow, Note 7).

29. ENERGY CONSERVATION PROJECT

The District has entered into an agreement with the Texas Experimental Engineering Station of Texas A&M University for an energy conservation project which is projected to result in a reduction in utility costs in subsequent years. The agreement provides for an energy audit and consulting services, the retrofit of lighting and other fixtures, installation of equipment, and monitoring services to document utility savings upon project completion.

The principal amount of the note, \$3,076,207, will be paid over 7 years with an interest rate of 3.84%. The District will make annual payments equal to \$501,862 (including principal and interest) for repayment of the note, with the final payment due in January 2010. The principal outstanding at August 31, 2008 and 2007 was \$690,905 and \$1,156,496, respectively.

Debt service requirements at August 31, 2008 are as follows:

<u>For the Fiscal</u> <u>Year Ended</u>	
2009	\$ 483,788
2010	<u>207,117</u>
	<u>\$ 690,905</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

30. FINANCING AND JOINT USE AGREEMENT COLLEGE CONNECTION PROGRAM

The District and the Judson Independent School District (JISD) entered into an agreement October 18, 2007 to jointly finance and share the use of the JISD Early College High School (ECHS) Facility. In consideration for the JISD contribution to the construction and maintenance costs of the ECHS the District agrees to provide administrative and academic support to develop ECHS programs allowing high school students to take dual credit classes and graduate with a high school diploma and an associate's degree in five years.

The District retains title to the land provided for the project on its Northeast Lakeview College campus. The cost of the project estimated at \$12 million will be borne by JISD in addition to the annual operating expenses not limited to maintenance, custodial, security, and utilities. Ownership of the leasehold improvements remain with JISD until the expiration of a 50-year lease set at a minimum of \$10 per year.

31. EARLY RETIREMENT

In September 2004, the Board of Trustees approved the offering of a new early retirement incentive program. The basic eligibility requirements are that the employee meets at least one of the following criteria (1) age plus years of service equal 80, (2) 55 years old and 10 years of service with the District, or (3) 65 years old and 10 years of service. The total amount due to each individual is based upon a percentage of salary and years of service to the District. The total amount due to each retiree is to be paid in three annual lump-sum installments beginning the January following retirement.

The imputed interest expense was calculated based upon the prevailing interest rate of 3.71%. This early retirement program ended at August 31, 2008. The present value calculation of early retirement benefits for employees participating in the early retirement program as of August 31, 2008 is zero.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

32. SUBSEQUENT EVENTS

Redemption of Notes

On October 1, 2008, the District redeemed \$5.5 million of tax notes bearing interest rates between 3.3 and 4.7% with maturities between 2010 and 2020 for a total cash consideration of \$5,544,000, consisting of accrued and unpaid interest, and other fees and expenses. The total cash consideration was paid using available debt service tax proceeds.

Additionally, the District will write off \$150,000 of unamortized debt issuance costs and any applicable discount or premium relating to the purchase and extinguishment of these notes in Fiscal Year 2009.

Approval to Transfer Certain Endowment Assets to Related Party

The District petitioned for court approval to substitute the Alamo Community College District Foundation, Inc. (Foundation) as trustee for certain District endowment funds derived from external donors. The petition was granted November 5, 2008. Transfer of these assets to the Foundation had not occurred as of the date of this report.

Decline in Fair Value of Endowment Investments

Subsequent to August 31, 2008, stock markets have experienced significant declines. District management estimates the market value of investments held by the District's Endowment Fund declined approximately \$2.7 million or 20% percent as of October 31, 2008. The Endowment funds are held in perpetuity and thus have an extended investment time horizon. The District does not expect for this decline to be permanent or to have a significant effect on future funding requirements.

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**Schedules Required by the
Texas Higher Education Coordinating Board**

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2008
With Memorandum Totals for the Year Ended August 31, 2007

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY08 Total	FY07 Total
OPERATING REVENUES:						
Tuition						
State Funded Courses						
In District Resident Tuition	\$ 39,747,832	\$ -	\$ 39,747,832	\$ -	\$ 39,747,832	\$ 37,536,647
Out of District Resident Tuition	10,810,934	-	10,810,934	-	10,810,934	9,140,847
Non-Resident Tuition	4,011,399	-	4,011,399	-	4,011,399	3,218,565
TPEG - Credit Set Aside *	2,697,273	-	2,697,273	-	2,697,273	2,626,734
State-Funded Continuing Education	2,746,009	-	2,746,009	-	2,746,009	1,967,262
TPEG - Non-Credit Set Aside *	265,290	-	265,290	-	265,290	551,434
Non-State Funded Continuing Education	2,570,744	-	2,570,744	-	2,570,744	2,740,870
Total Tuition	62,849,481	-	62,849,481	-	62,849,481	57,782,359
Fees						
General Fee	15,209,238	-	15,209,238	-	15,209,238	14,038,112
Laboratory Fees	1,851,261	-	1,851,261	-	1,851,261	2,483,382
Registration Fee	1,480,263	-	1,480,263	-	1,480,263	1,347,181
Library Upgrade Fee	1,664,987	-	1,664,987	-	1,664,987	1,498,525
Other	4,684,448	-	4,684,448	-	4,684,448	4,067,325
Total Fees	24,890,197	-	24,890,197	-	24,890,197	23,434,525
Total Tuition and Fees	87,739,678	-	87,739,678	-	87,739,678	81,216,884
Scholarship Allowances and Discounts						
Institutional Scholarships	(930,564)	-	(930,564)	-	(930,564)	(1,056,273)
Remissions and Exemptions - State	(1,425,176)	-	(1,425,176)	-	(1,425,176)	(1,227,661)
Remissions and Exemptions - Local	(7,118,737)	-	(7,118,737)	-	(7,118,737)	(4,988,202)
Federal Grants to Students	-	(22,739,612)	(22,739,612)	-	(22,739,612)	(22,589,254)
TPEG Awards	-	(1,625,420)	(1,625,420)	-	(1,625,420)	(1,210,678)
State Grants to Students	-	(1,103,622)	(1,103,622)	-	(1,103,622)	(946,358)
Other Local Awards	-	-	-	-	-	-
Total Sch Allowances and Discounts	(9,474,477)	(25,468,654)	(34,943,131)	-	(34,943,131)	(32,018,426)
Total Net Tuition and Fees	78,265,201	(25,468,654)	52,796,547	-	52,796,547	49,198,458
Other Operating Revenues						
Federal Grants and Contracts	504,784	76,243,701	76,748,485	-	76,748,485	70,734,851
State Grants and Contracts	-	7,195,598	7,195,598	-	7,195,598	5,920,330
Local Grants and Contracts	699,954	417,335	1,117,289	-	1,117,289	897,264
Non-Governmental Grants and Contracts	-	483,217	483,217	-	483,217	787,202
Inv/Endow inc incl FMV chg (Prog Restricted)	-	157,634	157,634	-	157,634	184,120
Other Operating Revenues	2,449,950	45,902	2,495,852	-	2,495,852	2,166,890
Total Other Operating Revenues	3,654,688	84,543,387	88,198,075	-	88,198,075	80,690,657
Sales and Services of Auxiliary Enterprises						
Bookstore Commission	-	-	-	1,665,920	1,665,920	1,447,991
Palo Alto College Natatorium	-	-	-	603,468	603,468	521,435
Day Care Centers	-	-	-	569,739	569,739	508,423
Vending Machines/Copiers	-	-	-	409,156	409,156	391,123
Parking Permits & Fines	-	-	-	835,138	835,138	860,462
Other	-	-	-	152,099	152,099	24,310
Total Sales and Services of Auxiliary Enterprises	-	-	-	4,235,520	4,235,520	3,753,744
Total Operating Revenues	\$ 81,919,889	\$ 59,074,733	\$ 140,994,622	\$ 4,235,520	\$ 145,230,142	\$ 133,642,859
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code 56.033, \$2,962,563 of tuition was set aside for the Texas Public Education Grant

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2008
With Memorandum Totals for the Year Ended August 31, 2007

	Operating Expenses				FY08 Total	FY07 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 88,839,213	\$ -	\$ 8,378,007	\$ 6,163,557	\$ 103,380,777	\$ 98,310,514
Public Service	223,310	-	20,076	206,173	449,559	509,271
Academic Support	13,259,962	-	1,206,285	5,327,728	19,793,975	17,327,720
Student Services	16,129,130	-	1,514,325	4,222,185	21,865,640	19,962,188
Institutional Support	21,810,752	-	4,571,452	15,956,322	42,338,526	36,274,452
Operation and Maintenance of Plant	7,958,726	-	2,727,171	9,694,670	20,380,567	19,485,368
Scholarships and Fellowships	-	-	-	546,574	546,574	946,979
Total Unrestricted Educational Activities	148,221,093	-	18,417,316	42,117,209	208,755,618	192,816,492
Restricted - Educational Activities						
Instruction	1,937,288	11,865,944	341,302	5,441,609	19,586,143	18,277,930
Public Service	14,609	29,743	238	96,919	141,509	381,492
Academic Support	250,794	1,748,012	19,087	119,166	2,137,059	2,365,482
Student Services	4,652,567	2,734,342	923,859	1,760,885	10,071,653	10,363,961
Institutional Support	679,665	3,093,109	18,246	541,229	4,332,249	3,856,086
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarships and Fellowships	-	-	-	43,340,608	43,340,608	36,965,665
Total Restricted Educational Activities	7,534,923	19,471,150	1,302,732	51,300,416	79,609,221	72,210,616
Total Educational Activities	155,756,016	19,471,150	19,720,048	93,417,625	288,364,839	265,027,108
Auxiliary Enterprises	1,472,792	-	403,501	435,678	2,311,971	2,161,326
Depreciation and Amortization - Buildings	-	-	-	7,778,117	7,778,117	7,570,737
Depreciation and Amortization - Equipment	-	-	-	3,293,903	3,293,903	3,030,353
Total Operating Expenses	\$ 157,228,808	\$ 19,471,150	\$ 20,123,549	\$ 104,925,323	\$ 301,748,830	\$ 277,789,524
					(Exhibit 2)	(Exhibit 2)

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2008
With Memorandum Totals for the Year Ended August 31, 2007

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY08 Total	FY07 Total
NON-OPERATING REVENUES:						
State Appropriations						
Education and General State Support	\$ 67,846,696	\$ -	\$ 67,846,696	\$ -	\$ 67,846,696	\$ 65,409,379
State Group Insurance	-	12,248,629	12,248,629	-	12,248,629	11,483,859
State Retirement Match	-	7,222,521	7,222,521	-	7,222,521	6,606,812
Ad Valorem Taxes						
Taxes for Maintenance and Operations	79,277,313		79,277,313	-	79,277,313	70,079,189
Taxes for Debt Service	-	39,164,358	39,164,358	-	39,164,358	33,700,242
Gifts	2,072	138,802	140,874	-	140,874	580,836
Investment Income	3,236,629	19,296,799	22,533,428	-	22,533,428	19,612,623
Other Non-Operating Revenue	-	-	-	-	-	48,028
Total Non-Operating Revenues	<u>150,362,710</u>	<u>78,071,109</u>	<u>228,433,819</u>	<u>-</u>	<u>228,433,819</u>	<u>207,520,968</u>
NON-OPERATING EXPENSES:						
Interest on Capital Related Debt	-	(29,550,614)	(29,550,614)	-	(29,550,614)	(14,993,279)
Loss on Disposal of Capital Assets	-	(418,733)	(418,733)	-	(418,733)	(499,044)
Arbitrage Rebate Expense	-	(1,129,373)	(1,129,373)	-	(1,129,373)	(1,672,973)
Other Non-Operating Expenses	-	(9,203,581)	(9,203,581)	-	(9,203,581)	(1,099,606)
Total Non-Operating Expenses	<u>-</u>	<u>(40,302,301)</u>	<u>(40,302,301)</u>	<u>-</u>	<u>(40,302,301)</u>	<u>(18,264,902)</u>
Net Non-Operating Revenues	<u>\$ 150,362,710</u>	<u>\$ 37,768,808</u>	<u>\$ 188,131,518</u>	<u>\$ -</u>	<u>\$ 188,131,518</u>	<u>\$ 189,256,066</u>
					(Exhibit 2)	(Exhibit 2)

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule D
Schedule of Net Assets by Source and Availability
For the Year Ended August 31, 2008
With Memorandum Totals for the Year Ended August 31, 2007

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 66,444,047	\$ -	\$ -	\$ -	\$ 66,444,047	\$ 8,416,964	\$ 58,027,083
Board-Designated	5,303,716	-	-	-	5,303,716	-	5,303,716
Restricted	-	3,413,094	-	-	3,413,094	-	3,413,094
Auxiliary Enterprises	2,595,790	-	-	-	2,595,790	2,518,486	77,304
Loan	215,366	-	-	-	215,366	-	215,366
Endowment:							
Quasi	11,814,068	-	-	-	11,814,068	-	11,814,068
True	-	252,149	1,298,568	-	1,550,717	-	1,550,717
Term	-	-	-	-	-	-	-
Plant:							
Unexpended	5,182,984	150,351	-	-	5,333,335	-	5,333,335
Renewals	-	938,276	-	-	938,276	-	938,276
Debt Service	-	8,430,656	-	-	8,430,656	-	8,430,656
Investment in Plant	-	-	-	172,395,461	172,395,461	-	172,395,461
Total Net Assets, August 31, 2008	\$ 91,555,971	\$ 13,184,526	\$ 1,298,568	\$ 172,395,461	\$ 278,434,526	\$ 10,935,450	\$ 267,499,076
					(Exhibit 1)		
Total Net Assets, August 31, 2007	82,282,602	7,050,438	1,298,474	155,640,876	246,272,390	19,657,790	226,614,600
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	\$ 9,273,369	\$ 6,134,088	\$ 94	\$ 16,754,585	\$ 32,162,136	\$ (8,722,340)	\$ 40,884,476
					(Exhibit 2)		

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Supplementary Information

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule of Operating Revenues by Location
For the Year Ended August 31, 2008

	DIST SVCS	SAC	SPC	PAC	NVC	NLC	TOTAL
Tuition							
State Funded Courses							
In District Resident Tuition	\$ -	\$ 15,829,243	\$ 7,200,865	\$ 5,915,249	\$ 8,970,154	\$ 1,832,321	\$ 39,747,832
Out of District Resident Tuition	-	3,782,083	2,073,989	2,319,272	1,383,256	1,252,334	10,810,934
Non-Resident Tuition	-	2,332,236	319,579	121,138	1,129,628	108,818	4,011,399
TPEG - Credit Set Aside *	-	1,275,228	606,684	475,274	340,087	-	2,697,273
State-Funded Continuing Education	-	1,368,773	210,946	823,349	342,941	-	2,746,009
TPEG - Non-Credit Set Aside *	-	97,669	73,221	57,438	36,962	-	265,290
Non-State Funded Continuing Education	166,201	-	2,041,474	68,522	293,714	833	2,570,744
Total Tuition	166,201	24,685,232	12,526,758	9,780,242	12,496,742	3,194,306	62,849,481
Fees							
General Fee	-	6,135,469	2,737,659	2,335,572	3,211,726	788,812	15,209,238
Laboratory Fees	-	681,580	521,935	279,158	263,969	104,619	1,851,261
Registration Fee	-	597,444	269,504	229,983	310,920	72,412	1,480,263
Library Upgrade Fee	-	672,903	300,941	256,839	349,264	85,040	1,664,987
Other	103,989	2,303,108	544,619	864,073	754,812	113,847	4,684,448
Total Fees	103,989	10,390,504	4,374,658	3,965,625	4,890,691	1,164,730	24,890,197
Total Tuition and Fees	270,190	35,075,736	16,901,416	13,745,867	17,387,433	4,359,036	87,739,678
Scholarship Allowances and Discounts							
Institutional Scholarships	-	(550,871)	(156,520)	(127,557)	(79,989)	(15,627)	(930,564)
Remissions and Exemptions - State	-	(659,931)	(252,263)	(324,452)	(186,248)	(2,282)	(1,425,176)
Remissions and Exemptions - Local	-	(2,308,333)	(1,343,996)	(1,568,628)	(1,897,780)	-	(7,118,737)
Federal Grants to Students	-	(9,221,561)	(5,742,173)	(4,546,883)	(3,216,226)	(12,769)	(22,739,612)
TPEG Awards	-	(704,734)	(289,420)	(236,747)	(394,519)	-	(1,625,420)
State Grants to Students	-	(655,672)	(211,149)	(152,529)	(75,074)	(9,198)	(1,103,622)
Other Local Awards	-	-	-	-	-	-	-
Total Sch Allowances and Discounts	-	(14,101,102)	(7,995,521)	(6,956,796)	(5,849,836)	(39,876)	(34,943,131)
Total Net Tuition and Fees	270,190	20,974,634	8,905,895	6,789,071	11,537,597	4,319,160	52,796,547
Other Operating Revenues							
Federal Grants and Contracts	3,584,870	27,570,056	23,195,735	12,800,417	9,597,407	-	76,748,485
State Grants and Contracts	3,011,318	2,322,332	690,039	649,449	522,460	-	7,195,598
Local Grants and Contracts	711,158	295,645	-	110,486	-	-	1,117,289
Non-Governmental Grants and Contracts	367,988	57,459	22,227	34,749	794	-	483,217
Inv/Endow inc incl FMV chg (Prog Restricted)	10,157	88,734	28,982	24,060	5,701	-	157,634
Other Operating Revenues	1,040,331	630,326	25,177	735,923	48,630	15,465	2,495,852
Total Other Operating Revenues	8,725,822	30,964,552	23,962,160	14,355,084	10,174,992	15,465	88,198,075
Sales and Services of Auxiliary Enterprises							
Bookstore Commission	-	603,436	364,821	367,076	330,587	-	1,665,920
Palo Alto College Natatorium	-	-	-	603,468	-	-	603,468
Day Care Centers	-	319,312	41,062	209,365	-	-	569,739
Vending Machines/Copiers	10,009	151,469	101,230	67,665	65,498	13,285	409,156
Parking Permits & Fines	5,067	324,766	149,676	116,818	184,598	54,213	835,138
Other	70	79,908	37,804	28,681	5,181	455	152,099
Total Sales and Services of Auxiliary Enterprises	15,146	1,478,891	694,593	1,393,073	585,864	67,953	4,235,520
Total Operating Revenues	\$ 9,011,158	\$ 53,418,077	\$ 33,562,648	\$ 22,537,228	\$ 22,298,453	\$ 4,402,578	\$ 145,230,142

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule of Operating Expenses by Location
For the Year Ended August 31, 2008

	DISTRICT SERVICES	SAC	SPC	PAC	NVC	NLC	TOTAL
Educational Activities							
Instruction	\$ 4,982,165	\$ 51,099,943	\$ 26,559,378	\$ 18,400,232	\$ 17,755,586	\$ 4,169,616	\$ 122,966,920
Public Service	104,791	385,625	100,028	624	-	-	591,068
Academic Support	1,975	7,501,774	4,769,697	2,824,393	5,480,779	1,352,416	21,931,034
Student Services	3,411,697	10,145,171	9,081,637	4,716,041	3,435,925	1,146,822	31,937,293
Institutional Support	29,231,980	5,478,707	4,314,335	2,913,675	3,058,889	1,673,189	46,670,775
Operation and Maintenance of Plant	3,174,991	6,211,475	4,601,540	3,300,059	1,997,001	1,095,501	20,380,567
Scholarships and Fellowships	1,203,694	17,748,899	10,729,075	7,645,313	6,547,881	12,320	43,887,182
Total Educational Activities	<u>42,111,293</u>	<u>98,571,594</u>	<u>60,155,690</u>	<u>39,800,337</u>	<u>38,276,061</u>	<u>9,449,864</u>	<u>288,364,839</u>
Auxiliary Enterprises	4,785	644,626	165,786	1,491,824	4,950	-	2,311,971
Depreciation and Amortization - Buildings	7,778,116	-	-	-	-	-	7,778,116
Depreciation and Amortization - Equipment	3,293,904	-	-	-	-	-	3,293,904
Total Operating Expense	<u>\$ 53,188,098</u>	<u>\$ 99,216,220</u>	<u>\$ 60,321,476</u>	<u>\$ 41,292,161</u>	<u>\$ 38,281,011</u>	<u>\$ 9,449,864</u>	<u>\$ 301,748,830</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule of Capital Assets by Type
For the Year Ended August 31, 2008

	Balance 9/1/2007	Additions	Deletions	Balance 8/31/2008
<i>Land:</i>				
District Offices	\$ 583,587	\$ 4,138,469	\$ -	\$ 4,722,056
San Antonio College	15,636,478	1,737,840	-	17,374,318
St. Philip's College	8,256,495	208,600	-	8,465,095
Palo Alto College	3,322,233	247,643	-	3,569,876
Northwest Vista College	1,718,832	-	-	1,718,832
Northeast Lakeview College	5,546,331	-	-	5,546,331
North Central Campus	12,661,848	41,900	-	12,703,748
Total grounds	47,725,804	6,374,452	-	54,100,256
<i>Buildings:</i>				
District Offices	5,107,397	-	-	5,107,397
San Antonio College	66,967,011	63,386,652	-	130,353,663
St. Philip's College	58,409,142	1,219,288	-	59,628,430
Palo Alto College	44,480,438	9,388,245	-	53,868,683
Northwest Vista College	24,129,093	27,461,386	-	51,590,479
Northeast Lakeview College	14,701,415	44,907,369	-	59,608,784
Total buildings	213,794,496	146,362,940	-	360,157,436
<i>Facility and land improvements:</i>				
District Offices	1,299,149	486,596	-	1,785,745
San Antonio College	13,121,369	5,759,139	-	18,880,508
St. Philip's College	11,943,987	949,227	-	12,893,214
Palo Alto College	6,236,933	5,626,738	-	11,863,671
Northwest Vista College	6,607,001	15,574,167	-	22,181,168
Northeast Lakeview College	527,308	7,143,073	-	7,670,381
Total facility and land improvements	39,735,747	35,538,940	-	75,274,687
<i>Equipment:</i>				
District Offices	11,116,856	820,906	616,706	11,321,056
San Antonio College	3,648,357	1,686,069	31,030	5,303,396
St. Philip's College	6,182,067	705,600	156,755	6,730,912
Palo Alto College	1,169,438	156,448	-	1,325,886
Northwest Vista College	1,295,126	196,307	5,586	1,485,847
Northeast Lakeview College	78,818	72,065	-	150,883
North Central Campus	-	18,662	-	18,662
Total equipment	23,490,662	3,656,057	810,077	26,336,642
<i>Software:</i>				
District Wide	2,212,657	56,070	-	2,268,727
San Antonio College	-	5,527	-	5,527
Total software	2,212,657	61,597	-	2,274,254
<i>Library books:</i>				
San Antonio College	6,032,966	176,386	54,664	6,154,688
St. Philip's College	5,460,246	145,889	223,881	5,382,254
Palo Alto College	3,688,351	78,091	7,620	3,758,822
Northwest Vista College	596,838	62,016	17,222	641,632
Northeast Lakeview College	-	195,887	86	195,801
Total library books	15,778,401	658,269	303,473	16,133,197
Grand total	\$ 342,737,767	\$ 192,652,255	\$ 1,113,550	\$ 534,276,472

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule of Capital Assets by Location
For the Year Ended August 31, 2008

	Balance 9/1/2007	Additions	Deletions	Balance 8/31/2008
<i>District Offices:</i>				
Land	\$ 583,587	\$ 4,138,469	\$ -	\$ 4,722,056
Buildings	5,107,397	-	-	5,107,397
Facility and land improvements	1,299,149	486,596	-	1,785,745
Equipment	11,116,856	820,906	616,706	11,321,056
Software	2,212,657	56,070	-	2,268,727
Total District Offices	<u>20,319,646</u>	<u>5,502,041</u>	<u>616,706</u>	<u>25,204,981</u>
<i>San Antonio College:</i>				
Land	15,636,478	1,737,840	-	17,374,318
Buildings	66,967,011	63,386,652	-	130,353,663
Facility and land improvements	13,121,369	5,759,139	-	18,880,508
Equipment	3,648,357	1,686,069	31,030	5,303,396
Software	-	5,527	-	5,527
Library books	6,032,966	176,386	54,664	6,154,688
Total San Antonio College	<u>105,406,181</u>	<u>72,751,613</u>	<u>85,694</u>	<u>178,072,100</u>
<i>St. Philip's College:</i>				
Land	8,256,495	208,600	-	8,465,095
Buildings	58,409,142	1,219,288	-	59,628,430
Facility and land improvements	11,943,987	949,227	-	12,893,214
Equipment	6,182,067	705,600	156,755	6,730,912
Library books	5,460,246	145,889	223,881	5,382,254
Total St. Philip's College	<u>90,251,937</u>	<u>3,228,604</u>	<u>380,636</u>	<u>93,099,905</u>
<i>Palo Alto College:</i>				
Land	3,322,233	247,643	-	3,569,876
Buildings	44,480,438	9,388,245	-	53,868,683
Facility and land improvements	6,236,933	5,626,738	-	11,863,671
Equipment	1,169,438	156,448	-	1,325,886
Library books	3,688,351	78,091	7,620	3,758,822
Total Palo Alto College	<u>58,897,393</u>	<u>15,497,165</u>	<u>7,620</u>	<u>74,386,938</u>
<i>Northwest Vista College:</i>				
Land	1,718,832	-	-	1,718,832
Buildings	24,129,093	27,461,386	-	51,590,479
Facility and land improvements	6,607,001	15,574,167	-	22,181,168
Equipment	1,295,126	196,307	5,586	1,485,847
Library books	596,838	62,016	17,222	641,632
Total Northwest Vista College	<u>34,346,890</u>	<u>43,293,876</u>	<u>22,808</u>	<u>77,617,958</u>
<i>Northeast Lakeview College:</i>				
Land	5,546,331	-	-	5,546,331
Buildings	14,701,415	44,907,369	-	59,608,784
Facility and land improvements	527,308	7,143,073	-	7,670,381
Equipment	78,818	72,065	-	150,883
Library books	-	195,887	86	195,801
Total Northeast Campus	<u>20,853,872</u>	<u>52,318,394</u>	<u>86</u>	<u>73,172,180</u>
<i>North Central Campus:</i>				
Land	12,661,848	41,900	-	12,703,748
Equipment	-	18,662	-	18,662
Total North Central Campus	<u>12,661,848</u>	<u>60,562</u>	<u>-</u>	<u>12,722,410</u>
Grand total	<u>\$ 342,737,767</u>	<u>\$ 192,652,255</u>	<u>\$ 1,113,550</u>	<u>\$ 534,276,472</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

**Schedule of Palo Alto College Natatorium Revenues, Expenditures, and Contributions and
Schedule of Major Repairs and Replacement Fund
For the Year Ended August 31, 2008**

	2008	2007
REVENUES:		
Ticket Sales	\$ 17,651	\$ 18,377
Special Programs	183,245	207,238
Natorium Concessions	\$ 6,172	\$ 5,538
Less: 8% Administrative Cost on Concessions	<u>(494)</u>	<u>(443)</u>
	5,678	5,095
Gross Revenues	<u>206,574</u>	<u>230,710</u>
Less: Special Program Revenue Remitted to Sponsoring Organization	<u>(21,873)</u>	<u>(24,438)</u>
TOTAL REVENUES	<u>\$ 184,701</u>	<u>\$ 206,272</u>
EXPENSES:		
Professional Salaries	\$ 182,447	\$ 258,283
Classified Salaries	199,320	176,517
Part-Time Staff	160,062	2,864
Travel	2,818	4,304
General Expenses	61,989	60,655
Fringe Benefits	144,732	116,484
Utilities	<u>154,234</u>	<u>122,574</u>
Total Expenditures	905,602	741,681
Plus: 8% Administrative Cost	<u>72,448</u>	<u>59,334</u>
TOTAL EXPENSES	<u>\$ 978,050</u>	<u>\$ 801,015</u>
CONTRIBUTIONS:		
Alamo Community College District	\$ 404,608	\$ 303,319
City of San Antonio	<u>388,741</u>	<u>291,424</u>
TOTAL CONTRIBUTIONS	<u>\$ 793,349</u>	<u>\$ 594,743</u>

Schedule of Major Repairs and Replacement Fund

	2008	2007
Beginning balance	\$ 817,340	\$ 802,889
Additions:		
Contributions from Alamo Community College District	51,000	51,000
Contributions from City of San Antonio	49,000	49,000
Investment Income	20,936	29,216
Total Additions	<u>120,936</u>	<u>129,216</u>
Expenditures:		
Project - Score Board Purchase	-	(106,150)
Project - HVAC Replacement	-	(6,500)
Other	-	(2,115)
Total Expenditures	<u>-</u>	<u>(114,765)</u>
Ending Balance	<u>\$ 938,276</u>	<u>\$ 817,340</u>

FEDERAL AWARDS SECTION

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Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' 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
Alamo Community College District
San Antonio, Texas

We have audited the statement of net assets of Alamo Community College District (the "District") as of August 31, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated December 1, 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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 entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-01, 08-02, 08-03, 08-04, 08-05, 08-06, and 08-07 to be significant deficiencies in internal control over financial reporting.

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 entity's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-01 and 08-02 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 1, 2008.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the audit committee, management, others within the District, the Board of Trustees, 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.



Certified Public Accountants
December 1, 2008



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and Internal Control over Compliance
in Accordance With OMB Circular A-133

To the Board of Trustees
Alamo Community College District
San Antonio, Texas

Compliance

We have audited the compliance of Alamo Community College District (the "District") 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. The District's major federal programs are identified in the summary of auditors' results section of the accompanying federal schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying federal schedule of findings and questioned costs as item 08-08.

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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 District's internal control over compliance.

A *control deficiency* in an entity'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 affects the entity'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 entity's internal control.

Our consideration of the 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 the 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.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the audit committee, management, others within the District, the Board of Trustees, the 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.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
December 1, 2008

Schedule of Expenditures of Federal Awards

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2008

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Pass Through Disbursements</u>
U.S. Department of Education			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 2,378,878
Higher Education Institutional Aid	84.031		5,719,815
Federal Work-Study Program	84.033		1,588,796
Trio-Student Support Services	84.042		686,403
Trio-Upward Bound	84.047		301,643
Federal Pell Grant Program	84.063		57,508,259
Minority Science Engineering Improvement Program	84.120		175,405
Child Care Access Means Parents in School CCAMPIS	84.335		412,115
Academic Competitiveness Grants	84.375		883,250
Pass-Through From:			
University of Incarnate Word			
Higher Education - Institutional Aid	84.031	P031S040049	220,724
University of Texas at San Antonio			
Higher Education - Institutional Aid	84.031	P031S030016	256,210
Texas Higher Education Coordinating Board			
Career and Technical Education--Basic Grants to States	84.048	74201	(1,506)
Career and Technical Education--Basic Grants to States	84.048	84201	2,887,707
Leveraging Educational Assistance Partnership	84.069A		76,983
Supplement Leveraging Educational Assistance Partnership	84.069B		102,682
Stephen F. Austin State University			
Fund for the Improvement of Postsecondary Education	84.116	UTA03-100	424
Texas Higher Education Coordinating Board			
Tech-Prep Education	84.243	81701	414,340
Total U.S. Department of Education			<u>\$ 73,612,128</u>
U.S. Department of Agriculture			
Direct Programs:			
Agricultural Research Basic and Applied Research	10.001		<u>\$ 5,000</u>
Hispanic Serving Institutions Education Grants	10.223		<u>\$ 145,955</u>
Pass-Through From:			
Texas Department of Health and Human Services			
Child Care Food Program Rural Development	10.558	TX 015-0053	<u>\$ 16,894</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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
U.S. Department of Commerce Direct Programs: Investments for Public Works and Economic Development Facilities	11.300		<u>\$ 96,067</u>
U.S. Department of Defense Pass Through From : University of Texas San Antonio Air Force Defense Research Sciences Program	12.800	CIAS ITSA 01	<u>\$ 29,152</u>
Pass Through From : Defense Contract Management Agency Research and Technology Development	12.910	S5105A-07-C-0006	<u>\$ 46,687</u>
U.S. Department of Housing and Urban Development Direct Programs: Hispanic-Serving Institutions Assisting Communities	14.514		<u>\$ 621,570</u>
U.S. Department of Labor Direct Programs: WIA Pilots, Demonstrations, and Research Projects	17.261		<u>\$ 595,921</u>
Pass Through From : Texas Workforce Commission WIA Adult Program WIA Adult Program	17.258 17.258	2007WSW001 2008WSW000	<u>\$ 237,587</u> <u>\$ 155,057</u>
Department of State Pass-Through From: Georgetown University Exchange_English Language Fellow Program Exchange_English Language Fellow Program	19.421 19.421	ACCD-RX 250-874-06-A ACCD-RX2050-866-07-A	<u>\$ 1,706</u> <u>\$ 10,991</u>
National Endowment for the Arts Direct Programs: Promotion of the Arts_Grants to Organizations and Individuals	45.024		<u>\$ 2,831</u>
Pass-Through From: New England Foundations of the Arts Promotion of the Arts_Grants to Organizations and Individuals	45.024	12224	<u>\$ 9,801</u>
Alamo Community College District Foundation Promotion of the Arts_Grants to Organizations and Individuals	45.024		<u>\$ 15,476</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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
National Science Foundation			
Direct Programs:			
Education and Human Resources	47.076		\$ 188,852
Pass-Through From:			
University of Texas at El Paso			
Education and Human Resources	47.076	HRD-0217691	\$ 15,345
U.S. Department of Health & Human Services			
Direct Programs:			
HIV Prevention Programs For Women	93.015		\$ 11,992
Nursing Workforce Diversity	93.178		\$ 205,065
Head Start	93.600		\$ 163,509
Pass-Through From:			
University of Texas at Austin			
Consolidated Knowledge Development and Application (KD&A) Program	93.230	UTA03-100	\$ 13,815
Texas Workforce Commission			
Temporary Assistance for Needy Families	93.558	2006SSF000	\$ 71,773
Temporary Assistance for Needy Families	93.558	2007SSF000	\$ 85,174
Corporation for National and Community Service			
Direct Programs:			
Learn and Serve America_Higher Education	94.005		\$ 77,408
Agency of International Development			
Pass-through From:			
Association Liaison Office			
USAID Foreign Assistance for Programs Overseas	98.001	HNE-A-0097-00059-00	\$ 1,976
Georgetown University			
USAID Foreign Assistance for Programs Overseas	98.001	ACCD-RX2050-852-07B-6	\$ 87,417
USAID Foreign Assistance for Programs Overseas	98.001	ACCD-RX2050-852-07-L-1	\$ 223,336
Total Federal Expenditures			\$ 76,748,485

Notes to Schedule on Following Page.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2008

NOTE 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	<u>\$ 76,748,485</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 76,748,485</u>

Note 2: Significant Accounting Policies Used In Preparing The Schedule

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

Note 3: Expenditures Not Subject To Federal Single Audit

None

NOTE 4: Student Loans Processed & Administrative Costs Recovered - Not Included In Schedule

Federal Grantor CFDA Number/Program Name	<u>Total Loans Processed & Admin Cost Recovered</u>
U.S. Department of Education	
84.032 Federal Family Education Loan Program	
Stafford Loan Subsidized	\$ 14,531,520
Stafford Loan Unsubsidized	9,060,042
Plus/Parent Loan Program	216,459
Total Department of Education	<u>\$ 23,808,021</u>

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2008

Note 5: Amounts Passed Through By The District

The following amounts were passed-through to the listed subrecipients by the District. These amounts were from the Tech Prep Education program CFDA 84.243 from the US Department of Education through the Texas Higher Coordinating Board.

East Central Independent School District	\$	280
Edgewood Independent School District		168
Floresville Independent School District		988
New Braunfels Independent School District		517
Northeast Independent School District		1,375
Seguin Independent School District		623
Texas State University		476
Total amount passed-through		4,427

The following amounts were passed-through to the listed subrecipients by the District. These amounts were from the Strengthening Institutions - Hispanic Serving Institutions program CFDA 84.031S from the US Department of Education through the University of Texas at San Antonio.

Alamo Community College District Foundation		27,000
Total amount passed-through		27,000

The following amounts were passed-through to the listed subrecipients by the District. These amounts were from the Undergraduate International Studies and Foreign Language program CFDA 84.031 from the US Department of Education through the Texas A & M University in Kingsville.

Texas A&M University in Kingsville		75,699
Total amount passed-through		75,699

The following amounts were passed-through to the listed subrecipients by the District. These amounts were from the Hispanic Serving Institutions Educations Grant program CFDA 10.223 from the US Department of Agriculture through the University of the Incarnate Word.

University of the Incarnate Word		16,918
Total amount passed-through		16,918

Agency of International Development-Association Liaison Office for University Cooperation in Development CFDA 98.001

El Paso Community College		1,641
Total amount passed-through		1,641

Hispanic Serving Institutions Educations Grant -The U.S. Department of Agriculture CFDA 10.223

University of the Incarnate Word		34,144
Total amount passed-through		34,144

Total	\$	159,829
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Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grants ("FSEOG")
84.032	Federal Family Education Loans ("FFEL")
84.033	Federal Work-Study Program ("FWS")
84.063	Federal Pell Grant Program ("Pell")
84.375	Academic Competitiveness Grant ("ACG")

Dollar threshold used to distinguish between type A and type B programs: \$ 3,016,695

Auditee qualified as low-risk auditee? Yes X No

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Section B – Financial Statement Findings

Finding 08-01 – Capital Improvement Program (“CIP”) and Construction in Progress

Type of Finding – Material Weakness

Criteria: In accordance with Governmental Accounting Standards Board Statement No. 34, the entity is required to report capital asset balances and related depreciation in the entity’s financial statements. Included in capital assets, are projects, which are under construction and have not been completed as of the entity’s fiscal year-end.

Condition: The District has a significant CIP of approximately \$450 million in process of which approximately 70% has been expended. In connection with our external audit procedures, we noted the following items and deficiencies:

- The District is currently not utilizing the Job/Project Costing System to track, monitor, and account for over 200 separate projects in progress. In addition, no written procedures are available.
- The District currently does not have an individual with experience and full working knowledge of cost and construction-based financial and accounting skill sets.
- The District’s current financial and accounting system does not facilitate the tracking and accumulation of the total cost of a specific asset in construction (e.g., buildings, equipment) on a timely basis.
- Substantially completed construction assets were not properly identified and transferred to the appropriate asset categories on a timely basis.
- In addition, adjustments were recorded by the District to reflect the substantial completion of the District’s CIP assets (e.g., buildings, parking lots) of \$82,000,000 from construction in progress to the proper fixed assets categories. These adjustments were not received until near the end of audit fieldwork.
- Subsequent to the audit fieldwork, but prior to the issuance of the annual financial report, the District recorded an additional adjustment of \$82,997,540 to correct the above adjustments made to transfer and reflect the substantial completion of CIP assets (e.g. buildings and infrastructure/utilities) from construction in progress to the proper fixed asset categories.

In addition, in connection with the District’s financial statements audit and our review and evaluation of the control environment, we considered the internal audit control function. The internal audit department performed CIP/Information Technology (“IT”) project reviews and noted the following internal control deficiencies, among others, related to procurement/payment, contracting, accounting and reporting, and project management:

- Segregation of duties concerns were noted to include, among other things, several employees have vendor master data maintenance/change access and authorization to process and approve transactions such as requisitions, purchase orders, receipts, journal entries, and invoices.

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

- Transaction fund, commodity codes, and general ledger accounts were inaccurate for a high percentage of facilities and IT CIP transactions tested. These were primarily due to user classification issues; however, in several cases, the acquisitions department coding changes did not appear proper.
- Contract documentation, primarily for cooperative purchases, was not available for 60 of 81 IT CIP purchase orders tested, and quotes/bid data were not available for 19 purchase orders.
- Information to perform three-way matching such as quantity, unit price, and description was missing for 30 out of 81 purchase orders tested.
- Adequate controls are not in place to detect if all appropriate assets have been identified and depreciated in a timely manner.
- There is no formal contracting function or guidelines for the contracting, managing, and reporting of vendors' activities.

Possible Asserted Cause and Effect: As a result of the condition described above, the District reclassified approximately \$165,000,000 from construction in progress to various fixed asset categories.

Recommendation: We strongly recommend the District address and resolve the above items as soon as possible.

Questioned Cost: None.

Views of Responsible Officials and Corrective Action Plan:

A CIP oversight function will be established in the Fiscal Services area with a plan to address these CIP recommendations. Plan will include: hiring accountants with construction-based skill sets; implementing enhanced Job/Project Cost tracking now available via the recently installed Banner Research Module; and documenting capitalization, accounting and contract management guidelines for Facility and IT department users.

Implementation Date: February 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Finding 08-02 – Human Resources and Payroll

Type of Finding – Material Weakness

Criteria: In the prior year, we reported a material weakness related to the human resources and payroll function. The material weakness was based on test work performed by both the external independent auditors and an internal audit report issued by the District's internal audit function. In connection with the 2008 external audit, we noted similar exceptions as explained below. Payroll costs and related benefits are a significant portion of the District's total operating costs. From an internal control over financial reporting perspective, it is important to implement, maintain, and monitor controls and processes to ensure costs are properly recorded and reported.

Condition: As noted in the prior year's management letter:

- The District continues to use manual handwritten timecards, which could lead to errors when inputting information.
- The recording of vacation and sick time used is reported in arrears. It is also manually written out on forms that sometimes do not make it to the payroll or human resources office on a timely basis. This allows employees to take vacation or sick time that they may not have earned.

During our testing of payroll and benefits, we noted the following exceptions:

- The District was not able to locate current Personnel Action Request Forms for 2 employees of the 33 employees tested. In addition, the Personnel Action Request Forms on file for these employees did not agree to the location and title of the employees' current positions. The Personnel Action Request Forms detail the approval of the employee being hired, and the assignment of the respective pay rate, position, location, time period, and funding source.
- The District was not able to locate Form I-9 reports for 5 out of the 33 employees tested. We had a similar comment in the prior year's management letter.
- For 1 of the 33 employees tested, a timecard was not being kept for a classified employee. On 1 out of the 33 employees selected, one week of hours worked was not reported on the timecard for that payroll period. We also noted 2 instances of the 33 employees tested where the employees' time sheets were not signed.
- There was 1 instance out of the 33 employees tested where the authorization for direct deposit was not signed by the employee.
- For 1 of the 33 employees tested, we noted the employee's contract was not signed by the applicable approving authority.
- For 1 of the 33 employees tested, we noted the Employment Agreement was for the dates of January 14, 2008 through May 11, 2008, but signed on April 6, 2008 by the employee and date stamped by human resources on May 8, 2008.

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

In addition, as noted in prior the year, in connection with the District's financial statement audit and our review and evaluation of the control environment, we considered the internal control function and noted the following findings, among others, from a review of payroll and related business processes performed by the internal audit department:

- The fiscal affairs and employees services departments have ineffective or nonexistent procedures.
- Additional training is needed for the procedures already in place.
- Procedures are not being followed in the areas of sick leave, vacation leave, overtime, and compensatory time.
- The District is not complying with the completion and retention of federally mandated forms such as I-9 forms. In addition, retrieval of documents is difficult due to the organization of scanned documents.
- Administrators, managers, and supervisors are not provided with data to monitor and manage time worked, overtime or compensatory time, paid time off, and labor distribution into the Banner system.
- There are delays in processing new hires and terminations that cause problems with processing payroll.
- Several employees have system rights that appear unrelated to their job duties.
- System rights are improperly granted to departments or work groups, rather than to individual employees.

Possible Asserted Cause and Effect: The number and combination of deficiencies identified creates the likelihood of potential misstatements in the accounting and reporting of payroll costs and related benefits.

Recommendation: We understand no changes have been made in the human resources and payroll areas due to the upcoming conversion to the Banner system. We also understand the District plans to hire a consultant to conduct the implementation of the new payroll system, including updating controls and procedures to work efficiently with the system. We recommend this project commence as soon as possible.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

The administration agrees that additional mechanization is still needed to fully address these issues. PAR mechanization project is targeted to be completed with the hiring of the Change Management staff which will be completed early in 2009, with E-PAR imaging implementation to follow. Business Process Analysis will be performed during 2009 in preparation for the Banner payroll and human resource implementation.

Implementation Date: 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Finding 08-03 – Internal Audit Activity – Lack of Timely Formal Responses to Internal Audit Reports

Type of Finding – Significant Deficiency

Criteria: The Internal Audit Function is a critical element of any entity's control environment.

Condition: The Board of Trustees (the "Board") in June 2006 approved a well-written and comprehensive Internal Audit Charter. The Charter discusses and describes the following major areas of the Internal Audit Function.

- Mission
- Purpose
- Scope
- Accountability
- Responsibility
- Authority
- Standards of audit practice

The Internal Audit Function is a critical element of the District's control environment and includes personnel with depth and experience which brings invaluable resources to the District.

In connection with our external independent audit of the District's financial statements, we considered the District's internal control environment, which included a routine limited evaluation of the District's internal audit activity. The primary objective of this evaluation was to obtain an understanding of this internal control activity.

Our procedures during this evaluation consisted of, among other things, interviews with internal audit staff, review of audit reports, and review of various related documents.

Based on the results of our procedures and evaluation, we noted that since 2006, there have been internal audit reports issued to the District relating to the Banner system implementation, payroll and related business processes, and the CIP projects. A general response and action plan was issued in December 2006 for the Banner System Report. The corrective action plan changed; however, an updated response was not provided that addressed the findings and observations. The Payroll Internal Audit Report was issued in December 2007; however, the formal response to the findings and a related action plan was recently provided in November 2008. The CIP Audit Draft Report was issued in early October 2008, and a formal response was provided more than 30 days later.

Possible Asserted Cause and Effect: Timely, formal responses with specific measurable corrective action steps to internal audit reports are a critical part of the internal control process. These reports have also identified material weaknesses which require correction as soon as possible.

Recommendation: We recommend:

- The District adopt a policy that requires timely, formal responses with measurable corrective action plans to internal audit reports. These plans should also include a time line to create a sense of urgency to correct control environment deficiencies.

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

- Internal audit continues to focus on the riskiest areas of the District, to identify areas for improvement, and issue reports and related recommendations on a timely basis.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

A procedure will be proposed to the Chancellor requiring written management responses to internal audit reports within 30 work days after receipt of written Internal Audit report and routine status reports thereafter.

Implementation Date: Immediately

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Finding 08-04 – General Disbursements

Type of Finding – Significant Deficiency

Criteria: The District is extremely dependent on the disbursement process. From an internal control over financial reporting perspective, it is important to implement, maintain, and monitor controls and processes to ensure disbursements are properly recorded and reported.

Condition: One of the primary controls the District utilizes is a three-way match to verify the disbursement process is complete and payment may be made. This three-way match consists of an approved invoice, purchase order, and receiver.

During our testing of disbursements, we noted the following exceptions:

- For 3 out of 33 disbursements selected, we noted the three-way match could not properly be performed due to inconsistencies in the description of the product units ordered between the approved purchase order and the vendor invoice (exception rate of 9%). We also noted 1 out of 23 construction in progress disbursements that had this same exception (i.e., exception rate of 4%).
- For 5 out of 33 disbursements selected, we noted no receiver (exception rate of 15%).
- For 3 out of 33 disbursements selected, we noted the receiving document was not signed (exception rate of 9%).

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

- We also noted two instances in our testing of the three largest adjustments to the vendor payables account where a receiver was not in the Banner system (exception rate of 66%).
- The District's procedures are to stamp completely processed and paid invoices "Paid" as a control to prevent duplicate payments. For 2 out of 33 disbursements, the paid invoices were not stamped "Paid" (exception rate of 6%).
- There were two disbursements made by budget managers reviewed where the on-line approval of the direct pay showed the budget manager approving their own transaction. Even though we noted the direct pay document contained an approval, typically the person being reimbursed for a transaction does not approve their own transaction.

Possible Asserted Cause and Effect: The number and combination of deficiencies identified creates the likelihood of potential misstatements in the disbursements process.

Recommendation: We recommend the District assemble a task force and develop a plan to improve these control deficiencies.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

A team will be engaged to perform Business Process Analysis of Acquisitions and Accounts Payable processes (and supplemented with external consultant analysis and reports) and address the stated control deficiencies throughout 2009.

Implementation Date: Throughout 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Finding 08-05 – Financial Reporting Process

Type of Finding – Significant Deficiency

Criteria: The financial reporting process is essential in producing the annual financial statements.

Condition: The financial reporting process for the past couple of years has improved. The District is now recording its fiscal year post-closing adjustments as part of its final general ledger closing process. This final and adjusted general ledger is the source and basis for the preparation of the District's fiscal year annual financial report. The District needs to continue to focus on the quality of the analysis of various general ledger accounts to prevent misstatements and significant year-end adjustments of its financial statements.

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

We also noted that because of the significant portion of accounting functions that are only performed on an annual basis, the District is unable to provide the Board with interim financial statements comparable to the audited financial statements. This could result in conflicting information for management and outside users.

Possible Asserted Cause and Effect: The number and combination of adjustments identified creates the likelihood of potential misstatements in the financial reporting process.

Recommendation: We recommend the District continue to improve the quality of the analysis of the general ledger accounts and make the appropriate adjustments to journal entries throughout the year. Additionally, we continue to believe that monthly financial statements would allow the Board and management to better evaluate the financial position, results of operations, and cash flows of the District in order that well-informed business decisions can be made.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

Resources will be dedicated that are responsible for producing more robust financial reporting to inform the Chancellor and Board of Trustees of significant trends during the year. However, management disagrees with providing full interim accrual-based financial statements due to the cost to provide versus the offsetting benefits.

Implementation Date: March 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Finding 08-06 – Centralization of District-Wide Finance and Fiscal Functions

Type of Finding – Significant Deficiency

Criteria: The construction in progress and grant management and administration are both essential departments that should be providing timely and accurate information to the finance and fiscal services department.

Condition: For the year ended August 31, 2008, the District's operations and CIP have grown to a combined total of approximately \$750 million. Historically, the District has evolved toward a decentralization model in the following significant areas:

- Construction in progress – in 2008, the District expended approximately \$250 million.
- Grant management and administration – in 2008, the District expended approximately \$77 million and \$7 million of federal and state awards, respectively.

The District operates five colleges to serve the educational needs of Bexar County and surrounding communities. Each college is decentralized in the sense that the college administration and staff have the ability to direct their

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

own budget(s) and make decisions regarding the funds provided to them or generated by them in order to conduct their educational activities.

In addition, we noted the CIP and the grant development and grant accounting functions at the District are separated from the central fiscal accounting office. This situation can potentially cause significant compliance and reporting problems.

Possible Asserted Cause and Effect: The decentralization of these areas creates delays in the process of providing timely and accurate information.

Recommendation: Due to the significance of the CIP and the federal and state awards, coupled with the decentralization of the District's college operations, we recommend the CIP and grant functions be revised in the Spring of 2009 for the centralization of key processes and procedures. Also, due to the higher volume of transactions, as well as the more complicated financial and accounting issues, we recommend the District perform an assessment of the individuals and skill sets needed to accommodate the volume and types of transactions that are required to be processed.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

The administration will respond in writing to the Chancellor with an integrated implementation plan to centralize the authority and responsibility in Finance and Fiscal Services for the CIP and Grant Management/Administration functions.

Implementation Date: March 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration and Dr. Federico Zaragoza, Vice Chancellor of Economic & Workforce Development

Finding 08-07 – Information Technology (“IT”)

Type of Finding – Significant Deficiency

Criteria: The District is extremely dependent on IT for among other items, maintaining a set of financial records. The District is also required to prepare and file various reports with regulatory agencies.

Condition: The IT department developed a disaster recovery plan in fiscal year 2007; however, the plan has not been tested end to end. We understand the District tested components of the disaster recovery plan during the year; however, there was no documentation of these tests available for our review. We were provided documentation regarding the testing of a component of the disaster recovery plan that occurred after fiscal year-end.

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Possible Asserted Cause and Effect: A business disaster would cripple the District and damage the educational needs of the community.

Recommendation: We recommend the results of every test performed on components of the disaster recovery plan be maintained. We also recommend the disaster recovery plan be distributed District-wide.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

Records of all tests performed will be maintained on ACC's Disaster Recovery Plan in the future. However, due to resource constraints, we are unable to perform full end-to-end testing (we do not have full set of duplicative software and hardware). Testing of plan modules will be conducted. ITS will make the Disaster Recovery Plan available for review District-wide by March 2009.

Implementation Date: March 2009

Responsible Person:

Dr. Thomas Cleary, Vice Chancellor for Planning, Performance and Information Systems

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Section C – Federal Award Findings and Questioned Costs

Finding 08-08 – Student Financial Aid

CFDA# – Student Financial Assistance Cluster: 84.007; 84.032; 84.033; 84.063; and 84.375

Agency: Department of Education

Pass-Through Entity: Not applicable

Type of Finding: Special Tests and Provisions: Disbursements to or on Behalf of Students and Return of Title IV Funds and Student Status Changes

Criteria: Grant compliance requirements, as noted from the OMB Circular A-133 Compliance Supplement for Student Financial Assistance Cluster, include the following:

- Per Special Tests and Provisions, Section 3, Disbursements to or on Behalf of Students, the earliest the District may disburse Student Financial Assistance funds, other than Federal Work Study, either by paying the student directly or crediting the student's account, is ten days before the first day of classes of the payment period for which the disbursement is intended.
- Per Special Tests and Provisions, Section 4, Return of Title IV Funds, the District must refund certain charges within 45 days from the withdrawal date if the student began attendance.
- Per Special Tests and Provisions, Section 4, Return of Title IV Funds, the District must return the lesser of: (1) the total amount of unearned Title IV assistance or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.
- Per Special Tests and Provisions, Section 5, Student Status Changes, the District must report a student status change to the National Data Clearinghouse with 30 days or include it in a student roster file within 60 days, if a student withdraws or graduates from school and is receiving student loan money.

Condition: During our testing of the grant compliance requirements for student financial aid, we noted the following exceptions:

- Out of a sample of 25 students, we noted 4 exceptions (exception rate of 16%) in our Return of Title IV Funds testing. The District did not refund certain charges back to the federal government within the allotted 45 days, as required by the grant.
- Out of a sample of 25 students there were 5 exceptions (exception rate of 20%) pertaining to the institutions return of unearned aid, where the amounts were calculated incorrectly, with a net error of \$15.47 over refunded to the federal agency.

Alamo Community College District

Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

- Out of a sample of 25 students, we noted 3 exceptions (exception rate of 12%) during our testing of the requirements of reporting changes in students' enrollment status. One student we selected withdrew from classes on February 6, 2008, and the student's status change was not reported until April 15, 2008. The change was reported 69 days after the student's withdrawal, which was not in compliance with the requirement of no later than 60 days. A second student withdrew from classes on April 10, 2008, and the status change was not reported until June 12, 2008, which was 63 days after the withdrawal. A third student graduated in May 2008 and the status (e.g., graduation date) was not reported, as required, within the time limit.

Possible Asserted Cause and Effect: The District was not in compliance with all grant requirements for Student Financial Aid.

Recommendation: We recommend the following:

- The District improve its process and training and make an assessment of the allocation of the appropriate resources to the Student Financial Aid offices responsible for refunding charges back to the federal government within the allotted time, as required by the grant.
- The District improve its process for reporting student status changes to include students who may have holds on their records.

Questioned Costs: None

Views of Responsible Officials and Corrective Action Plan:

Management concurs and will improve financial aid processes, training and assess allocation of resources.

Implementation Date: March 2009

Responsible Person:

Dr. Adelina Silva, Vice Chancellor for Student Success

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STATE AWARDS SECTION

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Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and Internal Control over Compliance
in Accordance With UGMS Single Audit Circular

To the Board of Trustees
Alamo Community College District
San Antonio, Texas

Compliance

We have audited the compliance of Alamo Community College District (the "District") with the types of compliance requirements described in the Texas Governor's Office of Budget and Planning, *Uniform Grant Management Standards ("UGMS")*, which includes the *State of Texas Single Audit Circular*, that are applicable to each of its major state programs for the year ended August 31, 2008. The District's major state programs are identified in the summary of auditors' results section of the accompanying state schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District 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.

SAN ANTONIO • AUSTIN

100 N.E. Loop 410, Suite 1100 • San Antonio, Texas 78216 • P 210.828.6281 • T 800.879.4966 • F 210.826.8606 • www.padgett-cpa.com

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major state program 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 District's internal control over compliance.

A *control deficiency* in an entity'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 entity'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 material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 the 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 for the information of the audit committee, management, others within the District, the Board of Trustees, the 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.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
December 1, 2008

Schedule of Expenditures of State Awards

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2008

<u>Grantor Agency/Program Title</u>	<u>Grant or Contract Number</u>	<u>Expenditures</u>
Texas Higher Education Coordinating Board		
Texas Grant Initial	2007-2008	\$ 2,167,345
Texas Grant Initial	2008-2009	68,335
Texas Grant Renewal	2007-2008	901,515
Texas Grant Renewal	2008-2009	128,020
TEOG Initial	2007-2008	534,426
TEOG Initial	2008-2009	11,245
TEOG Renewal	2007-2008	186,060
TEOG Renewal	2008-2009	44,115
P-16 College Readiness Special Advisors Program		24,897
College Connection		3,203
Professional Nursing Scholarship		27,868
Summer Bridge Program		74,572
Apprenticeship Training	2008ATP002	8,084
Vocational Nursing Scholarship		8,226
Total of Texas Higher Education Coordinating Board		<u>\$ 4,187,911</u>
Texas Workforce Commission		
Skills Development and Self Sufficiency	2004SDF000-1	219,786
Skills Development and Self Sufficiency	2005SDF000	(211,819)
Skills Development and Self Sufficiency	2006SDF000	2,847,052
Skills Development and Self Sufficiency	2008SDF001	128,200
Total of Texas Workforce Commission		<u>\$ 2,983,219</u>
Texas Park and Wildlife		
Texas Park and Wildlife	IAC#167743	<u>\$ 3,566</u>
Texas Education Agency		
Pass-through From:		
George Gerwin Youth Center	SAS # A122-08	<u>\$ 20,902</u>
Total Expenditures of State Awards		<u><u>\$ 7,195,598</u></u>

Notes to Schedule on Following Page.

**ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas**

**Notes to Schedule of Expenditures of State Awards
For the Year Ended August 31, 2008**

Note 1: State Assistance Reconciliation

State Grants and Contracts Revenues - per Schedule A	<u>\$ 7,195,598</u>
Total State Revenues per Schedule of Expenditures of State Awards	<u>\$ 7,195,598</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 1 to the financial statements for the District's significant accounting policies. These expenditures are reported on the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. State Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of State Program or Cluster</u>
N/A	Texas Grant Initial and Renewal
N/A	Texas Education Opportunity Grant and Renewal

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Section B – Financial Statement Findings

Finding 08-01 – Capital Improvement Program (“CIP”) and Construction in Progress

Type of Finding – Material Weakness

Criteria: In accordance with Governmental Accounting Standards Board Statement No. 34, the entity is required to report capital asset balances and related depreciation in the entity’s financial statements. Included in capital assets are projects under construction that have not been completed as of the entity’s fiscal year-end.

Condition: The District has a significant CIP of approximately \$450 million in process of which approximately 70% has been expended. In connection with our external audit procedures, we noted the following items and deficiencies:

- The District is currently not utilizing the Job/Project Costing System to track, monitor, and account for over 200 separate projects in progress. In addition, no written procedures are available.
- The District currently does not have an individual with experience and full working knowledge of cost and construction-based financial and accounting skill sets.
- The District’s current financial and accounting system does not facilitate the tracking and accumulation of the total cost of a specific asset in construction (e.g., buildings, equipment) on a timely basis.
- Substantially completed construction assets were not properly identified and transferred to the appropriate asset categories on a timely basis.
- In addition, adjustments were recorded by the District to reflect the substantial completion of the District’s CIP assets (e.g., buildings, parking lots) of \$82,000,000 from construction in progress to the proper fixed assets categories. These adjustments were not received until near the end of audit fieldwork.
- Subsequent to the audit fieldwork, but prior to the issuance of the annual financial report, the District recorded an additional adjustment of \$82,997,540 to correct the above adjustments made to transfer and reflect the substantial completion of CIP assets (e.g. buildings and infrastructure/utilities) from construction in progress to the proper fixed asset categories.

In addition, in connection with the District’s financial statements audit and our review and evaluation of the control environment, we considered the internal audit control function. The internal audit department performed CIP/IT project reviews and noted the following internal control deficiencies, among others, related to procurement/payment, contracting, accounting and reporting, and project management:

- Segregation of duties concerns were noted to include, among other things, several employees have vendor master data maintenance/change access and authorization to process and approve transactions such as requisitions, purchase orders, receipts, journal entries, and invoices.

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

- Transaction fund, commodity codes, and general ledger accounts were inaccurate for a high percentage of facilities and IT CIP transactions tested. These were primarily due to user classification issues; however, in several cases, the acquisitions department coding changes did not appear proper.
- Contract documentation, primarily for cooperative purchases, was not available for 60 of 81 IT CIP purchase orders tested, and quotes/bid data were not available for 19 purchase orders.
- Information to perform three-way matching such as quantity, unit price, and description was missing for 30 out of 81 purchase orders tested.
- Adequate controls are not in place to detect if all appropriate assets have been identified and depreciated in a timely manner.
- There is no formal contracting function or guidelines for the contracting, managing, and reporting of vendors' activities.

Possible Asserted Cause and Effect: As a result of the condition described above, the District reclassified approximately \$165,000,000 from construction in progress to various fixed asset categories.

Recommendation: We strongly recommend the District address and resolve the above items as soon as possible.

Questioned Cost: None.

Views of Responsible Officials and Corrective Action Plan:

A CIP oversight function will be established in the Fiscal Services area with a plan to address these CIP recommendations. Plan will include: hiring accountants with construction-based skill sets; implementing enhanced Job/Project Cost tracking now available via the recently installed Banner Research Module; and documenting capitalization, accounting and contract management guidelines for Facility and IT department users.

Implementation Date: February 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Finding 08-02 – Human Resources and Payroll

Type of Finding – Material Weakness

Criteria: In the prior year, we reported a material weakness related to the human resources and payroll function. The material weakness was based on test work performed by both the external independent auditors and an internal audit report issued by the District's internal audit function. In connection with the 2008 external audit, we noted similar exceptions as explained below. Payroll costs and related benefits are a significant portion of the District's total operating costs. From an internal control over financial reporting perspective, it is important to implement, maintain, and monitor controls and processes to ensure costs are properly recorded and reported.

Condition: As noted in the prior year's management letter:

- The District continues to use manual handwritten timecards, which could lead to errors when inputting information.
- The recording of vacation and sick time used is reported in arrears. It is also manually written out on forms that sometimes do not make it to the payroll or human resources office on a timely basis. This allows employees to take vacation or sick time that they may not have earned.

During our testing of payroll and benefits, we noted the following exceptions:

- The District was not able to locate current Personnel Action Request Forms for 2 employees of the 33 employees tested. In addition, the Personnel Action Request Forms on file for these employees did not agree to the location and title of the employees' current positions. The Personnel Action Request Forms detail the approval of the employee being hired, and the assignment of the respective pay rate, position, location, time period, and funding source.
- The District was not able to locate Form I-9 reports for 5 out of the 33 employees tested. We had a similar comment in the prior year's management letter.
- For 1 of the 33 employees tested, a timecard was not being kept for a classified employee. On 1 out of the 33 employees selected, one week of hours worked was not reported on the timecard for that payroll period. We also noted 2 instances of the 33 employees tested where the employees' time sheets were not signed.
- There was 1 instance out of the 33 employees tested where the authorization for direct deposit was not signed by the employee.
- For 1 of the 33 employees tested, we noted the employee's contract was not signed by the applicable approving authority.
- For 1 of the 33 employees tested, we noted the Employment Agreement was for the dates of January 14, 2008 through May 11, 2008, but signed on April 6, 2008 by the employee and date stamped by human resources on May 8, 2008.

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

In addition, as noted in the prior year, in connection with the District's financial statement audit and our review and evaluation of the control environment, we considered the internal control function and noted the following findings, among others, from a review of payroll and related business processes performed by the internal audit department:

- The fiscal affairs and employees services departments have ineffective or nonexistent procedures.
- Additional training is needed for the procedures already in place.
- Procedures are not being followed in the areas of sick leave, vacation leave, overtime, and compensatory time.
- The District is not complying with the completion and retention of federally mandated forms such as I-9 forms. In addition, retrieval of documents is difficult due to the organization of scanned documents.
- Administrators, managers, and supervisors are not provided with data to monitor and manage time worked, overtime or compensatory time, paid time off, and labor distribution into the Banner system.
- There are delays in processing new hires and terminations that cause problems with processing payroll.
- Several employees have system rights that appear unrelated to their job duties.
- System rights are improperly granted to departments or work groups, rather than to individual employees.

Possible Asserted Cause and Effect: The number and combination of deficiencies identified creates the likelihood of potential misstatements in the accounting and reporting of payroll costs and related benefits.

Recommendation: We understand no changes have been made in the human resources and payroll areas due to the upcoming conversion to the Banner system. We also understand that the District plans to hire a consultant to conduct the implementation of the new payroll system, including updating controls and procedures to work efficiently with the system. We recommend this project commence as soon as possible.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

The administration agrees that additional mechanization is still needed to fully address these issues. PAR mechanization project is targeted to be completed with the hiring of the Change Management staff which will be completed early in 2009, with E-PAR imaging implementation to follow. Business Process Analysis will be performed during 2009 in preparation for the Banner payroll and human resource implementation.

Implementation Date: 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Finding 08-03 – Internal Audit Activity – Lack of Timely Formal Responses to Internal Audit Reports

Type of Finding – Significant Deficiency

Criteria: The Internal Audit Function is a critical element of any entity's control environment.

Condition: The Board of Trustees in June 2006 approved a well-written and comprehensive Internal Audit Charter. The Charter discusses and describes the following major areas of the Internal Audit Function.

- Mission
- Purpose
- Scope
- Accountability
- Responsibility
- Authority
- Standards of audit practice

The internal audit function is a critical element of the District's control environment and includes personnel with depth and experience which brings invaluable resources to the District.

In connection with our external independent audit of the District's financial statements, we considered the District's internal control environment, which included a routine limited evaluation of the District's internal audit activity. The primary objective of this evaluation was to obtain an understanding of this internal control activity.

Our procedures during this evaluation consisted of, among other things, interviews with internal audit staff, review of audit reports, and review of various related documents.

Based on the results of our procedures and evaluation, we noted that since 2006, there have been internal audit reports issued to the District relating to the Banner system implementation, payroll and related business processes, and the CIP projects. A general response and action plan was issued in December 2006 for the Banner System Report. The corrective action plan changed; however, an updated response was not provided that addressed the findings and observations. The Payroll Internal Audit Report was issued in December 2007; however, the formal response to the findings and a related action plan was recently provided in November 2008. The CIP Audit Draft Report was issued in early October 2008, and a formal response was provided more than 30 days later.

Possible Asserted Cause and Effect: Timely, formal responses with specific measurable corrective action steps to internal audit reports are a critical part of the internal control process. These reports have also identified material weaknesses which require correction as soon as possible.

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Recommendation: We recommend:

- The District adopt a policy that requires timely, formal responses with measurable corrective action plans to internal audit reports. These plans should also include a time line to create a sense of urgency to correct control environment deficiencies.
- Internal audit continues to focus on the riskiest areas of the District, to identify areas for improvement, and issue reports and related recommendations on a timely basis.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

A procedure will be proposed to the Chancellor requiring written management responses to internal audit reports within 30 work days after receipt of written Internal Audit report and routine status reports thereafter.

Implementation Date: Immediately

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Finding 08-04 – General Disbursements

Type of Finding – Significant Deficiency

Criteria: The District is extremely dependent on the disbursement process. From an internal control over financial reporting perspective, it is important to implement, maintain, and monitor controls and processes to ensure disbursements are properly recorded and reported.

Condition: One of the primary controls the District utilizes is a three-way match to verify the disbursement process is complete and payment may be made. This three-way match consists of an approved invoice, purchase order, and receiver.

During our testing of disbursements, we noted the following exceptions:

- For 3 out of 33 disbursements selected, we noted the three-way match could not properly be performed due to inconsistencies in the description of the product units ordered between the approved purchase order and the vendor invoice (exception rate of 9%). We also noted 1 out of 23 construction in progress disbursements that had this same exception (i.e., exception rate of 4%).
- For 5 out of 33 disbursements selected, we noted no receiver (exception rate of 15%).
- For 3 out of 33 disbursements selected, we noted the receiving document was not signed (exception rate of 9%).

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

- We also noted two instances in our testing of the three largest adjustments to the vendor payables account where a receiver was not in the Banner system (exception rate of 66%).
- The District's procedures are to stamp completely processed and paid invoices "Paid" as a control to prevent duplicate payments. For 2 out of 33 disbursements, the paid invoices were not stamped "Paid" (exception rate of 6%).
- There were two disbursements made by budget managers reviewed where the on-line approval of the direct pay showed the budget manager approving their own transaction. Even though we noted the direct pay document contained an approval, typically, the person being reimbursed for a transaction does not approve their own transaction.

Possible Asserted Cause and Effect: The number and combination of deficiencies identified creates the likelihood of potential misstatements in the disbursements process.

Recommendation: We recommend the District assemble a task force and develop a plan to improve these control deficiencies.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

A team will be engaged to perform Business Process Analysis of Acquisitions and Accounts Payable processes (and supplemented with external consultant analysis and reports) and address the stated control deficiencies throughout 2009.

Implementation Date: Throughout 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Finding 08-05 – Financial Reporting Process

Type of Finding – Significant Deficiency

Criteria: The financial reporting process is essential in producing the annual financial statements.

Condition: The financial reporting process for the past couple of years has improved. The District is now recording its fiscal year post-closing adjustments as part of its final general ledger closing process. This final and adjusted general ledger is the source and basis for the preparation of the District's fiscal year annual financial report. However, the District needs to continue to focus on the quality of the analysis of various general ledger accounts to prevent misstatements and significant year-end adjustments of its financial statements.

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

We also noted that, because of the significant portion of accounting functions that are only performed on an annual basis, the District is unable to provide the Board with interim financial statements that are comparable to the audited financial statements. This could result in conflicting information for management and outside users.

Possible Asserted Cause and Effect: The number and combination of adjustments identified creates the likelihood of potential misstatements in the financial reporting process.

Recommendation: We recommend the District continue to improve the quality of the analysis of the general ledger accounts and make the appropriate adjustments to journal entries throughout the year. Additionally, we continue to believe that monthly financial statements would allow the Board and management to better evaluate the financial position, results of operations, and cash flows of the District in order that well-informed business decisions can be made.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

Resources will be dedicated that are responsible for producing more robust financial reporting to inform the Chancellor and Board of Trustees of significant trends during the year. However, management disagrees with providing full interim accrual-based financial statements due to the cost to provide versus the offsetting benefits.

Implementation Date: March 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration

Finding 08-06 – Centralization of District-Wide Finance and Fiscal Functions

Type of Finding – Significant Deficiency

Criteria: The construction in progress and grant management and administration are both essential departments that should be providing timely and accurate information to the finance and fiscal services department.

Condition: For the year ended August 31, 2008, the District's operations and CIP have grown to a combined total of approximately \$750 million. Historically, the District has evolved toward a decentralization model in the following significant areas:

- Construction in progress – in 2008, the District expended approximately \$250 million.
- Grant management and administration – in 2008, the District expended approximately \$77 million and \$7 million of federal and state awards, respectively.

The District operates five colleges to serve the educational needs of Bexar County and surrounding communities. Each college is decentralized in the sense that the college administration and staff have the ability to direct their

Alamo Community College District

State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

own budget(s) and make decisions regarding the funds provided to them or generated by them in order to conduct their educational activities.

In addition, we noted the CIP and the grant development and grant accounting functions at the District are separated from the central fiscal accounting office. This situation can potentially cause significant compliance and reporting problems.

Possible Asserted Cause and Effect: The decentralization of these areas creates delays in the process of providing timely and accurate information.

Recommendation: Due to the significance of the CIP and the federal and state awards coupled with the decentralization of the District's college operations, we recommend the CIP and grant functions be revised in the Spring of 2009 for the centralization of key processes and procedures. Also, due to the higher volume of transactions, as well as more complicated financial and accounting issues, we also recommend the District perform an assessment of the individuals and skill sets needed to accommodate the volume and types of transactions that are required to be processed.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

The administration will respond in writing to the Chancellor with an integrated implementation plan to centralize the authority and responsibility in Finance and Fiscal Services for the CIP and Grant Management/Administration functions.

Implementation Date: March 2009

Responsible Person:

James McLaughlin, Vice Chancellor for Finance and Administration and Dr. Federico Zaragoza, Vice Chancellor of Economic & Workforce Development

Finding 08-07 – Information Technology (“IT”)

Type of Finding – Significant Deficiency

Criteria: The District is extremely dependent on IT for maintaining a set of financial records. The District is also required to prepare and file various reports with regulatory agencies.

Condition: The IT department developed a disaster recovery plan in fiscal year 2007; however, the plan has not been tested end to end. We understand the District tested components of the disaster recovery plan during the year; however, there was no documentation of these tests available for our review. We were provided documentation regarding the testing of a component of the disaster recovery plan that occurred after fiscal year-end.

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State Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(Continued)

Possible Asserted Cause and Effect: A business disaster would cripple the District and damage the educational needs of the community.

Recommendation: We recommend the results of every test performed on components of the disaster recovery plan be maintained. We also recommend the disaster recovery plan be distributed District-wide.

Questioned Cost: None

Views of Responsible Officials and Corrective Action Plan:

Records of all tests performed will be maintained on ACC's Disaster Recovery Plan in the future. However, due to resource constraints, we are unable to perform full end-to-end testing (we do not have full set of duplicative software and hardware). Testing of plan modules will be conducted. ITS will make the Disaster Recovery Plan available for review District-wide by March 2009.

Implementation Date: March 2009

Responsible Person:

Dr. Thomas Cleary, Vice Chancellor for Planning, Performance and Information Systems

Section C – State Award Findings and Questioned Costs

None.

STATISTICAL SECTION

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 1
Net Assets by Component
Fiscal Years 2004 to 2008
(Unaudited)

		For the Fiscal Year Ended August 31,				
		2008	2007	2006	2005	2004
Invested in Capital Assets, Net of Related Debt	\$	172,395,461	\$ 155,640,876	\$ 126,341,350	\$ 119,012,327	\$ 135,668,727
Restricted-Nonexpendable		1,298,568	1,298,474	1,298,387	1,276,608	1,269,511
Restricted-Expendable		13,184,526	7,050,438	7,829,399	6,969,625	6,208,769
Unrestricted		91,555,971	82,282,602	66,114,492	58,647,106	45,308,876
Total Primary Government Net Assets	\$	278,434,526	\$ 246,272,390	\$ 201,583,628	\$ 185,905,666	\$ 188,455,883

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 2
Revenues by Source
Fiscal Years 2004 to 2008
(Unaudited)

	For the Year Ended August 31,				
	2008	2007	2006	2005	2004
Tuition and Fees (Net of Discounts)	\$ 52,796,547	\$ 49,198,458	\$ 45,343,961	\$ 43,234,582	\$ 37,482,976
Governmental Grants and Contracts					
Federal Grants and Contracts	76,748,485	70,734,851	69,062,657	71,893,312	72,081,338
State Grants and Contracts	7,195,598	5,920,330	6,375,374	7,334,676	2,783,881
Local Grants and Contracts	1,117,289	897,264	662,762	613,166	517,873
Non-Governmental Grants and Contracts	483,217	787,202	635,685	629,171	296,724
Investment Income	157,634	184,120	158,795	119,225	90,912
Auxiliary Enterprises	4,235,520	3,753,744	3,622,106	3,749,528	3,305,741
Other Operating Revenue	2,495,852	2,166,890	2,050,204	1,682,501	1,209,516
Total Operating Revenues	145,230,142	133,642,859	127,911,544	129,256,161	117,768,961
State Appropriation	87,317,846	83,500,050	82,245,319	72,739,770	72,229,915
Ad Valorem Taxes	118,441,671	103,779,431	72,885,559	67,508,626	63,910,870
Gifts	140,874	580,836	548,920	650,746	1,382,320
Investment Income	22,533,428	19,612,623	6,519,961	3,557,912	2,835,753
Other Non-Operating Revenues	-	48,028	3,904	49,500	49,520
Total Non-Operating Revenues	228,433,819	207,520,968	162,203,663	144,506,554	140,408,378
Total Revenues	\$ 373,663,961	\$ 341,163,827	\$ 290,115,207	\$ 273,762,715	\$ 258,177,339

	For the Year Ended August 31,				
	2008	2007	2006	2005	2004
Tuition and Fees (Net of Discounts)	14%	14%	16%	16%	15%
Governmental Grants and Contracts					
Federal Grants and Contracts	21%	21%	24%	26%	28%
State Grants and Contracts	2%	2%	2%	3%	1%
Local Grants and Contracts	0%	0%	0%	0%	0%
Non-Governmental Grants and Contracts	0%	0%	0%	0%	0%
Investment Income	0%	0%	0%	0%	0%
Auxiliary Enterprises	1%	1%	1%	1%	1%
Other Operating Revenue	1%	1%	1%	1%	0%
Total Operating Revenues	39%	39%	44%	47%	45%
State Appropriation	23%	25%	29%	27%	28%
Ad Valorem Taxes	32%	30%	25%	25%	25%
Gifts	0%	0%	0%	0%	1%
Investment Income	6%	6%	2%	1%	1%
Other Non-Operating Revenues	0%	0%	0%	0%	0%
Total Non-Operating Revenues	61%	61%	56%	53%	55%
Total Revenues	100%	100%	100%	100%	100%

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004 to 2008
(Unaudited)

	For the Year Ended August 31,				
	2008	2007	2006	2005	2004
Instruction	\$ 122,966,920	\$ 116,588,444	\$ 113,581,083	\$ 110,407,154	\$ 100,606,706
Public Service	591,068	890,763	1,128,939	2,177,599	3,410,846
Academic Support	21,931,034	19,693,202	18,315,350	22,104,914	19,162,697
Student Services	31,937,293	30,326,149	27,498,447	24,108,120	24,032,978
Institutional Support	46,670,775	40,130,538	39,034,032	33,692,423	28,238,890
Operating and Maintenance of Plant	20,380,567	19,485,368	18,985,602	17,910,005	18,109,391
Scholarships and Fellowships	43,887,182	37,912,644	37,592,999	36,687,886	39,438,652
Auxiliary Enterprises	2,311,971	2,161,326	1,862,527	1,977,739	1,833,862
Depreciation and Amortization	11,072,020	10,601,090	9,778,698	8,827,134	7,072,882
Total Operating Expenses	301,748,830	277,789,524	267,777,677	257,892,974	241,906,904
Interest on Capital Related Debt	29,550,614	14,993,279	6,656,186	4,686,431	4,308,400
Other Non-Operating Expenses	10,332,954	2,772,579	-	-	-
Loss on Disposal of Fixed Assets	418,733	499,044	66,382	1,143,130	834,429
Total Non-Operating Expenses	40,302,301	18,264,902	6,722,568	5,829,561	5,142,829
Total Expenses	\$ 342,051,131	\$ 296,054,426	\$ 274,500,245	\$ 263,722,535	\$ 247,049,733

	For the Year Ended August 31,				
	2008	2007	2006	2005	2004
Instruction	36%	39%	41%	42%	41%
Public Service	0%	0%	0%	1%	1%
Academic Support	6%	7%	7%	8%	8%
Student Services	9%	10%	10%	9%	10%
Institutional Support	14%	13%	14%	13%	11%
Operating and Maintenance of Plant	6%	7%	7%	7%	7%
Scholarships and Fellowships	13%	13%	14%	14%	16%
Auxiliary Enterprises	1%	1%	1%	1%	1%
Depreciation and Amortization	3%	4%	4%	3%	3%
Total Operating Expenses	88%	94%	98%	98%	98%
Interest on Capital Related Debt	9%	5%	2%	2%	2%
Other Non-Operating Expenses	3%	1%	0%	0%	0%
Loss on Disposal of Fixed Assets	0%	0%	0%	0%	0%
Total Non-Operating Expenses	12%	6%	2%	2%	2%
Total Expenses	100%	100%	100%	100%	100%

**ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas**

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

**Resident
Fees based on 12 Semester Credit Hours (SCH)**

Academic Year (Fall)	Registration Fee (per student)	In-District Tuition	Out-of-District Tuition	Technology Fees	Student Activity Fees	General Fee	Library Fee (per student)	Lab Fee	Student Insurance	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
Fall 2007	\$ 13	\$ 44	\$ 88	\$ -	\$ 12	\$ 121	\$ 13	\$ 24	\$ 4	\$ 715	\$ 1,243	4.69%	4.72%
Fall 2006	12	42	84	-	12	115	12	24	4	683	1,187	6.72%	5.98%
Fall 2005	11	40	80	-	-	110	11	24	4	640	1,120	5.09%	5.16%
Fall 2004	10	38	76	-	-	105	10	24	4	609	1,065	10.13%	9.46%
Fall 2003	10	35	70	-	-	85	10	24	4	553	973	12.17%	21.78%
Fall 2002	10	30	56	-	-	85	10	24	4	493	799	0.00%	0.00%
Fall 2001	10	30	56	-	-	85	10	24	4	493	799	14.39%	14.96%
Fall 2000	10	27	49	-	-	65	10	24	4	431	695	0.00%	0.00%
Fall 1999	10	24	46	30	-	65	10	24	4	431	695	0.00%	0.00%
Fall 1998	10	24	46	30	-	65	10	24	4	431	695	10.23%	6.11%

**Non-Resident
Fees based on 12 Semester Credit Hours (SCH)**

Academic Year (Fall)	Registration Fee (per student)	Non-Resident Tuition Out-of-State & International	Technology Fees	Student Activity Fees	General Fee	Library Fee (per student)	Lab Fee	Student Insurance	Cost for 12 SCH Out-of-State	Increase from Prior Year Out-of-State
Fall 2007	\$ 13	\$ 176	\$ -	\$ 12	\$ 121	\$ 13	\$ 24	\$ 66	\$ 2,361	4.61%
Fall 2006	12	168	-	12	115	12	24	66	2,257	5.37%
Fall 2005	11	160	-	-	110	11	24	66	2,142	5.31%
Fall 2004	10	152	-	-	105	10	24	61	2,034	8.77%
Fall 2003	10	140	-	-	85	10	24	61	1,870	25.34%
Fall 2002	10	109	-	-	85	10	24	61	1,492	0.00%
Fall 2001	10	109	-	-	85	10	24	61	1,492	15.57%
Fall 2000	10	95	-	-	65	10	24	48	1,291	0.00%
Fall 1999	10	92	30	-	65	10	24	48	1,291	0.00%
Fall 1998	10	92	30	-	65	10	24	48	1,291	3.20%

Beginning with the summer of 2000, the technology fee was no longer collected but incorporated in tuition. Lab fees range from \$2.00 to \$24.00.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations	Debt Service	Total
2007-08	\$ 97,076,127,829	\$ 7,007,075,783	\$90,069,052,046	92.78%	\$ 0.08980	\$ 0.04475	\$ 0.13455
2006-07	82,475,118,571	5,436,124,534	77,038,994,037	93.41%	0.09230	0.04475	0.13705
2005-06	71,820,993,201	4,472,598,640	67,348,394,561	93.77%	0.09230	0.01475	0.10705
2004-05	65,421,529,792	3,100,303,029	62,321,226,763	95.26%	0.09230	0.01475	0.10705
2003-04	62,268,015,195	3,136,421,298	59,131,593,897	94.96%	0.09230	0.01475	0.10705
2002-03	57,333,889,663	2,666,692,078	54,667,197,585	95.35%	0.09230	0.01480	0.10710
2001-02	54,534,023,818	2,867,260,267	51,666,763,551	94.74%	0.08980	0.01480	0.10460
2000-01	49,964,421,224	2,693,929,881	47,270,491,343	94.61%	0.08980	0.01710	0.10690
1999-00	45,910,765,195	2,318,494,319	43,592,270,876	94.95%	0.08743	0.01853	0.10596
1998-99	44,392,497,772	3,035,338,142	41,357,159,630	93.16%	0.09099	0.02051	0.11150

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 6
State Appropriations per FTSE and Contact Hours
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation	FTSE	State Appropriation per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact
2007-08	\$ 67,846,696	34,173	1,985	15,499,262	3,689,690	19,188,952	3.54
2006-07	65,409,379	33,428	1,957	15,055,152	4,563,352	19,618,504	3.33
2005-06	65,746,811	33,249	1,977	14,771,648	4,760,436	19,532,084	3.37
2004-05	58,069,378	33,173	1,751	15,033,840	4,941,136	19,974,976	2.91
2003-04	58,070,337	32,889	1,766	14,986,560	4,788,453	19,775,013	2.94
2002-03	55,994,039	32,282	1,735	14,228,315	4,633,550	18,861,865	2.97
2001-02	60,208,645	29,536	2,038	12,898,748	4,406,206	17,304,954	3.48
2000-01	55,580,355	26,817	2,073	11,605,418	4,128,811	15,734,229	3.53
1999-00	53,578,717	26,025	2,059	11,073,208	4,163,846	15,237,054	3.52
1998-99	52,887,589	25,121	2,105	10,663,426	4,123,590	14,787,016	3.58

Notes: FTSE (Full-time Student Equivalent):

Semester credit hours divided by 30 plus non-semester (continuing education) credit hours divided by 900

Excludes contributions by the State of Texas on behalf of the District's employees for the optional retirement program, Teacher Retirement System and group insurance benefits

**ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas**

**Statistical Supplement 7
Principal Taxpayers
Last Ten Fiscal Years
(Unaudited)**

Tax Payer	Type of Business	Taxable Assessed Value (TAV) by Tax Year									
		Tax Year/Fiscal Year					Taxable Assessed Value (TAV) by Tax Year				
		2008	2007	2006*	2005	2004*	2003	2002*	2001	2000*	1999*
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	
HEB Grocery Company LP	Groceries	860,946,868	835,417,270	734,917,315	684,384,622	649,249,470	610,809,180	542,266,970	531,548,820	522,522,990	500,384,110
Southwestern Bell Telephone	Telephone	496,916,615	546,653,255	568,533,865	524,282,640	515,150,856	631,726,060	489,195,290	519,841,570	482,224,440	619,352,400
Wal Mart Stores, Inc.	Retail	371,619,669	355,246,474	340,766,953	327,050,347	301,334,360	219,385,720	213,750,040	117,631,350	100,365,940	100,876,520
USAA	Insurance	346,116,546	338,676,205	334,521,097	307,043,650	319,746,300	331,742,020	364,350,160	412,153,842	395,287,240	398,931,768
Methodist Healthcare Systems SA	Hospital	470,840,062	239,580,396	220,974,508	209,711,594	194,114,435	168,579,550	169,340,130	184,039,360	185,112,460	179,194,600
VLSI Technologies, Inc. (Philips)	Semiconductor Manufacturer	-	-	-	-	-	37,419,670	-	118,837,410	140,796,986	200,715,270
VHS San Antonio Priners LP (Baptist Hospitals)	Hospital	390,814,270	295,830,043	251,810,826	184,636,789	173,022,510	-	-	-	-	-
Time Warner Cable San Antonio LP (Paragon)	Cable Company	-	185,568,950	178,018,680	177,001,570	162,961,539	151,810,630	118,554,250	115,508,600	105,745,860	-
Frost National Bank	Financial	186,580,913	-	174,828,022	165,252,420	154,655,670	-	93,883,900	-	-	-
Alamo Stonecrest Holdings	Retail	-	-	-	144,909,548	-	-	-	-	-	-
Inland Western San Antonio Academy LP	Retail	-	-	-	143,372,113	-	-	-	-	-	-
Melvin Simon Properties Property Trust of America	Real Estate	-	-	-	-	140,293,650	117,245,371	111,173,950	118,396,680	117,367,120	120,667,590
North Star Mall, Inc.	Retail	-	-	-	-	-	109,891,450	108,918,860	106,793,410	106,831,340	104,084,580
Marriott Corporation	Hotels	188,614,940	-	-	-	125,113,080	127,536,860	112,929,720	106,780,740	108,688,810	103,435,110
Toyota Motor Mfg Texas Inc.	Automotive Manufacturer	-	636,046,600	182,767,060	-	-	-	-	-	-	-
New River Center Mall LP	Retail	-	209,062,494	178,976,592	-	-	-	-	-	-	-
MBS-Colonnade Ltd	Real Estate Commercial	215,664,222	223,505,361	-	-	-	-	-	-	-	-
Frankel Family Trust	Real Estate	194,134,020	-	-	-	-	-	-	-	-	-
Total Taxable Assessed Value		3,722,248,125	3,865,587,048	3,166,114,918	2,867,645,293	2,735,641,870	2,506,146,511	2,324,363,370	2,331,531,782	2,264,943,186	2,413,784,828
Total Taxable Assessed Value		90,069,052,046	77,038,994,037	67,348,394,561	62,321,226,763	59,131,593,897	54,667,197,585	51,666,763,551	47,270,491,343	43,592,270,876	41,357,159,630

Tax Payer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		Tax Year/Fiscal Year					Taxable Assessed Value (TAV) by Tax Year				
		2008	2007	2006*	2005	2004*	2003	2002*	2001	2000*	1999
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	
HEB Grocery Company LP	Groceries	0.96%	1.09%	1.09%	1.10%	1.10%	1.11%	1.04%	1.12%	1.20%	1.22%
Southwestern Bell Telephone	Telephone	0.55%	0.71%	0.84%	0.84%	0.87%	1.10%	0.95%	1.10%	1.11%	1.50%
Wal Mart Stores, Inc.	Retail	0.41%	0.46%	0.51%	0.52%	0.41%	0.40%	0.41%	0.25%	0.23%	0.24%
USAA	Insurance	0.38%	0.44%	0.50%	0.49%	0.54%	0.61%	0.71%	0.87%	0.91%	0.90%
Methodist Healthcare Systems SA	Hospital	0.52%	0.31%	0.33%	0.34%	0.33%	0.31%	0.33%	0.39%	0.42%	0.43%
VLSI Technologies, Inc. (Philips)	Semiconductor Manufacturer	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.00%	0.25%	0.32%	0.49%
VHS San Antonio Priners LP (Baptist Hospitals)	Hospital	0.43%	0.38%	0.37%	0.30%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%
Time Warner Cable San Antonio LP (Paragon)	Cable Company	0.00%	0.24%	0.26%	0.28%	0.28%	0.28%	0.23%	0.24%	0.24%	0.00%
Frost National Bank	Financial	0.21%	0.00%	0.26%	0.27%	0.26%	0.00%	0.18%	0.00%	0.00%	0.00%
Alamo Stonecrest Holdings	Retail	0.00%	0.00%	0.00%	0.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Inland Western San Antonio Academy LP	Retail	0.00%	0.00%	0.00%	0.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Melvin Simon Properties Property Trust of America	Real Estate	0.00%	0.00%	0.00%	0.00%	0.24%	0.21%	0.22%	0.25%	0.27%	0.29%
North Star Mall, Inc.	Retail	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.21%
Marriott Corporation	Hotels	0.21%	0.00%	0.00%	0.00%	0.00%	0.20%	0.21%	0.23%	0.25%	0.25%
Toyota Motor Mfg Texas Inc.	Automotive Manufacturer	0.00%	0.83%	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
New River Center Mall LP	Retail	0.00%	0.27%	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MBS-Colonnade Ltd	Real Estate	0.24%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Frankel Family Trust	Real Estate	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
		4.13%	5.02%	4.70%	4.60%	4.63%	4.58%	4.50%	4.93%	5.20%	5.84%

*ACCD data for Top Ten Taxpayers was not available, therefore Bexar County Top Ten Taxpayers was used

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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

Fiscal Year Ended Aug 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections Year of Levy (c)	%	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2008	117,688,619	198,902	117,887,521	115,628,022	98.08%	-	-	115,628,022	98.08%
2007	102,947,673	(282,871)	102,664,802	101,029,924	98.41%	-	928,518	101,958,442	99.31%
2006	72,091,494	(228,769)	71,862,725	70,608,797	98.26%	723,158	164,212	71,496,167	99.49%
2005	66,714,921	(396,293)	66,318,628	65,139,162	98.22%	769,339	112,425	66,020,926	99.55%
2004	63,298,631	(185,096)	63,113,535	61,773,444	97.88%	1,032,465	57,868	62,863,777	99.60%
2003	58,548,368	(242,846)	58,305,522	57,047,655	97.84%	967,013	81,120	58,095,788	99.64%
2002	54,049,957	(398,607)	53,651,350	52,631,196	98.10%	810,340	44,631	53,486,167	99.69%
2001	50,531,025	(289,051)	50,241,974	49,338,453	98.20%	731,647	15,485	50,085,585	99.69%
2000	46,191,772	(205,416)	45,986,356	45,158,965	98.20%	679,407	7,110	45,845,482	99.69%
1999	(f)								

- a) As reported in notes to the financial statements for the year of the levy
- b) As of August 31st of the current reporting year
- c) Property tax only - does not include penalties and interest as reported in notes to the financial statement
- d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy
- e) Represents current year collections of prior years levies
- f) Data not available

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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

	For the Year Ended August 31 (amounts expressed in thousands)									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Bonded Debt										
General obligation bonds	\$ 430,393	\$ 435,819	\$ 75,154	\$ 19,604	\$ 24,696	\$ 31,756	\$ 38,861	\$ 44,643	\$ 48,855	\$ 53,686
Tax Notes	116,010	39,410	40,320	5,695	8,155	-	-	-	-	-
Less: Funds restricted for debt service	3,420	2,297	1,626	2,532	2,015	1,454	1,455	1,799	332	-
Net general bonded debt	542,983	472,932	113,848	22,767	30,836	30,302	37,406	42,844	48,523	53,686
Other Debt										
Revenue bonds	76,180	74,270	67,645	67,625	69,730	62,017	63,270	32,615	35,375	38,025
Notes Payable	690	1,145	1,605	2,036	2,451	2,850	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	160	311	453	-
Total Outstanding Debt	\$ 619,853	\$ 548,347	\$ 183,098	\$ 92,428	\$ 103,017	\$ 95,169	\$ 100,836	\$ 75,770	\$ 84,351	\$ 91,711
General Bonded Debt Ratios										
Per capita	\$ 340.54	\$ 308.55	\$ 76.45	\$ 15.45	\$ 21.15	\$ 21.02	\$ 26.24	\$ 30.40	\$ 34.84	\$ 39.19
Per FTSE	15,889	14,148	3,424	686	938	939	1,266	1,598	1,864	2,137
As a percentage of Taxable Assessed Value	0.60%	0.61%	0.17%	0.04%	0.05%	0.06%	0.07%	0.09%	0.11%	0.13%
Total Outstanding Debt Ratios										
Per Capita	\$ 388.75	\$ 357.76	\$ 122.95	\$ 62.72	\$ 70.66	\$ 66.01	\$ 70.73	\$ 53.77	\$ 60.56	\$ 66.95
Per FTSE	18,139	16,404	5,507	2,786	3,132	2,948	3,414	2,825	3,241	3,651
As a percentage of Taxable Assessed Value	0.69%	0.71%	0.27%	0.15%	0.17%	0.17%	0.20%	0.16%	0.19%	0.22%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time student equivalent (FTSE) enrollment.
 FTSE: Semester credit hours divided by 30 plus non-semester (continuing education) credit hours divided by 900.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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

	For the Year Ended August 31 (amounts expressed in thousands)									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Net Taxable Assessed Value	\$ 90,069,052	\$ 77,038,994	\$ 67,348,395	\$ 62,321,227	\$ 59,131,594	\$ 54,667,198	\$ 51,666,764	\$ 47,270,491	\$ 43,592,271	\$ 41,357,160
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	14,429,062	12,149,049	10,620,842	9,828,057	9,325,052	8,621,017	8,277,016	7,572,733	7,086,795	6,576,202
Less: Funds Restricted for Repayment of General Obligation Bonds	3,420	2,297	1,626	2,532	2,015	1,454	1,455	1,799	332	-
Total Net General Obligation Debt	14,425,642	12,146,752	10,619,216	9,825,525	9,323,037	8,619,563	8,275,561	7,570,934	7,086,463	6,576,202
Current Year Debt Service Requirements	31,171	29,979	5,847	6,220	8,328	8,311	12,208	12,368	12,512	12,647
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 14,394,471	\$ 12,116,773	\$ 10,613,369	\$ 9,819,305	\$ 9,314,709	\$ 8,611,252	\$ 8,263,353	\$ 7,558,566	\$ 7,073,951	\$ 6,563,555
Net Current Requirements as a % of Statutory Limit	0.19%	0.23%	0.04%	0.04%	0.07%	0.08%	0.13%	0.14%	0.17%	0.19%
Statutory Tax Limit	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000
Statutory Tax Limit: Maintenance and Operation	0.08980	0.09230	0.09230	0.09230	0.09230	0.09230	0.08980	0.08980	0.08743	0.09099
Statutory Tax Limit: Debt Service	0.16020	0.15770	0.15770	0.15770	0.15770	0.15770	0.16020	0.16020	0.16257	0.15901

Note: By local referendum held on September 30, 1952, the District is limited to a total tax rate not to exceed \$0.25 per \$100 taxable assessed valuation for maintenance and operation and debt services purposes. This tax rate is lower than the \$1.00 per \$100 taxable assessed valuation limitation (of which a maximum of \$0.50 may be utilized for debt service purposes) on ad valorem tax rates for community college districts imposed by Texas Education Code Section 130.122, as amended.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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

Revenue Bonds

Fiscal Year Ended August 31	Tuition	Pledged Revenues (\$000 omitted)				Total	Debt Service Requirements (\$000 omitted)			Coverage Ratio
		General Fee	Investment Income	Auxiliary Income			Principal	Interest	Total	
2008	14,315 (2)	15,209	4,272	3,501	\$37,298	3,240	3,434	6,674	5.59	
2007	12,783 (2)	14,038	5,034	3,232	\$35,087	2,650	2,981	5,631	6.23	
2006	11,790 (2)	13,038	3,194	2,826	\$30,849	2,415	3,216	5,631	5.48	
2005	11,532 (2)	12,973	2,023	2,806	\$29,334	2,105	3,150	5,255	5.58	
2004	10,482 (2)	10,283	1,100	2,411	\$24,275	1,000	2,828	3,828	6.34	
2003	9,419 (2)	9,756	1,320	2,023	\$22,518	1,253	3,668	4,921	4.58	
2002	1,492 (1)	8,937	2,131	1,729	\$14,289	704	3,895	4,599	3.11	
2001	1,386 (1)	7,280	3,247	1,565	\$13,478	2,760	2,513	5,273	2.56	
2000	1,332 (1)	6,004	3,222	1,606	\$12,164	2,650	2,544	5,194	2.34	
1999	1,281 (1)	5,885	2,879	1,556	\$11,601	2,545	2,574	5,119	2.27	

(1) \$15.00 per semester headcount, \$7.50 per summer semester

(2) During the 2003 Texas Legislative Session, the Texas Legislature enacted H.B. 1621 which, in part, amended Section 130.123 (e) of the Texas Education Code to permit the District to increase the pledge of its Tuition Fee portion of the Pledged Revenues from an amount not to exceed \$15.00 per student, for each regular semester and \$7.50 per student for each summer term, to an amount not exceeding 25 percent of the tuition charges collected from each enrolled student for each semester or term.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 12
Demographics and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Calendar Year	District Population	District Personal Income (\$ Thousands of Dollars)	District Personal Income Per Capita	District Unemployment Rate
2007	1,594,493	55,200,047 *	\$35, 494 *	4.2%
2006	1,555,192	51,588,829	33,172	4.7%
2005	1,516,586	46,776,585	30,843	5.1%
2004	1,491,049	43,888,472	29,435	5.8%
2003	1,464,691	41,382,567	28,253	6.2%
2002	1,441,452	39,571,644	27,453	5.8%
2001	1,415,534	39,085,591	27,612	4.7%
2000	1,392,931	38,189,928	27,321	4.1%
1999	1,378,688	34,521,637	25,039	3.2%
1998	1,359,906	32,354,110	23,791	3.8%

Source: Texas Workforce Commission, LMI Tracer, Data Link

* Amounts are estimates; data from Texas Workforce Commission will not be published until January 2009.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 13
Principal Employers
Current Fiscal Year
(Unaudited)

Employer	Number of Employees	Percentage of Total Employment
Lackland AFB	33,893	4.00%
Fort Sam Houston	15,200	1.80%
USAA	14,852	1.70%
Northside ISD	12,810	1.50%
Randolph AFB	10,733	1.30%
City of San Antonio	9,830	1.10%
Northeast ISD	8,360	1.00%
San Antonio ISD	8,000	0.90%
Methodist Healthcare System	7,013	0.80%
Baptist Healthcare System	5,939	0.70%
Total	126,630	14.80%

Source:

San Antonio Business Journal's 2008 Book of Lists and San Antonio Business Journal, May 16, 2008

**ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas**

**Statistical Supplement 14
Faculty, Staff, and Administrative Statistics
Last Ten Fiscal Years
(Unaudited)**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Faculty - FT	1,024	1,052	992	992	964	961	915	869	828	838
Faculty - PT	2,865	3,011	3,052	3,345	3,228	3,034	2,771	2,572	2,597	2,681
Faculty - Total	3,889	4,063	4,044	4,337	4,192	3,995	3,686	3,441	3,425	3,519
Faculty - % FT	26.33%	25.89%	24.53%	22.87%	23.00%	24.06%	24.82%	25.25%	24.18%	23.81%
Faculty - % PT	73.67%	74.11%	75.47%	77.13%	77.00%	75.94%	75.18%	74.75%	75.82%	76.19%
Staff & Administrators FT	1,763	1,814	1,720	1,620	1,568	1,516	1,418	1,305	1,239	1,206
Staff & Administrators PT	887	930	926	1,050	964	1,079	1,195	1,094	1,042	1,178
Staff & Administrators Total	2,650	2,744	2,646	2,670	2,532	2,595	2,613	2,399	2,281	2,384
Staff & Administrators % FT	66.53%	66.11%	65.00%	60.67%	61.93%	58.42%	54.27%	54.40%	54.32%	50.59%
Staff & Administrators % PT	33.47%	33.89%	35.00%	39.33%	38.07%	41.58%	45.73%	45.60%	45.68%	49.41%
Full-time Student Equivalents (FTSE*)	34,173	33,428	33,249	33,173	32,889	32,282	29,536	26,817	26,025	25,121
Students per FT Faculty Member	33.4	31.8	33.5	33.4	34.1	33.6	32.3	30.9	31.4	30.0
Students per FT Staff Member	19.4	18.4	19.3	20.5	21.0	21.3	20.8	20.5	21.0	20.8
Average Annual FT Faculty Salary	\$ 52,939	\$ 51,240	\$ 50,142	\$ 49,752	\$ 48,415	\$ 48,189	\$ 46,939	\$ 45,476	\$ 42,435	\$ 41,553

Faculty - FT (Full Time) Faculty teaching 12 or more semester hours

Faculty - PT (Part Time) Faculty teaching less than 12 semester hours

*FTSE (Full-time Student Equivalent):

Semester credit hours divided by 30 plus non-semester (continuing education) credit hours divided by 900

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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	28,906	57.78%	28,458	57.50%	28,179	57.56%	28,950	58.50%	28,315	59.43%
31-60	14,597	29.18%	14,479	29.26%	14,447	29.51%	14,221	28.74%	13,157	27.61%
Unclassified	6,504	13.00%	6,505	13.14%	6,267	12.80%	6,208	12.55%	5,996	12.58%
* >60 hours	22	0.04%	46	0.10%	65	0.13%	106	0.21%	177	0.38%
Total	50,029	100.00%	49,488	100.00%	48,958	100.00%	49,485	100.00%	47,645	100.00%

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	271	0.54%	270	0.55%	300	0.61%	317	0.64%	338	0.71%
3 - 5 Semester Hours	9,239	18.47%	8,601	17.38%	8,398	17.15%	8,030	16.23%	7,643	16.04%
6 - 8 Semester Hours	14,386	28.76%	14,183	28.66%	14,140	28.88%	14,580	29.46%	13,923	29.22%
9 - 11 Semester Hours	8,864	17.72%	8,651	17.48%	8,535	17.43%	8,533	17.24%	8,210	17.23%
12 - 14 Semester Hours	14,863	29.71%	15,473	31.27%	15,502	31.66%	15,666	31.66%	15,204	31.91%
15 - 17 Semester Hours	2,160	4.32%	2,040	4.12%	1,869	3.82%	2,089	4.22%	1,953	4.10%
18 & Over	246	0.48%	270	0.54%	214	0.45%	270	0.55%	374	0.79%
Total	50,029	100.00%	49,488	100.00%	48,958	100.00%	49,485	100.00%	47,645	100.00%

Average Course Load 8.7 8.8 8.8 8.8 8.9

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)	41,741	83.43%	41,628	84.12%	41,356	84.47%	42,156	85.19%	40,424	84.84%
Texas Resident (Out-of-District)	6,544	13.08%	6,431	13.00%	6,331	12.93%	5,133	10.37%	5,096	10.70%
Non-Resident Tuition	1,013	2.02%	811	1.64%	747	1.53%	656	1.33%	660	1.39%
Tuition Exemption/Other	142	0.28%	96	0.19%	90	0.18%	1,172	2.37%	1,166	2.45%
Foreign	589	1.19%	522	1.05%	434	0.89%	368	0.74%	299	0.62%
Total	50,029	100.00%	49,488	100.00%	48,958	100.00%	49,485	100.00%	47,645	100.00%

*Includes students w/60 or more hours who have obtained an Associate's or Bachelor's Degree.

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

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

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	29,341	58.65%	29,350	59.31%	29,284	59.81%	29,647	59.91%	28,261	59.32%
Male	20,688	41.35%	20,138	40.69%	19,674	40.19%	19,838	40.09%	19,384	40.68%
Total	50,029	100.00%	49,488	100.00%	48,958	100.00%	49,485	100.00%	47,645	100.00%

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	19,753	39.49%	19,725	39.86%	19,513	39.87%	19,264	38.93%	18,181	38.15%
Hispanic	24,956	49.88%	24,585	49.68%	24,403	49.84%	25,048	50.62%	24,495	51.41%
African American	3,453	6.90%	3,352	6.77%	3,267	6.67%	3,489	7.05%	3,333	7.00%
Asian	1,314	2.63%	1,248	2.52%	1,133	2.31%	1,051	2.12%	1,039	2.18%
Foreign	342	0.68%	389	0.79%	390	0.80%	403	0.81%	375	0.79%
Native American	211	0.42%	189	0.38%	252	0.51%	230	0.47%	222	0.47%
Total	50,029	100.00%	49,488	100.00%	48,958	100.00%	49,485	100.00%	47,645	100.00%

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age										
Under 18	6,278	12.55%	5,323	10.76%	5,240	10.70%	4,898	9.90%	4,534	9.52%
18 - 21	19,539	39.05%	19,348	39.10%	18,845	38.49%	18,698	37.78%	18,155	38.10%
22 - 24	7,338	14.67%	7,246	14.64%	7,179	14.66%	7,289	14.73%	6,953	14.59%
25 - 35	11,068	22.12%	11,482	23.20%	11,400	23.29%	11,850	23.95%	11,183	23.47%
36 - 50	4,901	9.80%	5,131	10.37%	5,318	10.86%	5,720	11.56%	5,822	12.22%
51 and Over	905	1.81%	956	1.93%	976	2.00%	1,030	2.08%	998	2.10%
Unknown			2	0.00%						
Total	50,029	100.00%	49,488	100.00%	48,958	100.00%	49,485	100.00%	47,645	100.00%

Average Age	24.4	24.8	25	25.3	25.4
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ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 17
Transfers to Senior Institutions
2005 Fall Students as of Fall 2006*
(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	Angelo State University	39	16	3	58	0.74%
2	Lamar University	5	2		7	0.09%
3	Midwestern University	6			6	0.08%
4	Prairie View A&M	27	7		34	0.44%
5	Sam Houston State	44	7	2	53	0.68%
6	Southwest Texas State	767	155	14	936	11.98%
7	Stephen F. Austin	27	8	1	36	0.46%
8	Sul Ross State Univ.	10		3	13	0.17%
9	Sul Ross- Rio Grande	4	2		6	0.07%
10	Tarleton State	21	11	1	33	0.42%
11	Texas A&M- International	19	1	1	21	0.27%
12	Texas A&M	672	142	7	821	10.51%
13	Texas A&M-Commerce	6	4		10	0.13%
14	Texas A&M – Corpus Christi	114	36		150	1.91%
15	Texas A&M- Galveston	13			13	0.17%
16	Texas A&M- Kingsville	468	94	4	566	7.24%
17	Texas Southern University	15	1		16	0.20%
18	Texas Tech	214	40		254	3.25%
19	Texas Woman's University	23	2		25	0.32%
20	UT – Pan Am.	20	2		22	0.28%
21	UT- Arlington	28	6		34	0.44%
22	UT- Austin	626	112	1	739	9.46%
23	UT- Brownsville	3			3	0.04%
24	UT- Dallas	17	2		19	0.24%
25	UT- El Paso	5	4	1	10	0.12%
26	UT- San Antonio	3,140	501	52	3,693	47.27%
27	UT- Permian Basin	4	1		5	0.06%
28	UT- Tyler	9			9	0.12%
29	Univ. of Houston	59	11	1	71	0.90%
30	Univ. of Houston - Downtown	3	3		6	0.08%
31	Univ. of Houston – Clear Lake	2	1		3	0.04%
32	Univ. of Houston - Victoria	2			2	0.03%
33	Univ. of North Texas	113	20	3	136	1.74%
34	West Texas A&M	3			3	0.05%
Totals	6,528	1,191	94	7,813	100.00%	

Source: THECB Report ASALFS Students Pursuing Additional Education

*Latest information available

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Statistical Supplement 18
Capital Asset Information
Fiscal Years 2004 to 2008
(Unaudited)

	Fiscal Year				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Academic Buildings	91	88	70	69	66
Square Footage (in thousands)	2,570,953	2,132,353	2,132,353	2,100,353	2,064,594
Libraries	7	6	6	5	5
Square Footage (in thousands)	311,863	193,404	193,404	187,644	187,644
Number of Volumes (in thousands)	674,638	674,638	482,047	504,035	540,377
Administrative and Support Buildings	44	15	15	15	15
Square Footage (in thousands)	591,175	147,380	147,380	147,380	147,380
Parking Garages	1	-	-	-	-
Square Footage (in thousands)	394,000	-	-	-	-
Dormitories	-	-	-	-	-
Square Footage (in thousands)	-	-	-	-	-
Number of Beds	-	-	-	-	-
Apartments	-	-	-	-	-
Square Footage (in thousands)	-	-	-	-	-
Number of Beds	-	-	-	-	-
Dining Facilities	5	5	5	5	5
Square Footage (in thousands)	63,530	48,085	48,085	48,085	48,085
Average Daily Customers	2,193	2,259	2,395	2,722	2,816
Athletic Facilities	4	4	4	4	4
Square Footage (in thousands)	188,501	191,706	191,706	191,706	191,706
Stadiums	-	-	-	-	-
Gymnasium Buildings	4	4	4	4	4
Fitness Centers	4	4	4	4	4
Tennis Courts	14	8	8	8	8
Swimming Pools	3	4	4	4	4
Plant Facilities	10	4	4	4	4
Square Footage (in thousands)	87,628	38,115	38,115	38,115	38,115
Transportation					
Cars	32	34	42	35	34
Trucks/Vans	64	68	85	59	50
Buses	2	2	2	2	2
ADA Parking Spots	401	317	317	301	283
Non ADA Parking Spots	13,697	8,944	8,944	8,694	8,432

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